C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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C O M P A N Y   N A M E

EVER-GOTESCO RESOURCES AND HOLDINGS, INC. AND SUBSIDIARY

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

Ever-Gotesco Corporate Center, 1958 Claro M. Recto Avenue, Manila

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

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
egrhi@evermalls.com.ph	ctdizon@evermalls.com.ph	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
5,694	08/29	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Cynthia T. Dizon	ctdizon@evermalls.com.ph	735-6901	N/A

CONTACT PERSON's ADDRESS

Ever-Gotesco Corporate Center, 1958 Claro M. Recto Avenue, Quiapo, Manila

NOTE 1 : *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.*

Ever-Gotesco Resources and Holdings, Inc. and Subsidiary

Consolidated Financial Statements
December 31, 2015 and 2014
and Years Ended December 31, 2015, 2014
and 2013

and

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Ever-Gotesco Resources and Holdings, Inc.
Ever-Gotesco Corporate Center
1958 Claro M. Recto Avenue, Manila

We have audited the accompanying consolidated financial statements of Ever-Gotesco Resources and Holdings, Inc. and its subsidiary, which comprise the consolidated balance sheets as at December 31, 2015 and 2014, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ever-Gotesco Resources and Holdings, Inc. and its subsidiary as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which indicates that the Company and its subsidiary cannot presently determine the outcome of the pending case complaint filed by *Bangko Sentral ng Pilipinas* for the collection of its advances to the now defunct Orient Commercial Banking Corporation, an affiliate, where a notice of garnishment of lease payments has been issued against the Company, its subsidiary and certain affiliates, officers, and employees. Further, the Company and its subsidiary continued to have substantial deficit. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty, which may cast significant doubt about the Company's and its subsidiary's ability to continue as a going concern. Management's plans with regard to these matters are also described in Note 1. We have performed audit procedures to evaluate management's plans for such future actions as to likelihood to improve the situation and as to feasibility under the circumstances.

SYCIP GORRES VELAYO & CO.

Kristopher S. Catalan
Partner
CPA Certificate No. 109712
SEC Accreditation No. 1509-A (Group A),
October 1, 2015, valid until September 30, 2018
Tax Identification No. 233-299-245
BIR Accreditation No. 08-001998-109-2015,
March 4, 2015, valid until March 3, 2018
PTR No. 5321619, January 4, 2016, Makati City

April 20, 2016

EVER GOTESCO RESOURCES AND HOLDINGS, INC., AND SUBSIDIARY
1958 C.M. Recto Avenue, Quiapo, Manila

STATEMENT OF MANAGEMENT RESPONSIBILITY (SRC RULE 68)

The Management of **EVER GOTESCO RESOURCES AND HOLDINGS, INC. AND SUBSIDIARY** is responsible for the preparation and fair presentation of the financial statements for the calendar years ended December 31, 2015 and 2014, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. 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 financial statements and submits the same to the stockholders or members.

Sycip Gorres Velayo & Co., the independent auditors appointed by the stockholders for the period of December 31,2015 and 2014, have examined the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such examination.

JOSE C. GO - Chairman

JOEL T. GO - President

EVELYN C. GO- Treasurer

CYNTHIA T. DIZON- AVP Controller

SUBSCRIBED AND SWORN TO BEFORE ME
THIS ____ DAY OF AUG 0 1 2016
AT CITY OF MANILA

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BOOK NO. XLVIII
SERIES OF 2016

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MANILA

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EVER-GOTESCO RESOURCES AND HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash	**₱1,502,830**	₱1,997,662
Receivables (Notes 1, 4 and 17)	**2,950,190,984**	929,236,485
Creditable withholding taxes (Note 5)	**61,836,177**	129,590,290
Other current assets	**6,578,644**	5,250,478
Total Current Assets	**3,020,108,635**	1,066,074,915
Noncurrent Assets		
Receivables from related parties - net of current portion (Note 18)	**25,427,379**	1,333,946,207
Investment properties (Notes 7, 9 and 10)	**858,758,570**	2,136,083,317
Property and equipment (Note 6)	**224,747**	758,716
Deferred income tax asset (Note 16)	**–**	1,854,877
Other noncurrent assets (Note 8)	**20,891,992**	83,402,929
Total Noncurrent Assets	**905,302,688**	3,556,046,046
TOTAL ASSETS	**₱3,925,411,323**	₱4,622,120,961
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 1 and 9)	**₱50,000,000**	₱280,769,232
Current portion of payables to banks (Note 10)	**42,500,000**	162,376,664
Accounts payable and other liabilities (Notes 9, 10, 11 and 18)	**1,158,719,333**	1,587,195,085
Operating lease payable (Note 17)	**12,318,601**	17,829,719
Income tax payable	**3,003,182**	–
Customers' deposits (Note 17)	**81,850,825**	104,118,989
Total Current Liabilities	**1,348,391,941**	2,152,289,689
Noncurrent Liabilities		
Payables to banks - net of current portion (Note 10)	**–**	101,608,389
Retirement benefits liability (Note 15)	**4,222,341**	3,816,781
Deferred income tax liabilities - net (Note 16)	**583,764**	–
Total Noncurrent Liabilities	**4,806,105**	105,425,170
Total Liabilities	**1,353,198,046**	2,257,714,859
Equity		
Capital stock - ₱1 par value (Note 20)		
Authorized and issued - 5,000,000,000 shares (held by 5,694 and 5,763 equity holders in 2015 and 2014, respectively)	**5,000,000,000**	5,000,000,000
Remeasurement losses on retirement benefits - net (Note 15)	**(788,720)**	(777,843)
Deficit	**(2,426,998,003)**	(2,634,816,055)
Total Equity	**2,572,213,277**	2,364,406,102
TOTAL LIABILITIES AND EQUITY	**₱3,925,411,323**	₱4,622,120,961

See accompanying Notes to Consolidated Financial Statements.

EVER-GOTESCO RESOURCES AND HOLDINGS, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2015	2014	2013
REVENUES (Note 7)			
Mall rental income (Notes 17 and 18)	**₱319,469,333**	₱391,749,516	₱345,723,115
Cinema ticket sales (Note 18)	**441,895**	1,442,173	2,228,095
	319,911,228	393,191,689	347,951,210
DIRECT COSTS AND EXPENSES (Notes 7 and 12)	**(175,192,546)**	(236,853,557)	(223,835,075)
GROSS PROFIT	**144,718,682**	156,338,132	124,116,135
General and administrative expenses (Note 13)	**(99,131,680)**	(55,579,453)	(95,999,793)
Interest expense (Notes 9 and 10)	**(26,725,455)**	(60,839,884)	(80,233,565)
Other income - net (Note 14)	**279,936,289**	151,600,532	129,461,644
INCOME BEFORE INCOME TAX	**298,797,836**	191,519,327	77,344,421
PROVISION FOR INCOME TAX (Note 16)			
Current	**88,141,787**	45,405,366	2,469,578
Deferred	**2,561,712**	(2,994,790)	707,291
	90,703,499	42,410,576	3,176,869
NET INCOME	**208,094,337**	149,108,751	74,167,552
OTHER COMPREHENSIVE GAIN (LOSS)			
Item not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on retirement benefits (Note 15)	**(410,232)**	201,872	(388,400)
Income tax effect	**123,070**	(60,562)	116,520
	(287,162)	141,310	(271,880)
TOTAL COMPREHENSIVE INCOME	**₱207,807,175**	₱149,250,061	₱73,895,672
Basic /Diluted Earnings Per Share (Note 19)	**₱0.042**	₱0.030	₱0.015

See accompanying Notes to Consolidated Financial Statements.

EVER-GOTESCO RESOURCES AND HOLDINGS, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

	Capital Stock	Remeasurement Losses on Retirement Benefits (Note 14)	Deficit (Note 2)	Total
BALANCES AT DECEMBER 31, 2012	**₱5,000,000,000**	**(₱647,273)**	**(₱2,855,566,330)**	**₱2,143,786,397**
Net income for the year	–	–	74,167,552	74,167,552
Other comprehensive loss	–	(271,880)	–	(271,880)
Total comprehensive income (loss)	–	(271,880)	74,167,552	73,895,672
Excess of nominal amounts over present value of loans granted to related parties	–	–	(2,526,028)	(2,526,028)
BALANCES AT DECEMBER 31, 2013	**5,000,000,000**	**(919,153)**	**(2,783,924,806)**	**2,215,156,041**
Net income for the year	–	–	149,108,751	149,108,751
Other comprehensive income	–	141,310	–	141,310
Total comprehensive income	–	141,310	149,108,751	149,250,061
BALANCES AT DECEMBER 31, 2014	**5,000,000,000**	**(777,843)**	**(2,634,816,055)**	**2,364,406,102**
Net income for the year	–	–	208,094,337	208,094,337
Other comprehensive loss	–	(287,162)	–	(287,162)
Total comprehensive income (loss)	–	(287,162)	208,094,337	207,807,175
Transfer of remeasurement losses on retirement benefits to deficit (Note15)	–	276,285	(276,285)	–
BALANCES AT DECEMBER 31, 2015	**₱5,000,000,000**	**(₱788,720)**	**(₱2,426,998,003)**	**₱2,572,213,277**

See accompanying Notes to Consolidated Financial Statements.

EVER-GOTESCO RESOURCES AND HOLDINGS, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱298,797,836**	₱191,519,327	₱77,344,421
Adjustments for:			
Depreciation and amortization (Notes 6 and 7)	**131,845,156**	155,142,747	155,513,765
Interest income	**(240)**	(940)	(1,817)
Interest expense (Notes 9 and 10)	**26,725,455**	60,839,884	80,233,565
Gain on disposal of property (Note 7)	**(565,331,535)**	–	–
Accretion income (Note 18)	–	(80,749,895)	(84,101,281)
Provision for probable loss (Note 11)	**72,815,848**	–	–
Retirement benefits costs (Note 15)	**667,812**	681,250	581,500
Operating income before working capital changes	**(34,479,668)**	327,432,373	229,570,153
Decrease (increase) in:			
Receivables	**108,546,036**	(148,703,791)	88,769,521
Other current assets	**(1,592,531)**	(160,153)	1,070,531
Utilities, deposits, garnished collections and advances to contractors (Note 8)	**66,192,813**	(19,658,181)	(16,040,678)
Increase (decrease) in:			
Accounts payable and other liabilities	**137,549,462**	210,370,102	(55,919,086)
Customers' deposits	**(22,268,166)**	(683,475)	(425,596)
Operating lease payable	**(5,511,118)**	(4,685,992)	(8,359,809)
Cash generated from operations	**248,436,828**	363,910,883	238,665,036
Income taxes paid, including creditable taxes withheld and final taxes	**(17,384,446)**	(19,150,295)	(17,284,399)
Interest received	**192**	940	1,817
Net cash from operating activities	**231,052,574**	344,761,528	221,382,454
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in receivables from related parties (Note 17)	–	(9,507,714)	11,741,351
Acquisitions of:			
Investment properties (Notes 7, 8 and 24)	**(241,410)**	(6,474,667)	(1,539,805)
Property and equipment (Note 6)	**(24,107)**	(62,768)	(65,671)
Net cash from (used in) investing activities	**(265,517)**	(16,045,149)	10,135,875
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments to banks (Notes 9 and 10)	**(221,485,053)**	(265,958,190)	(186,777,767)
Interest paid (Note 10)	**(9,796,836)**	(61,594,384)	(44,349,478)
Cash used in financing activities	**(231,281,889)**	(327,552,574)	(231,127,245)
NET INCREASE (DECREASE) IN CASH	**(494,832)**	1,163,805	391,084
CASH AT BEGINNING OF YEAR	**1,997,662**	833,857	442,773
CASH AT END OF YEAR	**₱1,502,830**	₱1,997,662	₱833,857

See accompanying Notes to Consolidated Financial Statements.

EVER-GOTESCO RESOURCES AND HOLDINGS, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information, Authorization for Issue of the Consolidated Financial Statements, and Status of Operations

Corporate Information

Ever-Gotesco Resources and Holdings, Inc. (the Company) and its wholly owned subsidiary, Gotesco Tyan Ming Development, Inc. (GTMDI), (together referred to hereafter as the "Group") were incorporated in the Philippines primarily to engage in the business of building shopping malls and leasing out to commercial tenants. The Company and GTMDI were registered in the Philippine Securities and Exchange Commission (SEC) on September 27, 1994 and September 21, 1994, respectively.

The registered office address of the Company is Ever-Gotesco Corporate Center, 1958 Claro M. Recto Avenue, Manila, while GTMDI's registered office address is Ever-Gotesco Ortigas Complex, Ortigas Avenue, Pasig City.

Authorization for Issue of the Consolidated Financial Statements

The consolidated financial statements of the Group were authorized for issue in accordance with a resolution of the Board of Directors (BOD) on April 20, 2016.

Status of Operations

The Group is faced with significant risks arising from unresolved legal cases. Prior to June 2015, GTMDI's land, including the commercial complex situated thereon, was foreclosed in 1999 by lender banks following GTMDI's loan default. These banks, however, were not able to take possession of the properties pending the decision on the case by the Regional Trial Court of Pasig (RTC-Pasig).

On June 17, 2009, GTMDI and PNB, under the terms of the compromise agreement, agreed to arrive at a reasonable settlement of the case, subject to the terms and conditions set in their underlying compromise agreement, which was approved by the RTC-Pasig on August 14, 2009.

In 2000, the Group was impleaded to the civil case between the *Bangko Sentral ng Pilipinas* (BSP), as plaintiff, and the now defunct Orient Commercial Banking Corporation (Orient Bank) and some of its officers and employees, as defendants. In 2003, the parties to the civil case entered into a compromise agreement, which was approved by the Regional Trial Court of Manila (RTC-Manila). Under the terms of the compromise agreement, the rentals and all other income and revenue of the malls, which include those of the companies that are owned and operated by the defendants, shall continue to guarantee the stipulated amortizations due from the defendants. The Group along with the other defendants submitted an amortization schedule to BSP which the latter rejected. BSP sought to impose upon the defendants its own amortization schedule which the Group believes is way beyond the defendants' financial capacity. Despite several entreaties to come up with a compromise amortization schedule, no agreement has been reached. Thus, a deadlock in the negotiation ensued. RTC-Manila issued a Writ of Garnishment on lease rental receivables to the defendants.

In July 2010, a Notice of Garnishment on lease rental receivables was issued by the RTC-Manila against the Company, its subsidiary, officers and certain affiliates. The Notice of Garnishment directed the various tenants that all rental and lease payments to the defendants or funds in the possession of various tenants payable to the defendants are henceforth considered in the Custody of the Court and the various tenants should not deliver, pay or transfer, or otherwise dispose or encumber such rental or lease payments to the defendants or to any other person except to the Ex-Officio Sheriff of Manila or his/her Deputy under penalty of the law.

This has substantially impaired collection effort on lease rental receivables and added to the Company's and its subsidiary's cash flow problems. The Garnishment Notice exempted the Company's and its subsidiary's collections of tenants' utility dues and other assessments. Cash flows from these collections, however, allow the continuity of the mall operations.

The Company and its subsidiary, along with the other defendants assailed the Order of RTC-Manila granting the Writ of Execution before the Court of Appeals via a Petition for Certiorari. After the submission of the pertinent pleadings by the parties, the petition was submitted for resolution which is still pending as of April 20, 2016.

The net increase in lease rental receivables amounted to ₱93.9 million in 2015 and net decrease of ₱38.3 million in 2014 (see Note 4). Collections of lease rental receivables under the Custody of the Court classified as "Other noncurrent assets" in the consolidated balance sheets amounted to ₱35.1 million and ₱31.4 million as of December 31, 2015 and 2014, respectively (see Note 8).

Management believes that in order for the Group to settle its debts, it will also need external financing within the next few years. While management believes that it will be able to raise the necessary capital, there is no assurance as to its exact timetable. The failure to raise such financing would have a material adverse effect on the Group's future working capital requirements.

In June 2015, the lender bank has taken possession of the investment properties in exchange of the extinguishment of its outstanding obligations from the lender banks and return of payments (see Notes 7, 9 and 10). This resulted in the improvement of the working capital and net assets as of December 31, 2015. However, the Group remains to have an accumulated deficit amounting to ₱2.4 billion and ₱2.6 billion as of December 31, 2015 and 2014, respectively.

Management's plans to address these risks and uncertainties include the following:

a. Negotiations with the lender banks and other creditors for the restructuring of outstanding debts into more serviceable terms;
b. Continuous development and implementation of cost reduction measures;
c. Search for external financing either through new creditors or investors; and,
d. Intensive collection efforts to reduce the outstanding receivables and curtailment of additional advances.

The consolidated financial statements have been prepared assuming that the Group will continue as a going concern. The Group's continuing financial difficulties and the uncertainties over the ultimate outcome of the legal cases involving the Group indicate a material uncertainty on the Group's ability to continue operating as a going concern. The outcome of these uncertainties cannot be determined at the present time. The effects of these uncertainties will be reported in the consolidated financial statements as they become known and estimable.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis and are presented in Philippine peso (Peso), which is the Group's functional currency. All values are rounded to the nearest peso, except when otherwise indicated.

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiary as of December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015.

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

Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received

- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in Other Comprehensive Income (OCI) to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

<u>Changes in Accounting Policies and Disclosures</u>
The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2015. The nature and impact of each new standard and amendment are described below:

- Amendments to PAS 19, *Defined Benefit Plans: Employee Contribution*
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. When the contributions are linked to service, they should be attributed to periods of service as a negative benefit. The amendments clarify that, if the amount of contributions is independent of the number of years in service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendment is not relevant to the Group, since the Group has no defined benefit plans with contributions from employees or third parties.

- *Annual Improvements to PFRS (2010 to 2012 cycle*)
  Except as otherwise stated, the Group does not expect these amendments to have a significant impact on the consolidated financial statements.

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

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

    a. 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'.

b. 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 after taking into account the accumulated impairment losses.

- 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. These amendments are not relevant to the Group.

- *Annual Improvements to PFRS* (2011-2013 cycle)
Except as otherwise stated, the Group does not expect these amendments to have a significant impact on the consolidated financial statements.

  - 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:

    a. Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
    b. 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 - Interrelationship between PFRS 3 and PAS 40.* The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Accounting Standards, Amendments to Existing Standards
<u>and Interpretations Effective Subsequent to December 31, 2015</u>

Effective in 2016

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

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

- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*
  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. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group does not intend to change its accounting for its subsidiaries and associates in the separate financial statements.

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

- Amendments to PFRS 11 - *Accounting for Acquisitions of Interests in Joint Operations*
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The

amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- Amendments to PAS 1, *Presentation of Financial Statements - Disclosure Initiative*
  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

  - The entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - That specific line items in the statement of income and other comprehensive income (OCI) and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

- 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. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

- *Annual Improvements to PFRS* (2012-2014 cycle)
  The Annual Improvements to PFRS (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact 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. The Group shall consider this amendment in future transactions.

  - 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. The improvement does not have significant impact to the Group.

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

- PAS 19 - *Regional Market Issue Regarding Discount Rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The improvement does not have significant impact to the Group.

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

Effective in 2018

- PFRS 9 - *Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39*
  In 2014, the International Accounting Standards Board (IASB) issued the final version of 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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) 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 and impairment methodology for financial assets, but will have no impact 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 and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

Effective in 2019

- PFRS 16, *Leases*
  On January 13, 2016, the IASB issued its new standard, PFRS 16, *Leases*, which replaces PAS 17, the current leases standard, and the 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 single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on 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 lessor which the underlying asset is of low value are exempted from these requirements.

  The accounting for 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.

  Entities may early adopt PFRS 16 but only if they have adopted (International Financial Reporting Standards) IFRS 15, *Revenue Contracts from Customers*. When adopting PFRS 16, an entity is permitted to use either full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

Deferred Effectivity

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

- Amendments to PFRS 10 and PAS 28 - *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 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. On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments 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 following new standard by the IASB has not yet been adopted by the Philippine FRSC and SEC:

- 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 to in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Fair Value Measurement

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

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

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

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

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

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

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

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

For assets and liabilities that are recognized in the 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 reporting date.

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

Financial Instruments

Date of recognition

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

Initial recognition and classification of financial instruments

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at fair value through profit or loss (FVPL). Financial assets are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, or available-for-sale (AFS) financial assets. Financial liabilities on the other hand, are classified as financial liabilities at FVPL or other financial liabilities. The Group determines the classification at initial recognition and, where allowed and appropriate, reevaluates this designation at every balance sheet date.

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

As of December 31, 2015 and 2014, the Group has no financial assets and financial liabilities at FVPL, HTM investments and AFS financial assets.

Day 1 gain or loss

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 gain or loss) in profit or loss unless it qualifies for recognition as some other type of asset. The Group recognizes the Day 1 gain or loss on loans to entities that are under common control with the Group directly in equity.

In cases where data used is not observable, the difference between the transaction price and model value is recognized only when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the Day 1 gain or loss.

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables (or portions of loans and receivables) are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

As of December 31, 2015 and 2014, the Group's loans and receivables include cash in banks and receivables.

Other financial liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings. These financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization or accretion for any related premium, discount and any directly attributable transaction costs. Other financial liabilities (or portions of other financial liabilities) are included in current liabilities when they are expected to be settled within 12 months from the balance sheet date or the Group does not have an unconditional right to defer settlement of the liabilities for at least 12 months from the balance sheet date.

As of December 31, 2015 and 2014, the Group's other financial liabilities include bank loans, payables to banks and accounts payable and other liabilities.

Impairment of Financial Assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

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

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

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in profit or loss. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

In relation to receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

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

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

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Creditable Withholding Tax

Creditable withholding tax represents the amount withheld from income payments and is deducted from income tax payable on the same year the revenue was recognized. Unused creditable withholding taxes can be carried forward to the ensuing years. The balance of creditable withholding tax is reviewed at each balance sheet date to determine if an objective evidence exists that amounts are no longer recoverable and reduced to the amount the Group expects to recover.

Property and Equipment
The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use and any estimated cost of dismantling and removing the property and equipment item and restoring the site on which it is located to the extent that the Group had recognized the obligation of that cost. Such cost includes the cost of replacing part of the property and equipment if the recognition criteria are met. When significant parts of property and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. Subsequent to initial recognition, property and equipment, is carried at cost less accumulated depreciation and amortization, and any impairment losses.

When assets are retired or otherwise disposed of, their costs and related accumulated depreciation and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Furniture, fixtures and equipment	5
Cinema furniture and equipment	5
Transportation equipment	5 to 10
Other equipment	5

Depreciation of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the item is derecognized.

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

Investment Properties
Investment properties are measured initially at cost, including transaction costs. The cost of investment properties is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognized in accordance with the specific requirements of PFRS. Accordingly, investment properties acquired under the asset-for-share swap agreement in 1995 were initially measured at the assigned values as approved by the Philippine SEC. These assigned values were deemed costs of the investment properties acquired. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties, except for land, are carried at cost less accumulated depreciation and amortization, and any impairment losses. Land is carried at cost less any impairment in value. Interests on funds borrowed to partially finance the investment property during the construction period are capitalized to the respective property accounts.

The Group assesses if an item of property other than a piece of land or a building is regarded as part of an investment property. If an item is an integral part of an investment property, is being leased to the lessee together with the land and building as a whole and the entire group of assets is generating the income stream from the lease contract, the item is included as part of investment property.

Depreciation and amortization of investment properties is computed using the straight-line method over the following useful lives of the assets, regardless of utilization:

	Number of Years
Commercial complex and improvements	25
Machinery and equipment	10
Cinema furniture and equipment	5

Investment properties and improvements located in leased parcels of land are depreciated and amortized using the straight-line method over their useful lives, or the term of the lease, whichever is shorter.

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

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

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

Impairment of Nonfinancial Assets

The carrying values of property and equipment, investment properties and other current and noncurrent assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. 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 recoverable amounts. The recoverable amount of property and equipment, investment properties and other current and noncurrent assets is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Any impairment loss is recognized in profit or loss.

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

Value-added tax (VAT)
Revenues, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

VAT payable - net of input tax is included under "Accounts payable and other liabilities" account in the consolidated balance sheet.

Customers' Deposits
Customers' deposits are recognized upon receipt of advance rental payments from new tenants, which can be applied to unpaid rental receivables upon termination of the tenant's contract.

Other Comprehensive Income (OCI)
OCI comprises items of income and expense (including items previously presented under the parent company statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS. Other comprehensive income pertaining to remeasurements on the Group's defined benefit plans is recognized under "Remeasurement losses on retirement benefits" account in the consolidated balance sheet. Other items are closed directly to retained earnings (deficit).

Revenue
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 in order to determine if it is acting as a principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Mall rental income
Rent income from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature. Rent income from fixed tenants is generally recognized on a straight-line basis over the lease term. Rental income from percentage tenants is recognized at the end of every month based on a minimum agreed rental or certain percentage of the tenant's gross sales, whichever is higher.

Cinema ticket sales
Revenue from cinema ticket sales is recognized upon receipt of cash from the customers.

Interest income
Interest income is recognized as it accrues, using the effective interest method.

Direct Costs and Expenses
Direct costs and expenses are expenses directly related to the performance of services, which are recognized as incurred.

General and Administrative Expenses
General and administrative expenses include costs of administering the business, which are recognized as incurred.

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition and development of qualifying assets as part of the cost of such assets. Capitalization of borrowing cost commences when the activities to prepare the assets for their intended use are in progress and expenditures and borrowing costs are being incurred; is suspended during extended periods in which active development is interrupted; and, ceases when substantially all the activities necessary to prepare the assets for their intended use are complete. All other borrowing costs are expensed as incurred.

Retirement Benefits Costs
Retirement benefits costs are actuarially determined using the projected unit credit method. This method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each separately to build up the final obligation. Retirement benefit costs comprise the following:

- service cost;
- net interest on the net defined benefit liability or asset; and
- remeasurements of net defined benefit liability or asset.

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

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

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

The amount recognized as retirement benefits liability 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.

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

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless 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 reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

The Group determines whether arrangements contain a lease to which lease accounting must be applied. The costs of the agreements that do not take the legal form of a lease but convey the right to use an asset are separated into lease payments if the entity has the control of the use or access to the asset, or takes essentially all of the outputs of the asset. The said lease component for these arrangements is then accounted for as finance or operating lease.

The 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. 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 same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

The Group as a lessee
Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in profit or loss.

Operating lease expense is recognized in the profit or loss on a straight-line basis over the lease term.

<u>Income Taxes</u>
Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the balance sheet date.

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

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date 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 assets to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax assets to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

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

Deferred income tax relating to items recognized directly in equity is recognized directly in equity and not in profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Provisions and Contingencies

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

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

Capital Stock

The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares and any excess of the proceeds over the par value of shares issued, less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as “Additional paid-in capital”.

Retained Earnings

Deficit represents the cumulative balance of periodic total comprehensive income or loss, dividend distributions, correction of prior year’s errors, effect of changes in accounting policy and other capital adjustments. When retained earnings account has a debit balance, it is called a “deficit”. A deficit is not an asset but a deduction from equity.

Basic/Diluted Earnings Per Share

Basic earnings per share is computed by dividing net income for the year by the weighted average number of shares outstanding during the year.

Diluted earnings per share is calculated by dividing the income for the year attributable to stockholders by the weighted average number of shares outstanding during the year, excluding treasury shares and adjusted for the effects of all potential dilutive shares, if any.

In determining both the basic and diluted earnings per share, the effect of stock dividends, if any, is accounted for retroactively.

Segment Information
The Group is engaged in building shopping malls and leasing out to commercial tenants and considers such as its primary activity and only business segment. Management monitors the operating results of the Group for the purpose of making decisions about resource allocation and performance assessment.

Events After the Balance Sheet Date
Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Events after the balance sheet date that are not adjusting events are disclosed when material.

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

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements. The judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances that are believed to be reasonable at the balance sheet date. Actual results could differ from such estimates used.

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

Classification of leases
The Group has entered into property leases, where it has determined that all the risks and rewards incidental and related to the underlying properties are substantially retained by the lessors since there is no transfer of ownership of the leased properties. Also, the Group has entered into property leases, where it has determined that all the risks and rewards incidental and related to its investment properties are substantially retained by the Group since there is no transfer of ownership of the leased properties. As such, these lease agreements are accounted for as operating leases (see Note 17).

Classification of financial instruments
The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet. The Group classifies its receivables, advances to subsidiary, and receivable from related parties as loans and receivables while bank loans, payables to banks, and other liabilities as other financial liabilities. The classifications of financial instruments are disclosed in Note 23.

Fair values of financial instruments
The fair values of financial instruments are determined using valuation techniques. To the extent practicable, observable data are used on the valuation models, except for areas that require management to make estimates, such as credit risk, volatilities and correlations (see Note 23).

Determination of investment properties
An item other than a piece of land or a building should be regarded by a lessor as part of an investment property if that item is an integral part of the investment property. The determination

of whether or not an item constitutes an integral part of an investment property requires judgment and will depend on the particular facts and circumstances. Considering that the cinema furniture and equipment are leased together with the cinema space in the Company's commercial complex and that these group of assets generate lease income from a lease contract, cinema furniture and equipment are classified as investment property as of December 31, 2014.

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of allowance for doubtful accounts and probable losses
Provisions are made for accounts specifically identified to be doubtful of collection. The level of this allowance is evaluated by management on the basis of factors that affect the collectability or realizability of the accounts. These factors include but are not limited to the length of the Group's relationship with the other party, the other party's payment behavior and known market factors. Specific accounts are evaluated based on best available facts and circumstances such as information that certain customers may be unable to meet their financial obligations. In the case of creditable withholding taxes, management considers among others, the availability of future tax payable against which creditable withholding taxes may be utilized. These specific reserves are reevaluated and adjusted as additional information received impacts the amounts estimated.

As of December 31, 2015 and 2014, the allowances for doubtful accounts on third party receivables amounted to ₱57.1 million (see Note 4), and on receivables from related parties amounted to ₱880.3 million and ₱849.2 million, respectively (see Notes 4 and 18). As of December 31, 2015 and 2014, the allowance for probable losses on creditable withholding taxes amounted to ₱28.6 million and nil, respectively (see Note 5) and on other noncurrent assets amounted to ₱31.6 million and ₱0.5 million, respectively (see Note 8). In 2015, the Company provided full provision on garnished collections amounting to ₱35.1 million (see Note 8).

Recognition of deferred income tax assets
The carrying amount of deferred income tax assets is reviewed at each balance sheet date 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 assets to be utilized.

The Group has recognized deferred income tax assets on advanced rentals and retirement benefits liability amounting to ₱1.3 million and ₱3.8 million as of December 31, 2015 and 2014, respectively (see Note 16).

Impairment of noncurrent nonfinancial assets
The Group determines whether its property and equipment, investment properties and other noncurrent assets are impaired when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considered important which could trigger an impairment review include the following:

- significant adverse changes in the market, or economic environment where the Group operates;
- significant decrease in the market value of an asset;
- significant increase in the discount rate used for the value-in-use calculations;
- evidence of obsolescence and physical damage;
- significant changes in the manner in which an asset is used or expected to be used;
- plans to restructure or discontinue an operation;
- significant decrease in the capacity utilization of an asset; or,

- evidence is available from internal reporting that the economic performance of an asset is, or will be, worse than expected.

Management believes that there is no indication of impairment as of December 31, 2015 and 2014.

The aggregate carrying values of property and equipment, investment properties and other noncurrent assets amounted to ₱0.9 billion and ₱2.2 billion as of December 31, 2015 and 2014, respectively (see Notes 6, 7 and 8).

Estimation of useful lives of property and equipment and investment properties
The useful lives of property and equipment and investment properties are estimated based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. There is no change in the estimated useful lives of property and equipment and investment properties as of December 31, 2015 and 2014. The estimated useful lives of property and equipment and investment properties are discussed in Note 2 to the consolidated financial statements. The aggregate carrying values of property and equipment and investment properties amounted to ₱0.9 billion and ₱2.1 billion as of December 31, 2015 and 2014, respectively (see Notes 6 and 7).

Estimation of retirement benefits liability
The cost of defined benefit pension plans as well as the present value of pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in the discount rates and the future salary rates. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates in the country. Further details about the assumptions used are provided in Note 15.

Retirement benefits liability as of December 31, 2015 and 2014 amounted to ₱4.2 million and ₱3.8 million, respectively. Retirement benefits costs amounted to ₱0.7 million in 2015 and 2014, and ₱0.6 million in 2013 (see Note 15).

Provisions and contingencies
The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle the said obligations. An estimate of the provision is based on known information at the balance sheet date, net of any estimated amount that may be reimbursed to the Group. The amount of provision is being reassessed at least on an annual basis to consider new relevant information. There were no changes made to the total provision in 2014 and 2013. In 2015, the Company recognized provisions for probable losses amounting to ₱72.8 million (see Note 14). Provisions amounted to ₱132.9 million and ₱60.1 million as of December 31, 2015 and 2014, respectively (see Note 11).

4. Receivables

	2015	2014
Trade:		
Related parties (Notes 17 and 18)	**₱915,523,612**	₱821,634,256
Third parties	**52,387,935**	52,387,934
Others:		
Related parties (Notes 17 and 18)	**2,850,787,236**	948,840,075
Third parties	**8,117,849**	12,658,039
	3,826,816,632	1,835,520,304
Less allowance for doubtful accounts	**(876,625,648)**	(906,283,819)
	₱2,950,190,984	₱929,236,485

Trade receivables are non-interest bearing and are generally on 30 days' term. Trade receivable includes lease rental receivables subjected to garnishment as mentioned in Note 1.

Movements in and details of the allowance for doubtful accounts in 2015 and 2014 are as follows:

	Trade receivables from		Other receivables from		
	Related parties	Third parties	Related parties	Third parties	Total
December 31, 2012	**₱369,068,309**	**₱38,319,689**	**₱432,658,011**	**₱150,425**	**₱839,061,958**
Provision (Note 13)	–	–	47,442,051	–	47,442,051
December 31, 2013	**369,068,309**	**38,319,689**	**480,100,062**	**150,425**	**840,196,434**
Provision (Note 13)	–	18,645,334	–	–	18,645,334
December 31, 2014	**369,068,309**	**56,965,023**	**480,100,062**	**150,425**	**906,283,819**
Reclassification (Note 18)	–	–	205,060,944	–	205,060,944
Write-off	(95,169,985)	(8,400)	(139,540,730)	–	(234,719,115)
December 31, 2015	**₱273,898,324**	**₱56,956,623**	**₱545,620,276**	**₱150,425**	**₱876,625,648**

Provisions are made for doubtful accounts specifically identified as doubtful of collection.

Other receivables from third parties amounting to ₱4.3 million were directly written off in 2015. These trade receivables were Accounts Receivables - SSS, Accounts Receivables - Others and Advances to Officers and Employees.

In 2015, trade receivables amounting to ₱142.5 million were written off, ₱95.2 million of which was previously provided with allowance (see Note 18). Other receivables amounting to ₱300.5 million were also written off, ₱139.5 million of which was previously provided with allowance (see Note 18).

5. Creditable Withholding Taxes

	2015	2014
Creditable withholding taxes	**₱90,476,877**	₱158,230,990
Less allowance for probable losses	**(28,640,700)**	(28,640,700)
	₱61,836,177	₱129,590,290

6. **Property and Equipment**

	Furniture, Fixtures and Equipment	Cinema Furniture and Equipment	Transportation Equipment	Other Equipment	Total
	2015				
Cost					
January 1	**₱8,990,007**	**₱16,183,270**	**₱1,547,089**	**₱8,882,215**	**₱35,602,581**
Additions	**24,107**	**–**	**–**	**–**	**24,107**
Disposals and write-offs	**(2,773,224)**	**(3,609,000)**	**–**	**(2,523,298)**	**(8,905,522)**
Reclassification (Note 7)	**111,473**	**–**	**–**	**–**	**111,473**
December 31	**6,352,363**	**12,574,270**	**1,547,089**	**6,358,917**	**26,832,639**
Accumulated Depreciation					
January 1	**8,238,394**	**16,183,270**	**1,547,089**	**8,875,112**	**34,843,865**
Depreciation for the year (Notes 12 and 13)	**185,761**	**–**	**–**	**7,103**	**192,864**
Disposals and write-offs	**(2,300,255)**	**(3,609,000)**	**–**	**(2,523,298)**	**(8,432,553)**
Reclassification (Note 7)	**3,716**	**–**	**–**	**–**	**3,716**
December 31	**6,127,616**	**12,574,270**	**1,547,089**	**6,358,917**	**26,607,892**
Net Book Values	**₱224,747**	**₱–**	**₱–**	**₱–**	**₱224,747**

	Furniture, Fixtures and Equipment	Cinema Furniture and Equipment	Transportation Equipment	Other Equipment	Total
	2014				
Cost					
January 1	₱8,927,239	₱16,183,270	₱1,547,089	₱8,882,215	₱35,539,813
Additions	62,768	–	–	–	62,768
December 31	8,990,007	16,183,270	1,547,089	8,882,215	35,602,581
Accumulated Depreciation					
January 1	7,846,739	16,183,270	1,547,089	8,842,527	34,419,625
Depreciation for the year (Notes 12 and 13)	391,655	–	–	32,585	424,240
December 31	8,238,394	16,183,270	1,547,089	8,875,112	34,843,865
Net Book Values	₱751,613	₱–	₱–	₱7,103	₱758,716

The cost of fully depreciated property and equipment still used in operations amounted to ₱29.8 million and ₱32.3 million as of December 31, 2015 and 2014, respectively.

Property and equipment amounting to ₱0.5 million were transferred to creditor banks upon termination of mall operations of GTMDI in June 2015.

7. Investment Properties

	2015				
	Land	**Commercial Complex and Improvements**	**Machinery and Equipment**	**Cinema Furniture and Equipment**	**Total**
Cost					
January 1	**₱864,465,557**	**₱4,062,215,490**	**₱ 367,069,712**	**₱11,565,539**	**₱5,305,316,298**
Additions	**–**	**–**	**241,410**	**–**	**241,410**
Disposals	**(227,522,393)**	**(1,635,142,069)**	**(223,418,644)**	**(11,565,539)**	**(2,097,648,645)**
Reclassifications (Note 6)	**–**	**–**	**(111,473)**	**–**	**(111,473)**
December 31	**636,943,164**	**2,427,073,421**	**143,781,005**	**–**	**3,207,797,590**
Accumulated Depreciation and Amortization					
January 1	**–**	**2,793,303,109**	**364,364,333**	**11,565,539**	**3,169,232,981**
Depreciation and amortization for the year (Notes 12 and 13)	**–**	**130,946,944**	**705,348**	**–**	**131,652,292**
Disposals	**–**	**(718,115,928)**	**(222,161,070)**	**(11,565,539)**	**(951,842,537)**
Reclassifications (Note 6)	**–**	**–**	**(3,716)**	**–**	**(3,716)**
December 31	**–**	**2,206,134,125**	**142,904,895**	**–**	**2,349,039,020**
Net Book Values	**₱636,943,164**	**₱220,939,296**	**₱876,110**	**₱–**	**₱858,758,570**

	2014				
	Land	Commercial Complex and Improvements	Machinery and Equipment	Cinema Furniture and Equipment	Total
Cost					
January 1	₱864,465,557	₱4,056,603,913	₱366,206,622	₱11,565,539	₱5,298,841,631
Additions	–	5,611,577	863,090	–	6,474,667
December 31	864,465,557	4,062,215,490	367,069,712	11,565,539	5,305,316,298
Accumulated Depreciation and Amortization					
January 1	–	2,639,751,503	363,197,432	11,565,539	3,014,514,474
Depreciation and amortization for the year (Notes 12 and 13)	–	153,551,606	1,166,901	–	154,718,507
December 31	–	2,793,303,109	364,364,333	11,565,539	3,169,232,981
Net Book Values	₱864,465,557	₱1,268,912,381	₱2,705,379	₱–	₱2,136,083,317

a. Land consists of GTMDI's property in Pasig City where the Ever Pasig Mall is situated, the Company's property in Dagupan City, Pangasinan and certain parcels of land in Calamba, Laguna (see Note 9), which are not used in business.

   The commercial complex and improvements pertain to the Ever Commonwealth Commercial Complex (ECCC) located along Commonwealth Avenue in Quezon City and the Ever Pasig Mall which are being leased to several tenants (see Note 17).

   The fair value of the investment properties of ₱1.3 billion as of December 31, 2015 and ₱3.4 billion as of December 31, 2014, is based on the valuation performed by a professionally qualified independent appraiser dated March 11, 2016 and January 6, 2014, respectively. The valuation undertaken considered the fair market value of similar or substitute properties and related market data and established estimated value by processes involving comparison (Level 3).

Due to lack of comparable data from observable transactions, given the nature of the Group's commercial complex and improvements, the fair value of these properties has been determined using the valuation model recommended by the Philippine Valuation Standards as prescribed by the Department of Finance.

The following describes the valuation techniques used and key inputs to valuation on investment properties.

	Valuation technique	Significant unobservable input
Land	Market data approach	Adjusted sales price of comparable properties
Commercial complex and improvement	Sales comparison approach and cost approach	Adjusted sales price of comparable properties and cost to replace or reproduce
Cinema furniture and equipment	Sales comparison approach and cost approach	Adjusted sales price of comparable properties and cost to replace or reproduce
Machinery and equipment	Sales comparison approach and cost approach	Adjusted sales price of comparable properties and cost to replace or reproduce

Significant increases (decreases) in estimated inputs above would result in a significantly higher (lower) fair value of the properties.

Considering the properties' size, shape, topography, current zoning classification and the prevailing land uses and developments in the area, the appraiser identified that:

a. land in Dagupan, Pangasinan which is considered an agricultural area is only held for capital appreciation as part of the management's strategy;
b. land where the Ever Pasig Mall is situated also represents its highest and best use;
c. certain parcel of land which pertain to the proposed Ever Gotesco - Laguna Plaza Mall, despite being more profitable when continuously developed to a condominium, are held idle for capital appreciation as part of management's strategy, and,
d. the existing commercial use as shopping mall complex represents the highest and best use of the commercial complex situated in Commonwealth, together with the attached machineries and equipment.

b. As discussed in Notes 1 and 9, GTMDI's land and mall, which were used as collaterals for its bank loans, were foreclosed by lender banks in 1999. The lender banks, however, have not been able to take possession of these properties. As of December 31, 2014, the properties are carried in the books.

In 2015, the lender bank has taken possession of the investment properties with carrying value as at disposal date at ₱1.1 billion in exchange for the extinguishment of its outstanding obligations with the banks (see Note 9 and 10) and return of payments (see Note 18d). The disposal of property and the extinguishment of related obligations resulted in a gain amounting to ₱565.3 million.

c. The table below shows the profit arising from investment properties.

	2015	2014	2013
Revenue generated from investment properties	**₱319,911,228**	₱393,191,689	₱347,951,210
Direct operating expenses (including repairs and maintenance) that generated rental income	**(175,192,546)**	(236,853,557)	(223,835,075)
	₱144,718,682	₱156,338,132	₱124,116,135

The absolute ownership of ECCC will automatically be transferred to the lessor without the need of any further act on the part of the Group after the expiration of the executed contract of lease.

There are no contractual obligations either to purchase, construct or develop, or for repairs and maintenance or enhancement in the Group's investment properties.

8. Other Noncurrent Assets

	2015	2014
Utilities deposits	**₱14,623,866**	₱19,672,270
Garnished collections - net of allowance of ₱35,088,009 in 2015 (Note 1)	**–**	31,382,015
Advances to contractors	**2,328,330**	5,010,115
Others - net of allowance for probable losses of ₱31,581,627 in 2015 and ₱468,422 in 2014	**3,939,796**	27,338,529
	₱20,891,992	₱83,402,929

Others include, among others, nonrefundable miscellaneous deposits to suppliers.

9. Bank Loans

Bank loans as of December 31, consist of the balances of defaulted loans from:

	2015	2014
Syndicate of local banks	**₱–**	₱230,769,232
Land Bank of the Philippines (LBP)	**50,000,000**	50,000,000
	₱50,000,000	₱280,769,232

a. Loans from Syndicate of Local Banks

These consist of GTMDI's bank loans that were obtained in April 1995 from a syndicate of four local banks led by PNB, the proceeds from which were used to partially finance the construction of the Ever Pasig Mall. The syndicated loans were secured by an MTI dated April 7, 1995, with PNB as trustee, covering GTMDI's land in Pasig, together with the improvements thereon and the assignment of future rental receivables from the said commercial complex. As of December 31, 2014, the carrying value of the land and commercial complex and improvements amounted to ₱1.0 billion.

As discussed in Note 1, GTMDI defaulted on its debt obligations that led to the foreclosure of its land in Pasig and the Ever Pasig Mall in 1999. Prior to this default, the loan agreements originally provided, among others, the following:

i. Repayment of the loan principal in 13 equal and successive quarterly installments, which commenced at the end of the eighth quarter from the initial advance, payment of interest in arrears based on 91-day Treasury bill market rate plus three percent per annum;
ii. Maintenance of current and debt-to-equity ratios at agreed levels; and,
iii. Requirement of the lender banks' written consent for any change in the nature, ownership, and management of its present business, declaration or payment of cash dividends, sale, lease or disposal of a substantial portion of its properties and assets, incurrence of additional loans or to act as surety on behalf of other parties, and the extension of loans and advances to affiliated companies and any of its directors, officers, or stockholders, except in the regular course of business.

As also discussed in Note 1, GTMDI and PNB entered into a compromise agreement on June 17, 2009. Accordingly, GTMDI derecognized portion of the loans payable to PNB amounting to ₱307.7 million representing 50% of the bank loans from syndicate of local banks and the related accrued interest payable, and recognized the total compromise amount of ₱565.0 million as "Payable to Banks" in 2009 (see Note 10).

The Company accrued the related interest expense on the remaining balance as part of the "Accrued liabilities" included under the "Accounts payable and other liabilities" in the consolidated balance sheets, based on 8.0% interest rate in both years (see Note 11). Total interest expense recognized amounted to ₱4.6 million in 2015, ₱20.5 million in 2014 and ₱24.6 million in 2013.

On April 28, 2014, GTMDI paid its ₱76.9 million syndicated bank loan from UCPB through advances made from a related party, with the agreement of waiving the interest accrued for the loan amounting to ₱61.0 million.

As discussed in Note 7, in 2015, the lender bank has taken possession of the investment properties in exchange for the extinguishment of its liabilities and return of payments (see Note 18d). The bank loans amounting to ₱230.8 million and amount payable to PNB amounting to ₱134.5 million (see Note 10) with related accrued interest payable amounting to ₱666.2 million (see Note 11) were derecognized as a result of the agreement with the lender banks.

b. Loan from LBP

This represents a short-term loan by the Company from LBP which became due in December 1997 but was extended up to March 1998. However, such loan obligation was not settled on maturity date. The Company negotiated with the lender bank for restructuring of the loan but it did not prosper. In July 1999, the lender bank filed a civil case against the Company, demanding immediate payment of the principal and the corresponding default charges. In November 1999, the Company's lawyers filed their reply and submitted to the Regional Trial Court of Makati (RTC-Makati) among others, the ongoing negotiations for the settlement of the obligations, and hence, countered that the lender bank be ordered to sit down with the Company for the amicable settlement of the case. In November 2000, the RTC-Makati considered the Company's submission that it is ready to go into negotiation for the settlement of the case. The outcome of this civil case is not yet known. Pending final decision of the case, the default charges were not recognized in the consolidated financial statements since management believes that such charges are subject to negotiation and the final outcome of the case cannot be presently determined. The Company continues its negotiations for a solution that is acceptable to the lender bank.

The Company accrued the related interest expense amounting to ₱96.0 million and ₱84.0 million as part of "Accrued liabilities" account included in "Accounts payable and other liabilities" in the consolidated balance sheets, which is based on the interest rate of 24% for both years (see Note 11). Total interest expense recognized amounted to ₱12.0 million in both years.

10. **Payables to Banks**

	2015	2014
Beginning balance	**₱263,985,053**	₱453,020,166
Payments during the year (Notes 7 and 9)	**(221,485,053)**	(189,035,113)
	42,500,000	263,985,053
Less current portion	**(42,500,000)**	(162,376,664)
Noncurrent portion	**₱–**	₱101,608,389

a. Payables to Development Bank of the Philippines (DBP), PNB and SBC arising from the purchase by the Company of a parcel of land in Calamba, Laguna

In 2008 and 2009, the Company, entered into separate compromise agreements with DBP, PNB and SBC for the purchase of their respective 16.7%, 50.0% and 33.3% share in the undivided ownership/interest in the same parcel of land in Laguna which gave the Company the right to acquire the whole undivided ownership/interest over the subject parcel of land. The Company recorded the total purchase price amounting to ₱622.9 million as an addition to land, included as part of "Investment Properties" in the consolidated balance sheets (see Note 7) and correspondingly set up the payables to these banks.

The remaining amount payable to PNB shall be settled within seven years, in fixed monthly principal amortizations of ₱1.0 million for the first two years and in fixed monthly principal amortizations of ₱4.3 million for the remaining five years at 8% interest per annum. The remaining amount payable to DBP and SBC shall be settled within five years in fixed monthly principal amortizations of ₱1.6 million and ₱3.6 million, respectively, both at 8% interest per annum. In 2014 and 2013, the Company has fully paid its payable to SCB and DBP, respectively. As of December 31, 2015 and 2014, amounts payable to PNB relating to this compromise agreement amounted to ₱42.5 million and ₱93.5 million, respectively.

Total interest expense recognized on these payables to banks and charged to profit or loss amounted to ₱3.8 million in 2015, ₱10.5 million in 2014 and ₱17.6 million in 2013, while total accrued interest expense as of December 31, 2014 included as part of "Accrued liabilities" under the "Accounts payable and other liabilities" account in the 2014 consolidated balance sheet amounted to ₱0.57 million (see Note 11).

b. Payable to PNB arising from the compromise agreement entered into by GTMDI and PNB

As a result of the compromise agreement entered into between GTMDI and PNB on June 17, 2009, as discussed in Notes 1 and 9, GTMDI derecognized its bank loan from PNB and recognized a payable to PNB amounting to ₱565.0 million. As of December 31, 2014, payable to PNB relating to this compromise agreement amounted to ₱170.5 million.

Under the compromise agreement, the Company shall pay ₱80.0 million upon the execution of the compromise agreement for PNB's 50% undivided interest over the mortgaged parcels of land and Ever Pasig Mall. The remaining amount payable to PNB shall be settled within seven years, in fixed monthly principal amortization of ₱2.0 million for the first three years and in fixed monthly principal amortization of ₱10.1 million for the remaining four years at 8% interest per annum (see Note 1).

Interest expense recognized on this payable to bank amounted to ₱4.6 million in 2015, ₱17.8 million in 2014, and ₱25.7 million in 2013, while accrued interest expense amounted to ₱0.5 million as of December 31, 2014, which is included as part of "Accrued liabilities" under the "Accounts payable and other liabilities" account in 2014 consolidated the balance sheet (see Note 11).

11. Accounts Payable and Other Liabilities

	2015	2014
Trade	**₱47,529,841**	₱66,831,588
Accrued liabilities (Notes 9, 10 and 13)	**291,819,283**	977,886,067
Value-added tax - net of input tax	**256,027,372**	232,252,816
Retention payable to contractors and suppliers	**40,938,694**	43,830,486
Payable to related parties (Note 18)	**386,160,089**	203,936,797
Provisions	**132,900,217**	60,084,369
Others	**3,343,837**	2,372,962
	₱1,158,719,333	₱1,587,195,085

Accrued liabilities include the interest on bank loans amounting to ₱214.1 million and ₱730.9 million as of December 31, 2015 and 2014, respectively (see Notes 7 and 9), and interest on payables to banks amounting ₱1.08 million as of December 31, 2014 (see Note 10).

In 2014, GTMDI has determined that no payment is expected to be made and no obligation to pay exists as of December 31, 2014 on certain accruals that have been long outstanding which amounts to ₱61.5 million.

The Group is currently involved in certain legal, contractual and regulatory matters that require the recognition of provisions for related probable claims against the Group. Management and its legal counsel reassess its estimates on an annual basis to consider new relevant information. In 2015, the Group recognized provision for probable loss amounting to ₱72.8 million (see Note 14). Provisions amounted to ₱132.9 million and ₱60.1 million as of December 31, 2015 and 2014, respectively. The disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position and negotiation strategies with respect to these matters. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* only a general description is provided.

12. Direct Costs and Expenses

	2015	2014	2013
Depreciation and amortization (Notes 6 and 7)	**₱131,777,041**	₱154,995,651	₱155,175,434
Taxes and licenses	**17,240,901**	19,560,880	24,340,162
Land lease (Note 17)	**11,816,527**	11,816,527	11,816,527
Utilities	**6,868,197**	39,369,502	29,078,022
Film rentals	**143,471**	469,786	776,132
Contractual services	**66,582**	764,251	–
Others	**7,279,827**	9,875,960	2,648,798
	₱175,192,546	₱236,853,557	₱223,835,075

In June 2015, GTMDI has ceased its cinema and mall operations which cause the decline in the Group's direct costs and expenses.

13. General and Administrative Expenses

	2015	2014	2013
Provisions for doubtful accounts (Notes 4 and 8)	**₱66,201,214**	₱18,645,334	₱47,442,051
Salaries, wages and employee benefits (Note 15)	**13,154,470**	14,883,322	15,508,855
Insurance	**3,796,595**	2,675,408	3,875,025
Professional fees	**3,732,882**	3,716,437	4,026,661
Taxes and licenses	**3,119,649**	2,135,322	2,831,325
Transportation and communication	**2,499,661**	3,708,101	5,627,305
Entertainment, amusement and recreation	**1,954,752**	2,759,699	8,664,709
Advertising, promotions and marketing	**560,504**	1,323,012	1,285,027
Rent	**981,456**	791,497	838,615
Repairs and maintenance	**646,120**	628,172	1,303,732
Office supplies	**401,417**	588,327	467,869
Depreciation and amortization (Notes 6 and 7)	**68,115**	147,096	338,331
Others	**2,014,845**	3,577,726	3,790,288
	₱99,131,680	₱55,579,453	₱95,999,793

Others include, among others, outside services expenses.

14. Other Income - net

	2015	2014	2013
Gain on disposal of property (Note 7)	**₱565,331,535**	₱–	₱–
Write-off of receivables (Notes 4 and 18)	**(212,604,162)**	–	–
Provision for probable loss (Note 11)	**(72,815,848)**	–	–
Interest income	**240**	940	1,817
Accretion income (Note 18)	**–**	80,749,895	84,101,281
Gain on reversal of payables (Note 11)	**–**	61,538,462	45,358,546
Others	**24,524**	9,311,235	–
	₱279,936,289	₱151,600,532	₱129,461,644

15. Retirement Benefits Liability

The Group accrues the provision for retirement benefits covering all of its regular employees based on the provision of RA No. 7641, Retirement Pay Law. The law does not require minimum funding of the plan. The benefits are based on the years of service and compensation of the employees. Set in the following pages are the relevant details pertaining to the Group's retirement benefits. These are based on the actuarial valuation as of December 31, 2015, calculated using the projected unit credit method.

Retirement benefits costs recognized in profit or loss consist of the following:

	2015	2014	2013
Current service costs	**₱504,087**	₱516,344	₱444,000
Interest	**163,725**	164,909	137,500
	₱667,812	₱681,253	₱581,500

The retirement benefits liability as of December 31 were derived as follows:

	2015	2014
Beginning balance	**₱3,816,781**	₱3,337,400
Current service cost	**504,087**	516,344
Interest cost	**163,725**	164,909
Remeasurement loss (gain) arising from:		
Changes in financial assumptions	**(1,038,107)**	108,235
Changes in demographic assumptions	**1,710,925**	–
Experience adjustments	**(262,586)**	(310,107)
Benefits paid	**(103,223)**	–
Transfer to related party	**(569,261)**	–
Ending balance	**₱4,222,341**	₱3,816,781

Changes in the present value of defined benefits obligation follow:

	2015	2014
Beginning balance	**₱3,816,781**	₱3,337,400
Retirement benefits costs	**667,812**	681,253
Remeasurements recognized in OCI	**410,232**	(201,872)
Benefits paid	**(103,223)**	–
Transfer to related party	**(569,261)**	–
Ending balance	**₱4,222,341**	₱3,816,781

During 2015, GTMDI transferred its remaining employees and their related retirement benefit liability to an affiliate due to the cessation of its mall and cinema operations (see Note 18).

The movements in remeasurement losses on retirement benefits are as follows:

	2015	2014
Beginning balance	**₱1,111,204**	₱1,313,076
Remeasurement loss (gain)	**410,232**	(201,872)
Transfer of remeasurement losses on retirement benefits to deficit	**(394,693)**	–
Ending balance	**1,126,743**	1,111,204
Income tax effect	**(338,023)**	(333,361)
	₱788,720	₱777,843

The remeasurement loss on retirement benefits are presented in the consolidated balance sheets net of deferred income tax of of ₱788,720 and ₱777,843 as of December 31, 2015 and 2014, respectively.

As of December 31, 2015, the average duration of defined benefit obligations of the Company is 28.85 years.

The principal actuarial assumptions as used by the Company and GTMDI to determine retirement benefits costs as of December 31 follow:

	2015	2014	2013
Company			
Discount rate	**5.06%**	4.75%	5.02%
Future salary rate increases	**10.00%**	10.00%	10.00%
Expected average remaining working lives of employee	**15 years**	5 years	5 years
GTMDI			
Discount rate	–	4.55%	4.55%
Future salary rate increases	–	10.00%	5.00%
Expected average remaining working lives of employee	–	12 years	12 years

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption as of December 31 on present value of benefit obligation (PVBO), assuming all other assumptions were held constant:

	2015		2014	
	Increase (Decrease)	Effect on PVBO	Increase (Decrease)	Effect on PVBO
Discount rate	**1.0%**	**(₱737,064)**	1.0%	(₱488,193)
	(1.0%)	**930,167**	(1.0%)	592,073
Future salary rate increases	**1.0%**	**893,574**	1.0%	536,137
	(1.0%)	**(726,000)**	(1.0%)	(460,778)

The Group does not maintain a fund for its retirement benefit obligation. While funding is not a requirement of law, there is a risk that the Group may not have sufficient cash if several employees retire within the same year.

Shown below is the undiscounted maturity analyses of the undiscounted benefit payment as of December 31:

	2015	2014
Less than 1 year	**₱–**	₱–
More than 1 year to 5 years	**430,120**	458,026
More than 5 years to 10 years	**1,794,516**	1,359,892
More than 10 years to 15 years	**749,606**	6,446,471
More than 15 years to 20 years	**8,030,689**	8,037,941
More than 20 years	**85,832,027**	10,481,169

16. **Income Taxes**

a. The Group's provision for current income tax is as follows:

	2015	2014	2013
Current	**₱88,141,739**	₱45,405,178	₱2,469,215
Final tax	**48**	188	363
	₱88,141,787	₱45,405,366	₱2,469,578

c. The net deferred income tax assets (liabilities) is composed of the following:

	2015	2014
Recognized directly in profit or loss		
Deferred income tax assets on:		
Advance rentals (taxed upon collection)	**₱–**	₱2,560,310
Retirement benefits liability	**1,271,364**	1,205,595
	1,271,364	3,765,905
Deferred income tax liability on capitalized interest	**(1,850,466)**	(1,850,466)
	(579,102)	1,915,439
Recognized directly in equity		
Deferred income tax liability on remeasurement gain on retirement	**(4,662)**	(60,562)
Deferred income tax assets (liabilities)	**(₱583,764)**	₱1,854,877

d. Deferred income tax assets have not been recognized on the following items as management believes that it is more likely that the Group will not be able to realize the deductible temporary differences and the carryforward benefits of excess MCIT over RCIT in the future prior to their expirations.

	2015	2014
Allowance for doubtful accounts and probable losses	**₱870,666,136**	₱948,827,473
Unamortized operating lease expense	**12,318,601**	17,829,719
Advanced rentals (taxed upon collection)	**7,568,452**	7,568,452
Excess of MCIT over RCIT	**1,983,824**	2,993,050

e. As of December 31, 2015, the excess of MCIT over RCIT which can be claimed against future RCIT payable amounted to ₱1,983,824 which will expire on December 31, 2016.

In 2014, the Group applied NOLCO of ₱3.8 million against taxable income.

The following are the movements in excess of MCIT over RCIT:

	2015	2014
January 1	**₱2,993,050**	₱4,549,947
Expiration	**(1,009,226)**	(1,556,897)
December 31	**₱1,983,824**	₱2,993,050

f. The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in the consolidated statements of comprehensive income is as follows:

	2015	2014	2013
Provision for income tax at statutory income tax rate	**₱89,639,351**	₱57,455,798	₱23,203,326
Adjustments resulting from:			
Nondeductible expenses	**43,119,242**	11,743,392	24,673,516
Movement in NOLCO and deductible temporary differences for which no deferred income tax assets were recognized	**(27,601,896)**	3,023,378	(19,469,225)
Accretion income and other nontaxable income	**(14,453,174)**	(29,811,710)	(25,230,384)
Interest income already subjected to final tax	**(24)**	(282)	(364)
Provision for income tax	**₱90,703,499**	₱42,410,576	₱3,176,869

17. Lease Commitments

a. The Group has a renewable two year lease and management agreement with a related party as of December 31, 2015 and 2014 (see Note 18). Based on the agreements, the property manager is responsible for the control and complete operations of the mall, which include lease rentals, common area dues and other fees arising from operations, in exchange of a fee amounting to 10% of the monthly lease rentals. All lease rental income are remitted to the property manager as of end of every month (see Note 18).

The Group's mall rental income are based on certain percentages of tenants' and sublessor's revenue. Total rent revenue, amounted to ₱319.5 million in 2015, ₱391.7 million in 2014 and ₱345.7 million in 2013.

Customers' deposits relating to these leases amounted to ₱81.9 million and ₱104.1 million as of December 31, 2015 and 2014, respectively. In 2015, ₱22.2 million of the outstanding customers' deposits were transferred to third party.

b. The Company leases from third parties the land where ECCC and Ever Gotesco - Manila Plaza (EMP) are located. The lease term for ECCC is for a period of 25 years or up to year 2017 at a monthly rate of ₱525,000, with a 5% annual escalation rate, while for EMP, the lease was for a period of 20 years up to 2014 at a monthly rate of ₱140,700 and escalates at a certain rate every two years.

Future minimum lease payments under non-cancellable operating leases are as follows:

	2015	2014	2013
Within one year	**₱19,467,610**	₱18,540,581	₱17,657,696
After one year but not more than five years	**16,893,381**	36,360,991	54,901,572
	₱36,360,991	₱54,901,572	₱72,559,268

Operating lease payable amounted to ₱12.3 million and ₱17.8 million as of December 31, 2015 and 2014, respectively. With the pre-termination of the EMP lease in 2013, the Company reversed the operating lease payable pertaining to land leased along Recto where the EMP is located amounting to ₱4.4 million.

c. The Company leases its office space from a third party for a fixed monthly rate of ₱70,355 renewable every year.

18. **Related Party Transactions**

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

In the ordinary course of business, the Group has related party transactions and balances as follows:

	2015			
	Amount/ Volume	Outstanding Asset (Liability)	Terms	Condition
Stockholder				
Advances to	**₱–**	**₱1,205,387,065**	**Payable in five years; non-interest bearing**	**Unsecured; partially impaired**
Advances from	**–**	**(76,923,077)**		
Associated companies				
Rent	**319,469,333**	**915,523,612**	**Payable in one month; non- interest bearing**	**Unsecured; partially impaired**
Advances to	**680,522,551**	**1,674,491,850**	**Due and demandable**	**Unsecured; partially impaired**
Payable to	**182,223,292**	**(309,237,012)**	**Due and demandable**	**Unsecured**

	2014			
	Amount/ Volume	Outstanding Asset (Liability)	Terms	Condition
Stockholder				
Advances to	₱40,431,105	₱1,693,334,440	Payable in five years; non-interest bearing	Unsecured; partially impaired
Advances from	–	(76,923,077)		
Associated companies				
Rent	391,749,516	821,634,256	Payable in one month; non- interest bearing	Unsecured; partially impaired
Advances to	42,233,557	859,078,767	Payable in five years; non-interest bearing	Unsecured; partially impaired
Payable to	–	(127,013,720)	Due and demandable	Unsecured

a. The Group entered into a renewable two-year sublease and management agreement with an affiliate. The affiliate receives future rental income from tenants and pays for the operating expenses relating to the mall operations (see Note 17).

b. The Group grants non-interest bearing advances to entities that are under common control, to its parent company and to its stockholder. These advances are originally payable in five years as approved by the BOD. As of December 31, 2015, these advances have no payment terms and are considered payable on demand.

The long-term non-interest bearing advances were initially recorded at fair value, based on discounted cash flows, and are subsequently carried at amortized cost. The excess of the nominal amounts over the present values of the noncurrent receivables from entities under common control are recognized directly in equity on the date of grant. Accretion of the difference between nominal amount and present value is recognized in profit or loss.

In 2014, the Company recognized accretion income amounting to ₱80.7 million. On 2015, management assessed that the outstanding receivable from related parties as of December 31, 2014 will be the amount recoverable. Thus, management did not recognize further accretion income in 2015 and reclassified the unamortized portion of the excess of nominal amounts over the present values of the receivables from related parties amounting to ₱208.7 million to allowance for doubtful accounts.

The following table shows the rollforward of the unamortized portion of the excess of nominal amounts over the present values of noncurrent receivables from related parties:

	2015	2014
Beginning balance	**₱208,725,244**	₱289,475,139
Accretion	–	(80,749,895)
Reclassification	**(208,725,244)**	–
Ending balance	**₱–**	₱208,725,244

c. Movements in and details of the allowance for doubtful accounts relating to receivables from related parties follow:

	2015	2014
Beginning balance	**₱849,168,371**	₱849,168,371
Addition	**208,725,244**	––
Write-off	**(234,710,715)**	–
Ending balance	**₱823,182,900**	₱849,168,371

Addition pertains to the amounts reclassified from the unamortized portion of the excess of nominal amounts over the present values of the receivable from related parties. Allowance for doubtful accounts on receivables from related parties amounted to ₱823.2 million and ₱849.2 million as of December 31, 2015 and 2014, respectively. In 2015, the Group has written off receivables from related parties amounting to ₱443.0 million, ₱234.7 million of which was previously provided with allowance.

d. Receivables from related parties, net of current portion, arising from advances are as follows:

	2015	2014
Receivables from related parties	**₱2,879,878,915**	₱2,552,413,207
Less unamortized accretion income	–	(208,725,244)
	2,879,878,915	2,343,687,963
Less current portion (see Note 4)	**(2,850,787,236)**	(948,840,075)
	29,091,679	1,394,847,888
Less allowance for doubtful accounts - noncurrent	**(3,664,300)**	(60,901,681)
	₱25,427,379	₱1,333,946,207

As discussed in Note 7, as a result of the extinguishment of the Company's outstanding obligations, the lender banks returned the payment amounting to ₱680.5 million, which was directly remitted to an affiliate (see Notes 7, 9 and 10).

e. The Group has non-interest bearing payables to entities that are under common control. Payables to related parties, included as part of "Accounts Payable and Other Liabilities" in the consolidated balances sheets amounted to ₱386.2 million and ₱203.9 million as of December 31, 2015 and 2014, respectively (see Note 11).

f. The compensation of key management personnel representing short-term employee benefits amounted to ₱4.1 million in 2015 and 2014 and ₱3.9 million in 2013. Retirement benefits for key management personnel amounted to ₱0.5 million in 2015, 2014 and 2013 (see Note 15).

g. In 2015, GTMDI transferred its remaining employees and their related retirement benefit liability to an affiliate due to the cessation of its mall and cinema operations (see Note 15).

h. The Company granted non-interest bearing advances to GTMDI amounting to ₱204.3 million in 2014. Non-interest bearing advances amounting to ₱184.0 million as of December 31, 2014, net of unamortized excess of nominal amounts over the present value of these receivables amounting to ₱20.3 million, were fully eliminated in the consolidated financial statements. Accretion income recognized in profit or loss amounting to ₱9.3 million in 2014 and ₱8.8 million in 2013 were also eliminated.

The following table shows the movements of the receivable from Subsidiary:

	2015	2014
Beginning balance	**₱204,386,846**	₱195,075,611
Accretion	−	9,311,235
Ending balance	**₱204,386,846**	₱204,386,846

i. The accretion income recognized in 2014 amounting to ₱80.7 million and the balance of receivable from Subsidiary amounting to ₱204.4 million in 2015 and 2014 was fully eliminated for consolidation purposes.

19. Basic/Diluted Earnings Per Share

Basic/Diluted earnings per share amounts are calculated as follows:

	2015	2014	2013
Net income	**₱208,094,337**	₱149,108,751	₱74,167,552
Weighted average number of shares	**5,000,000,000**	5,000,000,000	5,000,000,000
Basic/Diluted earnings per share	**₱0.042**	₱0.030	₱0.015

The Group does not have potential dilutive shares as of December 31, 2015, 2014 and 2013. Therefore, the basic and diluted earnings per share are the same as of those dates.

20. **Equity**

The Philippine SEC authorized the offering/sale of the Company's 5.0 billion common shares with par value of ₱1.0 each on September 16, 1996. The Company's common shares were held by 5,694 and 5,763 shareholders as of December 31, 2015 and 2014, respectively.

21. **Capital Management**

The primary objective of the Group's capital management is to ensure that it maintains sufficient working capital for its operations and safeguard the entity's ability to continue as a going concern, continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes for the years ended December 31, 2015 and 2014.

The following table summarizes the total capital as of December 31 considered by the Group:

	2015	2014
Capital stock	**₱5,000,000,000**	₱5,000,000,000
Remeasurement loss on retirement benefits	**(788,720)**	(777,843)
Deficit	**(2,426,998,003)**	(2,634,816,055)
	₱2,572,213,277	₱2,364,406,102

22. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments consist of cash, receivables, bank loans and payables to banks. The Group has various other financial assets and financial liabilities such as accounts payable and other liabilities and customers' deposits which arise directly from its operations.

Financial risk management by the Group is governed by policies and guidelines approved by the BOD. Group policies and guidelines cover liquidity risk and credit risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results of operations and financial position.

Liquidity risk
The Group seeks to manage its liquid funds through cash planning. The Group uses historical figures and experiences as well as forecasts of its collections and disbursements in the management of its funds. The Group negotiates for extension of credit terms from its creditors for more manageable repayment terms.

The tables below summarize the maturities of the Group's financial liabilities based on contractual undiscounted payments and the estimated maturities of financial assets used to manage liquidity risk:

	2015			
	On demand	**Less than one year**	**More than one year**	**Total**
Cash in banks	**₱148,351**	**₱–**	**₱–**	**₱148,351**
Receivables	**2,950,190,984**	**–**	**–**	**2,950,190,984**
Noncurrent receivables from related parties	**–**	**–**	**25,427,379**	**25,427,379**
	₱2,950,339,335	**₱–**	**₱25,427,379**	**₱2,975,766,714**
Bank loans:				
Principal	**₱50,000,000**	**₱–**	**₱–**	**₱50,000,000**
Interest	**214,799,602**	**–**	**–**	**214,799,602**
Payables to banks:				
Principal	**–**	**42,500,000**	**–**	**42,500,000**
Accounts payable and other liabilities:				
Trade	**47,529,841**	**–**	**–**	**47,529,841**
Accrued liabilities	**291,819,283**	**–**	**–**	**291,819,283**
Payable to related party	**386,160,089**	**–**	**–**	**386,160,089**
	₱940,308,815	**₱42,500,000**	**₱–**	**₱982,808,815**

	2014			
	On demand	Less than one year	More than one year	Total
Cash in banks	₱138,351	₱–	₱–	₱138,351
Receivables	929,236,485	–	–	929,236,485
Noncurrent receivables from related parties	–	–	1,333,946,207	1,333,946,207
	₱929,374,836	₱–	₱1,333,946,207	₱2,263,321,043
Bank loans:				
Principal	₱280,769,232	₱–	₱–	₱280,769,232
Interest	728,912,437	–	–	728,912,437
Payables to banks:				
Principal	–	162,376,664	101,608,389	263,985,053
Interest	–	18,932,524	8,784,274	27,716,798
Accounts payable and other liabilities:				
Trade	66,831,588	–	–	66,831,588
Accrued liabilities	248,973,630	–	–	248,973,630
Payable to related party	80,999,780	–	–	80,999,780
Payable to non-affiliates	122,937,017	–	–	122,937,017
	₱1,529,423,684	₱181,309,188	₱110,392,663	₱1,821,125,535

Credit risk

The Group deals with recognized creditworthy tenants. It is the Group's policy that all tenants who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to minimize the Group's exposure to bad debts. The Group also limits the advances granted to related parties into manageable levels and exerts effort to collect from these related parties. Creditworthiness of the tenants and related parties is reassessed at least once or twice a year to determine sufficiency of any allowance for probable losses to be provided. The maximum credit risk exposure on receivables is equivalent to the carrying amount of receivables from tenants and related parties.

The Group's policy is to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk.

Out of the total trade receivables as of December 31, 2015 and 2014, 98% and 74%, respectively, comes from the Group's related parties. Except for receivables from some affiliates under common control, which are provided with allowances, the collectibility of receivables from related parties are highly probable since these related parties have high levels of net income and consistent positive cash flows. The Group manages the concentration risk by extending advances to related parties engaged in different industries such as department stores, supermarket, school, hospital, resorts and golf courses.

The maximum exposure to credit risk for the Group's loans and receivables, without taking into account any collateral and other credit enhancements, is equal to their carrying amounts.

The following tables summarize the credit quality per class of the Group's loans and receivables:

	2015				
	Neither past due nor impaired		**Past due**		
	High grade	**Standard grade**	**but not impaired**	**Past due and impaired**	**Total**
Cash in banks	**₱148,351**	**₱–**	**₱–**	**₱–**	**₱148,351**
Receivables	**–**	**–**	**2,950,190,984**	**671,564,704**	**3,621,755,688**
Noncurrent receivables from related parties	**–**	**–**	**25,427,379**	**–**	**25,427,379**
	₱148,351	**₱–**	**₱2,975,618,363**	**₱671,564,704**	**₱3,647,331,418**

	2014				
	Neither past due nor impaired		Past due		
	High grade	Standard grade	but not impaired	Past due and impaired	Total
Cash in banks	₱138,351	₱–	₱–	₱–	₱138,351
Receivables	–	929,236,485	–	906,283,819	1,835,520,304
Noncurrent receivables from related parties	–	1,333,946,207	–	41,619,548	1,375,565,755
	₱138,351	₱2,263,182,692	₱–	₱947,903,367	₱3,211,224,410

The Group classifies loans and receivables as high or standard grade. "High grade" receivables pertain to those receivables from tenants who consistently pay before the maturity date. "Standard grade" includes receivables that are collected on their due dates even without collection effort made by the Group. Past due but not impaired receivables include those that have not been paid during their respective due dates but are still assessed as collectible by the Group's management. Meanwhile, impaired receivables pertain to those with the least likelihood of collection even after rigorous collection efforts made by the Group. Impaired receivables have been provided with allowance depending on the management's assessment of their collectibility. In assessing collectibility, management considers deposits and advances held by the Group as well as the experience from previous transactions with the tenants.

Cash in banks are classified as "High grade" since these are deposited and invested with reputable banks and can be withdrawn anytime.

23. **Financial Instruments**

Except for the following financial instruments, the estimated fair value of each class of the Group's financial instruments approximates their carrying value due to the short-term nature of the transaction as of December 31, 2015 and 2014.

Presented below is the comparison of the carrying values and fair values of the Company's financial assets and financial liabilities:

	2015		2014	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets				
Noncurrent receivables from related parties	**₱25,427,379**	**₱25,427,379**	₱1,333,946,207	₱1,366,594,050
Financial Liabilities				
Other financial liabilities- Payables to banks	**₱42,500,000**	**₱40,932,254**	₱263,985,053	₱254,021,424

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Payables to banks
The fair value of payables to banks is determined by discounting the expected future cash flows at prevailing market interest rates for instruments with similar maturities.

Noncurrent receivables from related parties
Fair value is estimated as the present value of all future cash flows discounted using the prevailing market rate of interest. Discount rates used ranged from 2.41% to 3.06% in 2014. The Company has ceased to recognize the remaining accretion income from advances to related parties in 2015.

Fair Value Hierarchy
The fair value of the Group's investment properties was determined using the Level 3 inputs which are the offer prices of similar properties as of the reporting date.

The fair value of the receivables from related parties was determined using the market interest rate at the reporting date (Level 3).

The Group has no other assets measured at fair value or which fair value has been disclosed using the Level 1 and Level 2 valuation hierarchy. There were no transfers between the different hierarchy levels in 2015 and 2014.

24. **Operating Segments**

Revenues, total assets and total liabilities as of and for the years ended December 31, 2015, 2014 and 2013 are the same as reported elsewhere in the consolidated financial statements. Segment information for this reportable business segment is shown in the following table:

	2015	2014	2013
Revenues	**₱319,911,228**	₱393,191,689	₱347,951,210
Net income	**208,094,337**	152,447,446	74,167,552
Total assets	**3,925,411,323**	4,622,650,421	4,536,016,368
Total liabilities	**1,353,198,046**	2,257,714,861	2,320,860,327
Capital expenditures	–	6,537,435	1,605,477
Depreciation and amortization	**131,845,156**	155,142,747	155,513,765

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 ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Ever-Gotesco Resources and Holdings, Inc.
Ever-Gotesco Corporate Center
1958 Claro M. Recto Avenue, Manila

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of Ever-Gotesco Resources and Holdings, Inc. and its subsidiary as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, included in this Form 17-A and have issued our report thereon dated April 20, 2016. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Kristopher S. Catalan
Partner
CPA Certificate No. 109712
SEC Accreditation No. 1509-A (Group A),
October 1, 2015, valid until September 30, 2018
Tax Identification No. 233-299-245
BIR Accreditation No. 08-001998-109-2015,
March 4, 2015, valid until March 3, 2018
PTR No. 5321619, January 4, 2016, Makati City

April 20, 2016

EVER-GOTESCO RESOURCES AND HOLDINGS, INC.
AND SUBSIDIARY

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

Schedule A. Financial Assets. (Included in Consolidated Financial Statements)

Schedule B. Accounts Receivable from Directors, Officers, Employees, and Principal Stockholders (Other than Related Parties).

EVER GOTESCO RESOURCES AND HOLDINGS, INC.& SUBSIDIARY
For the Year Ending December 31, 2015

				Deductions				
Name and Designation of Director		Beginning Balance	Additions	Collections	Written-off	Current	Noncurrent	Ending Balance
Jose C. Go	Chairman	19,282,132	-	-	-	19,282,132	-	19,282,132
Joel T. Go	President	8,137,292				8,137,292	-	8,137,292
Allowance for doubtful accounts		(19,282,132)	-	-	-	(19,282,132)	-	(19,282,132)
Balance		8,137,292	-	-	-	8,137,292	-	8,137,292

Schedule C. Accounts Receivable from Related Parties which are eliminated during the consolidation of Financial Statements.

EVER GOTESCO RESOURCES AND HOLDINGS, INC. & SUBSIDIARY
For the Year Ending December 31, 2015

			Deductions				
Name and Designation of Debtor	Beginning Balance	Additions	Collections	Written -off	Current	Noncurrent	Ending Balance
Excess of nominal amounts over present value of advances	(29,653,570)		-	-	-	-	(29,653,570)
Balance	154,273,612	50,113,234	-	-	-	50,113,234	204,386,846

Schedule D. IntangibleAssets. NIL

Schedule E. Long-Term Debt

EVER GOTESCO RESOURCES AND HOLDINGS, INC. & SUBSIDIARY

For the Year Ending December 31, 2015

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Current	Noncurrent	Remarks
EGRHI - PARENT				
Re-purchase of Foreclosed Property (Calamba, Laguna)				
Philippine National Bank (PNB)		42,500,000	-	Seven-year contract w/ monthly amortization payments covered by 84 postdated checks from October 2009 to October 2016.
		42,500,000	-	

Note: All other details pertaining to this schedule are included in the Notes to Financial Statements.

Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies). NIL

Schedule G. Guarantees of Securities of Other Issuers. Not Applicable.

Schedule H. Capital Stock

EVER GOTESCO RESOURCES AND HOLDINGS, INC. & SUBSIDIARY

For the Year Ending December 31, 2015

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Convertions and Other Rights	Affiliates	Number of Shares Held by Directors, Officers and Employees	Others
Common Shares	5,000,000,000	5,000,000,000	-	1,874,235,000	377,873,997	2,747,891,003

Schedule I. List of Philippine Financial Reporting Standards (PFRS) effective as at December 31, 2015 and List of New and Amended Standards and Interpretations and Improvements to PFRS that became effective as at January 1, 2015.

EVER-GOTESCO RESOURCES AND HOLDINGS, INC. AND SUBSIDIARY

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3 : Accounting for Contingent Consideration in a Business Combination			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 3 : Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

**These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2015. The Group did not early adopt these standards, interpretations and amendments.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Changes in Method of Disposal		✓	
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: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements		✓	
	Amendments to PFRS 7: Servicing Contracts*		✓	
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 Asset	✓		
PFRS 9	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Financial Instruments (2014 version)*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓

**These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2015. The Group did not early adopt these standards, interpretations and amendments.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13 : Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts*		✓	
IFRS 15	Revenue from Contracts with Customers*		✓	
PFRS 16	Leases*		✓	
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, Disclosure Initiative	✓		
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
**These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2015. The Group did not early adopt these standards, interpretations and amendments.*				
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	✓		
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
	Regional Market Issue Regarding Discount Rate*	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendment:Equity Method in Separate Financial Statements*		✓	
**These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2015. The Group did not early adopt these standards, interpretations and amendments.*				

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendments to PAS 34 : Interim Financial Reporting and Segment Information for Total Assets and Liabilities*		✓	
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	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			✓
**These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2015. The Group did not early adopt these standards, interpretations and amendments.*				
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	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			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓

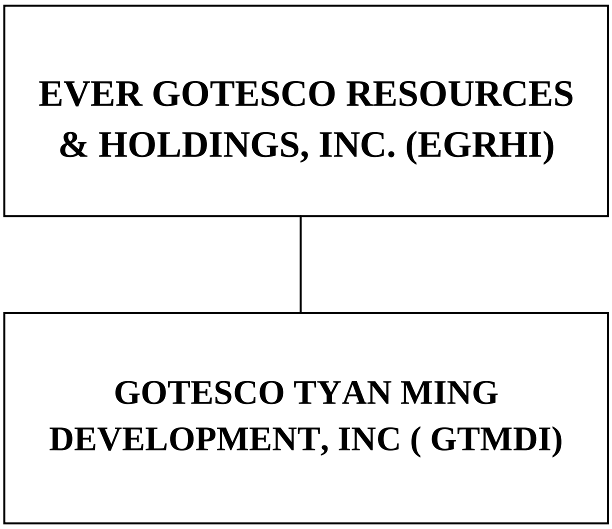
**These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2015. The Group did not early adopt these standards, interpretations and amendments.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	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	✓		
	Amendment to SIC - 12: Scope of SIC 12	✓		
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2015. The Group did not early adopt these standards, interpretations and amendments.*

Schedule J. Map Showing the Relationships Between and Among the Company, Its Parent Company, Subsidiaries and Associates.

EVERGOTESCORESOURCES&HOLDINGS, INC. &SUBSIDIARY
RELATIONSHIPMAP



EVER-GOTESCO RESOURCES AND HOLDINGS, INC.

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2015

Retained earnings (deficit), beginning	**(₱2,634,816,055)**
Adjustments	–
Retained earnings, as adjusted to amount available for dividend declaration, beginning	**(2,634,816,055)**
Add net income actually earned/realized during the year	**413,639,934**
Retained earnings (deficit), available for dividend declaration, end	**(₱2,221,176,121)**

Notes:

1) No retained earnings available for dividend declaration at the beginning of the year since the resulting amount as adjusted to available for dividend distribution is still a deficit amounting to ₱2,221,176,121.
2) Net income actually earned/realized during the year ended December 31, 2014 after adjusting unrealized income is ₱413,916,223.
3) No retained earnings available for dividend declaration at the end of the year since the resulting amount as adjusted to available for dividend distribution is still a deficit amounting to ₱2,221,176,121.

FIVE (5) KEY PERFORMANCE INDICATORS

The table below and the profit and loss determinants, earnings/loss per share and liquidity position sets forth the comparative key performance indicators of the Company and its majority-owned subsidiaries.

	End-December 2015	***End-December 2014***
Current Ratio	2.24:1.00	0.50:1.00
Debt to Assets Ratio	0.34:1.00	0.49:1.00

Net Profit Ratio	65.05%	37.92%
Return on Equity	8.09 %	6.33 %
Return on Assets	5.30	3.24

Manner of calculating the above indicators is as follows:

Current Ratio $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

Debt to Assets Ratio $\frac{\text{Total Liabilities}}{\text{Total Assets}}$

Net Profit Ratio $\frac{\text{Net income for the period}}{\text{Net revenues for the period}}$

Return on equity $\frac{\text{Net Income}}{\text{Total Equity}}$

Return on Assets $\frac{\text{Net Income}}{\text{Total Assets}}$