COVER SHEET

1	3	4	8	0	0	-	-	-	-	-	-

S,E.C Registration Number

JOLLIVILLE HOLDINGS

CORPORATION

(Company's Full Name)

4TH FLOOR 20 LANSBERGH PLACE

170 TOMAS MORATO AVE. COR.

SCOUT CASTOR ST., QUEZON CITY

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

ORTRUD T. YAO

Contact Person

373-30-38

Company Telephone Number

1	2		3	1

Month Day

(Fiscal Year)

	1	7	-	Q

3rd Qtr. 2014

FORM TYPE

0	6			

Month Day

(Annual Meeting)

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total amount of borrowings

Total No. of Stockholders

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

JOLLIVILLE HOLDINGS CORPORATION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(b)(2) THEREUNDER

1. For the quarterly period ended: **September 30, 2014**

2. SEC Identification No. **134800**

3. BIR Tax Identification **No. 000-590-608-000**

4. Exact name of registrant as specified in its charter:
JOLLIVILLE HOLDINGS CORPORATION

5. Province, Country or other jurisdiction of incorporation or organization:
PHILIPPINES

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

7. Address of principal office and Postal Code:
4th Floor 20 Lansbergh Place, Tomas Morato Ave. cor. Scout Castor St., 1103 Quezon City

8. Registrant's telephone no. and area code: **(632) 373-3038**

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

10. Securities registered pursuant to Sections 4 & 8 of the RSA:

Title of Each Class	No. of Shares of Common Stock Outstanding &/or Amount of Debt Outstanding
Common Stock, ₱ 1 par value	**281,500,000 shares**

11. Are any or all of these securities listed on the Philippine Stock Exchange?
Yes [x] No [ ]

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):
Yes [x] No [ ]

(b) has been subject to such filing requirements for the past 90 days:
Yes [x] No [ ]

TABLE OF CONTENTS

FINANCIAL INFORMATION

Item 1. ***FINANCIAL STATEMENTS***

Please find attached herein the Unaudited Consolidated Financial Statements (as Exhibit I) for the third (3rd) Quarter ending September 30, 2014.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations

The consolidated financial statements for the quarter ended September 30, 2014 resulted to a net income after tax of ₱37,584,490 compared to ₱22,034,165 for the same quarter last year.

Power sales pertain to the electricity generation activity of OPI. OPI supplies electricity to Oriental Mindoro Electric Cooperative and operates a power plant in Calapan City using bunker fuel. Power sales increased by 12.53% from ₱126.9 million to ₱142.8 million for this quarter as against the same period last year, and by 5.83% from ₱363.2 million to ₱384.4 million for the first nine months of 2014 as against the same period of 2013. Additional generator sets were acquired and set-up in 2014 which resulted to higher power generation. For the first nine months of 2014, it generated 35,888,664 kilowatt hour (kWh) as against 34,486,900 kWh in 2013.

Water service revenues have been steadily increasing and this is attributable to the implementation of additional 20% rate increase for the Calapan operation starting October 2013. Revenues grew by 36.91% from ₱34.3 million to ₱46.9 million for this quarter as against the same period last year, and by 34.26% from ₱104,939,880 to ₱140,896,187 for the first nine months of 2014 as against the same period of 2013.

For the management fees, we were able to gain new customers during the period. After a long negotiation, rates were finalized in the 3rd quarter of the year. Thus, there were incremental billings in the 3rd quarter to reflect the fees for the first two quarters. Rental decreased by 9.36% or ₱2,027,673 resulting from one lapsed lease.

Sales of goods represent the trading activity of CVI. CVI's trading activity ceased to operate last October 9, 2013.

Cost of services increased by 10.06% or ₱35,303,403 for the period and by 18.95% or ₱23,800,968 for the 3rd quarter of 2014. The increase is primarily due to higher personnel costs and higher depreciation from capital investments made. These two accounts increased by over 100% for the nine month of 2014. However, the increase was offset by the decrease in cost of service of CVI due to cessation of its trading activity.

Operating expenses decreased by 15.67% (₱13,418,386) from January to September 2014. Much of the decrease could be attributed to the decrease on depreciation, personnel cost and termination of outside contracts with third parties.

Net other charges decreased by 8.56% or ₱1,789,985 for the nine months ended September 30, 2014. Finance charges decreased resulting from the settlement of current principal obligations. The increase or decrease in the interest income earned is dependent upon the duration of the higher-yielding placements and not necessarily on the balance as of the end of the period. The rates offered by banks on deposit products have remained unchanged.

Noncontrolling interest represents noncontrolling stockholders' share in the net income or loss of CVI and BIA. The fluctuation in this account is tied-in to the operating results and to the Company's overall ownership in the former.

Financial Position

Total assets increased by 26.48% or ₱532,067,214 from ₱2,009,599,846 as of December 31, 2013 to ₱2,541,667,060 as of September 30, 2014.

The biggest contributor to the increase came from property, plant and equipment account. It increased by 40.87% or ₱318,069,740 during the period. This represents progress billings for the construction of Inabasan hydro power plant of OPI located at San Teodoro, Oriental Mindoro. This development in our power generation unit suggests a potential growth in market standing and of the Company as a whole. This construction also caused the noncurrent assets to increase by 42.99% or ₱15,041,635 which represents additional development costs of the power plant.

Receivables increased by 126.47% or ₱145,957,727 from ₱115,404,883 as of December 31, 2013 to ₱261,362,610 as of September 30, 2014. This represents mainly of the increase in advances made to contractors as part of the contractual agreement of both parties. Another contributing factor is the timing differences on collections from several customers.

Cash and cash equivalents account increased by 37.08% or ₱84,460,561 from ₱227,792,017 as of December 31, 2013 to ₱312,252,578 as of September 30, 2014. This increase came from loan availed during the period. Expansion such as construction of new power plant suggests for higher cash requirements of the company.

Due from related parties decreased by 76.03% from ₱47,010,801 as of December 31, 2013 to ₱11,267,972 as of September 30, 2014 as payments were received from affiliates.

Other current assets increased by 8.21% from ₱68,361,655 as of December 31, 2013 to ₱73,976,865 as of September 30, 2014. The increase mainly represents creditable withholding taxes and creditable withholding VAT of OPI with balance of ₱10,690,889 and ₱26,170,658 as of September 30, 2014, respectively.

Currently, the Group has a strong cash position, obligations to creditors and related parties were settled. However, accounts payable and accrued expenses significantly increased by 192.94% from ₱150,469,043 as of December 31, 2013 to ₱440,787,535 as of September 30, 2014, a total of ₱290,318,492 which mostly pertains to payables to contractor for OPI's construction of the Inabasan Power Plant. It is not funded entirely by DBP and our share as owner was recognized as a liability.

Loans payable increased by 36.61% to ₱707,839,815 as of September 30, 2014. The increase of ₱189,677,671 pertains mainly to additional releases from DBP loan facility intended for the construction of the Inabasan Power Plant.

The retirement benefit obligation, deferred tax liability and deposit for future stock subscription were unchanged from year-end whilst customers' deposits increased by 23.16% or ₱4,421,631 which mainly pertains to additional water meter maintenance collected by CWC.

Noncontrolling interest pertains to CVI and BIA. This represents the share of its noncontrolling shareholders in the net assets of said subsidiaries. The change in this account is tied-in to the discussion on the related item shown in the statements of comprehensive income discussed earlier.

Liquidity and Solvency

The Company's cash balance increased from ₱227,792,017 as of end of 2013 to ₱312,252,578 as of September 30, 2014. The increase was generated from operations and proceeds from DBP loan facility. A portion of the cash generated was used to settle obligations to creditors and related parties. There is sufficient cash and credit to finance operating and investing activities of the Group.

Dividends

None

Issuances, Repurchases, and Repayments of Debt and Equity Securities

None

Events that will trigger Direct or Contingent Financial Obligation that is Material to the Company, including any Default or Acceleration of an Obligation

None

Material Off-Balance Sheet Transactions, Arrangements, Obligations (including Contingent Obligations), and Other Relationships of the Company with Unconsolidated Entities or Other Persons created during the Reporting Period

None

Known Trends, Demands, Commitments, Events or Uncertainties that will have a Material Impact on Liquidity or that are reasonably expected to have a Material Favorable or Unfavorable Impact on Net Sales/Revenues/Income from Continuing Operations

None

Cause for any Material Change from period to period which shall include Vertical and Horizontal Analyses of any Material Item

This is already incorporated in the discussion under "Results of Operations" and "Financial Position".

Seasonal Aspects that has a Material Effect on the Financial Statements

None

Material Commitments for Capital Expenditures, General Purpose of such Commitments, Expected Sources of Funds for such Expenditures

Ormin Power Inc is currently constructing its 10 MW Mini Hydro Power Plant facility in San Teodoro, Oriental Mindoro. The project cost is PhP 1.6 billion and it is currently being financed through a term loan from the Development Bank of the Philippines. Expected project completion is on December 2016.

On March 14, 2014, OPI entered into an agreement with a foreign supplier for the purchase of various hydroelectric equipment to be used in the Inabasan Project. Total contract price of the equipment amounted to US$3.0 million.

Calapan Waterworks Corporation is currently undertaking Phase I of its expansion program in Calapan City. Phase I involves development of three new water production facilities, installation of storage facilities for the water system, and pipe laying of additional distribution lines. Phase 1 is estimated to cost about PhP150 million, about PhP120 million will be financed through bank borrowings while the balance will be funded through internally generated funds.

Any Significant Elements of Income or Loss that did not arise from Continuing Operations

None

Financial Risk Disclosure

Please refer to Note 2 of the Notes to Consolidated Financial Statements for the description, classification and measurements applied for financial instruments of the Group.

The Group's principal financial instruments comprise of cash, receivables, short-term bank deposits, available-for-sale investments, bank loans, trade payables, due to related parties and payable to property owners. The main purpose of the Group's financial instruments is to fund the Group's operations and to acquire and improve property and equipment. The main risks arising from the use of financial instruments are liquidity risk, interest rate risk and credit risk.

The main objectives of the Group's financial risk management areas are as follows:

- To identify and monitor such risks on an ongoing basis;
- To minimize and mitigate such risks; and
- To provide a degree of certainty about costs.

The Group's Board reviews and agrees with policies for managing each of these risks. These are summarized below:

Liquidity risk
The Group seeks to manage its liquid funds through cash planning on a weekly basis. The Group uses historical figures and experiences and forecasts from its collections and disbursements. The Group's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information.

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term borrowings. The Group's policy is to minimize interest rate cash flow risk exposures. Long-term borrowings are therefore usually at agreed interest rates. Also, the Group manages its exposure to interest rate risk by closely monitoring bank interest rates with various banks and maximizing borrowing period based on market volatility of interest rates.

Credit risk
This risk refers to the risk that a customer/debtor will default on its contractual obligations resulting in financial loss to the Group. The Group controls this risk through monitoring procedures and regular coordination with the customers. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group also controls this risk by cutting its services and refusal to reconnect until the customer's account is cleared or paid.

The Group's credit risk is primarily attributable to its trade receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Given the Group's diverse customer base, it is not exposed to large concentration of credit risk.

Currency risk is the risk that a business' operations or an investment's value will be affected by changes in exchange rates. If Philippine pesos, the Group's functional currency, has to be converted into another currency to buy or sell goods and services, or to make certain investments, a gain or loss may arise when these are converted back into pesos. This risk has been assessed to be insignificant given that all the Group's transactions are made in pesos. The Group has no investments in foreign securities.

Market risk is the risk of losses arising from changes in market prices. This usually affects an entire class of assets or liabilities. The value of investments may decline over a given period of

time simply because of economic changes or other events that impact large portions of the market. Management has assessed this risk to be insignificant since the Group's financial instruments are not openly traded in the open market (stock exchange, foreign exchange, commodity market, etc.) nor does it engage in exotic financial instruments such as derivatives, spot or forward contracts and the like. The fair values of the Group's financial instruments did not change between this period and the preceding period thus no gain or loss was recognized.

EXHIBIT I

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Philippine Pesos)

		September 30, 2014 (Unaudited)		December 31, 2013 (Audited)
ASSETS				
Current Assets				
Cash and cash equivalents	₱	**312,252,578**	₱	227,792,017
Receivables – net		**261,362,610**		115,404,883
Inventories - net		**22,506,438**		24,309,768
Due from related parties		**11,267,972**		47,010,801
Other current assets		**73,976,865**		68,361,655
Total Current Assets		**681,366,463**		482,879,124
Noncurrent Assets				
Available-for-sale (AFS) investments		**2,887,074**		2,887,074
Investment in an associate		**20,758,638**		20,290,138
Investment property		**680,963,882**		680,963,882
Property, plant and equipment – net		**1,096,306,378**		778,236,638
Deferred tax assets		**9,357,052**		9,357,052
Other noncurrent assets		**50,027,573**		34,985,938
Total Noncurrent Assets		**1,860,300,597**		1,526,720,722
	₱	**2,541,667,060**	₱	2,009,599,846
LIABILITIES AND EQUITY				
Current Liabilities				
Current portion of loans payable	₱	**279,878,656**	₱	269,374,572
Accounts payable and accrued expenses		**440,787,535**		150,469,043
Due to related parties		**21,048,206**		73,691,552
Dividend payable		**302,279**		302,279
Income tax payable		**16,108,518**		10,778,625
Total Current Liabilities		**758,125,194**		504,616,071
Noncurrent Liabilities				
Noncurrent portion of loans payable		**427,961,159**		248,787,572
Retirement benefit obligation		**24,371,606**		24,371,606
Deferred tax liabilities		**26,714,516**		26,714,516
Deposit for future stock subscription		**95,000,000**		95,000,000
Customers' deposits		**23,517,305**		19,095,674
Total Noncurrent Liabilities		**597,564,586**		413,969,368
Total Liabilities		**1,355,689,780**		918,585,439

(Forward)

(Carryforward)

		September 30, 2014 (Unaudited)		December 31, 2013 (Audited)
Equity				
Attributable to Equity Holders of Parent Company				
Capital stock	**₱**	**281,500,000**	₱	281,500,000
Additional paid-in capital		**812,108**		812,108
Revaluation surplus – net of deferred taxes		**205,654,298**		205,654,298
Revaluation reserves on AFS investments		**727,298**		727,298
Retained earnings		**427,828,800**		355,521,854
Reserve for actuarial gain (loss)		**735,471**		735,471
		917,257,975		844,951,029
Noncontrolling Interests		**268,719,305**		246,063,378
Total Equity		**1,185,977,280**		1,091,014,407
	₱	**2,541,667,060**	₱	2,009,599,846

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Philippine Pesos)

	Quarters Ended September 30		Nine Months Ended September 30	
	2014	2013	**2014**	2013
REVENUES				
Power sales	**₱ 142,799,123**	₱ 126,903,239	**₱ 384,353,393**	₱ 363,180,571
Water services	**46,927,809**	34,277,397	**140,896,187**	104,939,880
Rental	**14,873,501**	16,901,174	**44,582,204**	49,183,979
Technical services	**20,573,386**	10,121,599	**28,120,156**	17,668,369
Sale of goods	–	5,672,546	–	14,836,135
	225,173,819	193,875,955	**597,951,940**	549,808,934
COSTS OF SALES AND SERVICES	**149,380,392**	125,579,424	**386,103,887**	350,800,484
GROSS INCOME	**75,793,426**	68,296,531	**211,848,053**	199,008,450
OPERATING EXPENSES	**20,834,780**	38,141,288	**72,189,657**	85,608,043
INCOME FROM OPERATIONS	**54,958,646**	30,155,243	**139,658,396**	113,400,407
OTHER CHARGES – Net	**(6,134,580)**	(6,742,962)	**(19,126,292)**	(20,916,277)
INCOME BEFORE INCOME TAX	**48,824,066**	23,412,281	**120,532,104**	92,484,130
INCOME TAX EXPENSE (BENEFIT)				
Current	**11,239,576**	1,378,116	**25,569,231**	17,002,705
TOTAL COMPREHENSIVE INCOME	**₱ 37,584,490**	₱ 22,034,165	**₱ 94,962,873**	₱ 75,481,425
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the parent company	**₱ 56,270,513**	₱ 17,632,544	**₱ 72,306,946**	₱ 53,626,687
Noncontrolling interests	**12,307,405**	4,401,621	**22,655,927**	21,854,738
	₱ 68,577,918	₱ 22,034,165	**₱ 94,962,873**	₱ 75,481,425
EARNINGS PER SHARE	**₱ 0.1999**	₱ **0.0626**	**₱ 0.2569**	₱ 0.1905

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Philippine Pesos)

	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)
ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY		
CAPITAL STOCK – ₱1 par value		
Authorized – 1,000,000,000 shares		
Subscribed and fully paid		
– 281,500,000 shares	**₱ 281,500,000**	₱ 281,500,000
ADDITIONAL PAID-IN CAPITAL	**812,108**	812,108
REVALUATION SURPLUS IN INVESTMENT PROPERTY AND PROPERTY AND EQUIPMENT - Net	**205,654,298**	204,103,821
REVALUATION RESERVES ON AFS INVESTMENTS	**727,298**	612,728
RETAINED EARNINGS		
Balance at beginning of year	**355,521,854**	259,428,264
Net income during the period	**72,306,946**	53,626,687
Balance at end of period	**427,828,800**	313,054,951
RESERVE FOR ACTUARIAL GAIN (LOSS)	**735,471**	–
	917,257,975	800,083,608
NONCONTROLLING INTERESTS		
Balance at beginning of year	**246,063,378**	222,188,058
Share in total comprehensive income	**22,655,927**	21,854,738
Balance at end of period	**268,719,305**	244,042,796
	₱ 1,185,977,280	₱ 1,044,126,404

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE UNAUDITED NINE MONTHS ENDED SEPTEMBER 30

(Amounts in Philippine Pesos)

		2014		2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	**₱**	**46,737,715**	₱	53,626,687
Adjustments for:				
Depreciation and amortization		**31,056,338**		29,769,210
Provision for income tax		**25,569,231**		17,002,705
Interest income		**(2,152,079)**		–
Operating income before working capital changes		**101,211,205**		100,398,602
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Receivables		**(145,957,727)**		9,735,971
Inventories		**1,803,330**		(7,468,249)
Other current assets		**14,624,128**		(9,736,291)
Increase (decrease) in:				
Accounts payable and accrued expenses		**295,648,385**		(73,427,507)
Customers' deposits		**4,421,631**		3,860,455
Cash generated from operations		**271,750,952**		23,362,981
Income tax paid		**(20,239,338)**		(15,637,382)
Interest received		**2,152,079**		–
Net cash provided by operating activities		**253,663,693**		7,725,599
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	**₱**	**(349,126,078)**	₱	(37,917,928)
Decrease (increase) in:				
Due from related parties		**35,742,829**		–
Investment in shares of stocks		**(468,500)**		–
Other noncurrent assets		**(15,041,635)**		(9,836,263)
Net cash used in investing activities		**(328,893,384)**		(47,754,191)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loan availment		**189,677,671**		23,086,241
Subscription of capital stock		–		5,500,000
Increase (decrease) in:				
Noncontrolling interests		**22,655,927**		21,854,738
Due to related parties		**(52,643,346)**		1,427,249
Net cash provided by financing activities		**159,690,252**		51,868,228
NET DECREASE IN CASH AND CASH EQUIVALENTS		**84,460,561**		11,839,636
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**227,792,017**		196,658,024
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱**	**312,252,578**	₱	208,497,660

(Forward)

(Carryforward)

		2014		2013
CASH AND CASH EQUIVALENTS AT END OF PERIOD CONSISTS OF:				
Cash in bank	**₱**	**162,883,173**	₱	143,104,122
Placements		**149,050,883**		65,211,566
Cash on hand		**318,522**		181,972
	₱	**312,252,578**	₱	208,497,660

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Basis of Preparation of the Financial Statements**

The accompanying consolidated financial statements have been prepared on the historical cost basis except for available-for-sale investments, investment property and certain property and equipment which are stated at fair market value and appraised values, respectively. These consolidated financial statements are presented in Philippine pesos, which is the Group's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso, except when otherwise indicated.

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries held directly or indirectly through wholly and majority-owned subsidiaries.

Subsidiaries		Percentage of Ownership
Ormina Realty and Development Corporation (ORDC)		**100.00**
Jolliville Group Management, Inc. (JGMI)		**100.00**
Servwell BPO International (Servwell)		**100.00**
Granville Ventures Inc. (GVI)*		**100.00**
Jollideal Marketing Corporation (JMC)*		**100.00**
Jolliville Leisure and Resort Corporation (JLRC)*		**100.00**
Ormin Holdings Corporation (OHC)* and Subsidiaries:		**100.00**
OTY Development Corp. (OTY)*		**100.00**
Melan Properties Corp. (MPC)*		**100.00**
KGT Ventures, Inc. (KGT)*		**100.00**
Ibayo Island Resort Corp. (IIRC)*		**100.00**
NGTO Resources Corp. (NGTO)*		**100.00**
BIA Ventures Inc. (OPI)		**60.00**
Calapan Ventures, Inc. (CVI) and Subsidiaries		
Direct ownership of the Parent Company	**27.34**	
Parent Company's ownership through OHC Subsidiaries	**24.67**	**52.01**
Tabuk Water Corp. (Tabuk Water)*		**52.01**
Calapan Waterworks Corporation (CWC)		**51.83**
Kristal Water Source Corp. (Kristal Water)* (see Note 2)		–
Metro Agoo Waterworks Inc. (MAWI)* (see Note 2)		
Parent Company's ownership through CWC		**44.12**

**preoperating stage*

Subsidiaries are consolidated from the date on which control is transferred to the Parent Company and cease to be consolidated from the date on which control is transferred out of the Parent Company. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany accounts, transactions, and income and expenses and losses are eliminated upon consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

Noncontrolling interests share in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Noncontrolling interests consist of the amount of those interests at the date of the original business combination and the noncontrolling interest's share of changes in equity since the date of the combination. Losses applicable to the noncontrolling interests in excess of the noncontrolling interests share in the subsidiary's equity are allocated against the interest of the Group except to the extent that the noncontrolling interests has a binding obligation and is able to make an additional investment to cover losses.

2. Changes in Accounting and Financial Reporting Policies

The accounting policies adopted by the Group are consistent with those of the previous financial year except for the following amended PFRS, amended PAS, and Philippine Interpretations based on the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRIC) effective beginning January 1, 2013.

- Amendment to PFRS 1, *Government Loans*
  Current PFRS requires entities to measure government loans with below-market interest rates at fair value, with the benefit accounted for as a government grant. Amendment to PFRS 1 requires a first-time adopter to apply this requirement prospectively to government loans existing at the date of transition to PFRS. A first-time adopter may choose to apply these requirements retrospectively to any government loan, if the information needed had been obtained at the time of initially accounting for the loan.

  This is not applicable to the Group.

- Amendments to PFRS 7, *"Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities"*
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set-off in accordance with PAS 32, "Financial Instruments: Presentation". These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  a. The gross amounts of those recognized financial assets and recognized financial liabilities;
  b. The amounts that are set-off in accordance with the criteria in PAS 32 when determining the net amounts presented in the consolidated statements of financial position;
  c. The net amounts presented in the consolidated statements of financial position;

d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
   i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
   ii. Amounts related to financial collateral (including cash collateral); and
e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments affect disclosures only and have no impact on the Group's financial position or performance (see Note 27).

- PFRS 10, *Consolidated Financial Statements* and PAS 27, *Separate Financial Statements*
  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes issues raised in SIC 12, *Consolidation for Special Purpose Entities,* resulting in SIC 12 being withdrawn.

  PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by the parent, compared with the requirements of PAS 27.

  The Group's non-subsidiaries were assessed to be non-controlled investments, thus, treated as associate and financial instruments.

- PFRS 11, *Joint Arrangements* and PAS 28, *Investments in Associates and Joint Ventures*
  PFRS 11 replaces PAS 31, *Interest in Joint Ventures* and SIC-13, *Jointly-controlled Entities – Non-monetary Contributions by Venturers.* PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using equity method.

  This is not applicable to the Group.

- PFRS 12, *Disclosure of Interest in Other Entities*
  PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all the disclosures that were previously in PAS 31, and PAS 28. These disclosures related to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

  The Group has no significant transactions that would change in its controls over investments.

- PFRS 13*, "Fair Value Measurement"*
  This standard establishes a single source of guidance for fair value measurement. It does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted.

As a result of the guidance in PFRS 13, the Group reassessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The application of PFRS 13 did not have a material impact on

the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values where determined. The fair value hierarchy is provided in Note 27 to the financial statements.

- Amendments to PAS 1, *Presentation of Other Comprehensive Income*
  The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to PAS 1, the statement of comprehensive income is renamed as the statement of profit or loss and other comprehensive income. The amendments to PAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to PAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

  Other than the above mentioned presentation changes, the application of amendments to PAS 1 does not result in any impact on profit or loss and other comprehensive income.

- Amendments to PAS 19, *"Employee Benefits"*
  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in the statement of comprehensive income when incurred.

  Prior to adoption of the revised standard, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting period exceeded 10% of the higher of the present value of the defined benefit obligation and the fair value of the plan assets. Unvested past service costs are recognized as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the revised standard, the Group changed its accounting policy to recognize all actuarial gains and losses in OCI and all past service costs in the statement of comprehensive income in the period they occur.

  In addition, the Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset, which is calculated by multiplying the net defined benefit liability or asset at the beginning of the year by the discount rate used to measure the defined benefit obligation, each at the beginning of the annual period.

The revised standard also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. It also modifies the timing of recognition for termination benefits, where termination benefits are recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

The Revised PAS 19 also requires disclosures which are presented in Note 19 to the consolidated financial statements.

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the new PFRS 10 and 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly-controlled entities and associates in separate financial statements.

  This is not applicable to the Group.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the new PFRS 10 and 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures,* and describes the application of the equity method to investments in joint ventures in addition to associates.

  The Group has no joint venture arrangement.

- Philippine Interpretation IFRIC 20, *"Stripping Costs in the Production Phase of a Surface Mine"*
  This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a noncurrent asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The interpretation is not applicable to the Group.

<u>Annual Improvements to PFRSs (2009-2011 Cycle)</u>
In 2013, the Group adopted Annual Improvements to PFRSs (2009-2011 cycles) which contain non-urgent but necessary amendments to PFRSs.

- PFRS 1, *Repeated Application of PFRS 1*
  This amendment clarifies that an entity that stopped applying PFRSs in the past and chooses, or is required to apply PFRSs again, has the option to re-apply PFRS 1. If PFRS is not reapplied, an entity must retrospectively restate its financial statements as if it had never stopped applying PFRSs. This is currently not applicable to the Group.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs.* The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

- Amendments to PAS 1, *Presentation of Financial Statements*
  The amendments specify that a third statement of financial position is required when (a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and (b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of the financial position. The amendments specify that related notes are not required to accompany the third statement of financial position. The required presentation under this amendment was applied during the year as a result of the Group's adoption of PAS 19 as amended.

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment has no impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. This amendment did not have any impact on the Group's financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

Future Changes in Accounting Policies

Standards issued but not yet effective are listed below. This is a listing of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards to have a significant impact on its financial statements.

Effective 2014

- Amendments to PFRS 10, PFRS 12 and PAS 27, *Investment Entities*
  The amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that these amendments will not have any significant impact to the Group.

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

- Amendments to PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*
  The amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*
  The amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group has no derivatives during the current period. However, these amendments would be considered for future novation.

Effective 2015

- PFRS 9, *Financial Instruments*
  The first phase of PFRS 9, *Financial Instruments*, which is effective for annual periods beginning on or after January 1, 2015, addresses the classification and measurement of financial instruments. Phase 1 of PFRS 9 applies to all financial assets within the scope of PAS 39. The key requirements of PFRS 9 are as follow:

  i. At initial recognition, all financial assets are measured at fair value.
  ii. Debt instruments may (if the Fair Value Option is not invoked) be subsequently measured at amortized cost if: (a) the asset is held within a business model whose objective is to hold the assets to collect contractual cash flows and (b) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value.

iii. All equity investment financial assets are measured at fair value either through other comprehensive income or profit or loss. Entities must make an irrevocable choice for
iv. each instrument, unless they are held for trading, in which case they must be measured at fair value through profit or loss.
v. For financial liabilities to which the Fair Value Option is invoked, the amount of change in the fair value of a liability attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Management is yet to assess the impact that these amendments are likely to have on the financial statements of the Group.

Standards issued but not yet Effective
Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*
The implementation of the Philippine Interpretation is deferred until the final *Review Standard* is issued by IASB and after an evaluation on the requirements and guidance in the standard vis-à-vis the practices and regulations in the Philippine real estate industry is completed. This Philippine Interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Philippine Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

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

Financial Assets and Liabilities
Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit and loss (FVPL). Fair value is determined by preference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for a similar instruments with similar maturities.

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. It determines the classification of financial assets and liabilities at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities are further classified into the following categories: financial assets or financial liabilities at FVPL, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities. The Group determines the classification at initial recognition and, where allowance is appropriate, re-evaluates this designation at every reporting date. As of March 31, 2014 and December 31, 2013, the Group has financial assets and liabilities under loans and receivables, available-for-sale financial assets and other financial liabilities.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and 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. Such assets are carried initially at cost or at amortized cost subsequent to initial recognition in the consolidated statement of financial position. Amortization is determined using the effective interest method. Loans and receivables are included in current assets if maturity is within 12 months from the end of financial reporting period. Otherwise, these are classified as noncurrent assets.

Classified under this category are the Group's cash and cash equivalents, receivables, due from related parties, special bank deposits, reserve fund and utilities and other deposits under "Other noncurrent assets" account.

Available-for-Sale (AFS) Financial Assets
AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified in any of the other preceding categories. After initial recognition, AFS financial assets are measured at fair value with gains or losses being recognized as separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of comprehensive income.

The fair value of investments that are actively traded in organized financial market is determined by reference to quoted market bid prices at the close of business on the end of financial reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include recent arm's length market transaction; reference to the current market value of another instrument which is substantially the same; discounted cash flows analysis and option pricing models.

Classified under this category are the Group's mutual fund managed by an insurance company.

Other Financial Liabilities
Other financial liabilities pertain to liabilities that are not held for trading or not designated as at FVPL upon inception of the liability. A financial liability at FVPL is acquired principally for the purpose of repurchasing in the near term or upon initial recognition, it is designated by management as at FVPL.

Other financial liabilities are initially recorded at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using effective interest method. These include liabilities arising from operations and borrowings.

This category includes loans payable, accounts payable and accrued expenses, due to related parties, dividend payable and customers' deposit.

<u>Impairment of Financial Assets</u>
The Group assesses at end of each financial reporting period whether a financial asset or group of financial assets is impaired. Impairment losses, if any are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows or current fair value.

Assets Carried at Amortized Cost
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 use of an allowance account. The amount of the loss shall be recognized in the Group's consolidated statement of comprehensive income.

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

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

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

AFS Financial Assets
If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the consolidated statement of comprehensive income. Reversals in respect of equity instruments classified as AFS are not recognized in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

<u>Derecognition of Financial Assets and Liabilities</u>

Financial Assets

A financial asset is derecognized when (1) the rights to receive cash flows from the financial instruments expire, (2) 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 (3) the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or 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 or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of an asset nor transferred control of the assets, 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 expired. Where the 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 consolidated statement of comprehensive income.

<u>Offsetting Financial Instruments</u>

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

<u>Revenue, Cost and Expense Recognition</u>

Revenue is recognized when it is probable that the economic benefit associated with the transactions will flow to the Group and the amount can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

- Power sales are recognized when the related services are rendered.

- Water revenues are recognized when the related water services are rendered.

- Rental income is recognized on a straight-line basis in accordance with the substance of the lease agreement.

- Technical services comprise the value of all services provided and are recognized when rendered.

- Sale of goods is recognized upon delivery of goods sold, and the transfer of risks and rewards to the customer has been completed.

- Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.

- Other income is recognized when the related income/service is earned.

Cost and expenses are recognized upon utilization of the service or at the date they are incurred. Except for borrowing costs attributable to qualifying assets, all finance costs are recognized in the consolidated statement of comprehensive income.

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

Special Bank Deposit and Reserve Fund
Certain bank deposits are restricted for withdrawal by the creditor bank as hold-out fund for the Group's loan availments. These are classified as noncurrent assets.

Inventories
Inventories are stated at the lower of cost and net realizable value (NRV). Cost is determined using weighted average method. NRV is the estimated selling price in the ordinary course of business, less estimated cost necessary to make the sale.

Prepayments and Other Current Assets
Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account comprises the following:

- Input Tax. Input tax is recognized when an entity in the Group purchases goods or services from a Value Added Tax (VAT)-registered supplier. This account is offset, on a per entity basis, against any output tax previously recognized.

- Prepayments and Other Expenses. Prepaid rent and other expenses are apportioned over the period covered by the payment and charged to the appropriate account in the consolidated statement of comprehensive income when incurred.

- Creditable Withholding Tax. Creditable withholding tax is deducted from income tax payable in the same year the revenue was recognized.

Prepayments and other current assets that are expected to be realized for no more than 12 months after the reporting period are classified as current assets. Otherwise, these are classified as other noncurrent assets.

Investment in an Associate
An associate is an entity in which the Group's ownership interest ranges between 20% and 50% or where it has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not in control or joint control over those policies.

The Group carries its investment in an associate at cost, increased or decreased by the Group's equity in net earnings or losses of the investee company since date of acquisition and reduced by dividends received. Equity in net losses is recognized only up to the extent of acquisition costs.

Investment Property
Investment property, which is property held to earn rentals and/or for capital appreciation, is carried at fair value at end of each financial reporting period. These are initially recorded at cost, including transaction cost. At the end of reporting period, investment property is accounted for at fair value as determined by independent appraisers. Gains or losses arising from changes in the fair value of investment property are included in the consolidated statement of comprehensive income for the period in which they arise.

Investment property is derecognized on disposal, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

A company-occupied property classified under property and equipment account becomes an investment property when it ends company-occupation. Decrease in the carrying amount is recognized in the consolidated statement of comprehensive income. However, to the extent that an amount is included in its revaluation surplus, the decrease is charged against the revaluation surplus. Increase in carrying amount is recognized in consolidated statement of comprehensive income to the extent that the increase reverses a previous impairment loss for such property. The amount recognized in the consolidated statement of comprehensive income does not exceed the amount needed to restore the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized. Any remaining part of the increase is recognized in other comprehensive income and increases the revaluation surplus within equity. On subsequent disposal of the investment property, the revaluation surplus included in equity may be transferred to retained earnings. The transfer from revaluation surplus to retained earnings is not made through profit or loss.

Where there is clear evidence that the fair value of an investment property is not reliably determinable on a continuing basis, the cost model under PAS 16 "Property, Plant and Equipment", shall be used.

Property, Plant and Equipment
Land and improvements is carried at appraised values as determined by an independent firm of appraisers on March 12, 2014. The appraisal increment resulting from the revaluation was credited to "Revaluation Surplus" shown under "Equity" section in the consolidated statement of financial position. Other property, plant and equipment are carried at cost less accumulated depreciation, amortization and any allowance for impairment in value.

Initial cost of property, plant and equipment comprises its construction cost or purchase price and any directly attributable cost of bringing the assets to its working condition and location for its intended use. Expenses incurred and paid after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income when the costs are incurred. In situation where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Depreciation and amortization is computed using the straight-line method over the following estimated useful lives except for leasehold improvements which are amortized over the estimated useful life of the assets or term of the lease, whichever is shorter.

	Years
Land improvements	20
Buildings, condominium units and improvements	10 - 25
Furniture, furnishings and equipment for lease	10
Water utilities and distribution system	10 - 50
Power plant	15
Office furniture, fixtures and equipment	5
Transportation equipment	8

Leasehold improvements are depreciated over the useful life or terms of the lease, whichever is shorter.

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

Construction in progress, included in the property and equipment, is stated at cost. This includes cost of construction, equipments and other direct costs. Construction in progress and equipment for installation is not depreciated until such time as the relevant assets are completed or installed and put into operational use.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts, and any gain or loss resulting from their disposal is credited or charged to current operations.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs incurred during the construction period on loans and advances used to finance construction and property development are capitalized as part of construction and development costs included under "Property, Plant and Equipment" account in the consolidated statement of financial position.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on applicable weighted average borrowing rate.

All other borrowing costs are charged to operation in the period in which they are incurred.

<u>Research and Development Costs</u>
Research costs are expensed as incurred. Development expenditures incurred on an individual project are carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortized in line with the expected future revenue from the related project. Otherwise, development costs are expensed as incurred. The costs will be amortized on a straight-line basis over a period of 25 years upon completion.

<u>Impairment of Nonfinancial Assets</u>
The carrying values of long-lived 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 are written down to their recoverable amounts. The recoverable amount of the asset is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment 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 smallest cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of comprehensive income in the period in which it arises unless the asset is carried at a revalued amount in which case the impairment is charged to the revaluation increment of the said asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

A reversal of an impairment loss is credited to current operations.

<u>Bank Loans and Long-term Payables</u>
Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds, net of transaction costs, and the settlement amount is recognized over the term of the loan in accordance with the Group's accounting policy for borrowing costs.

Long-term payables are initially measured at fair value and are subsequently measured at amortized cost, using effective interest rate method.

Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired, as well as through the amortization process.

<u>Employee benefits</u>
Short-term benefits
Short-term employee benefits are recognized as expense in the period when the economic benefits are given. Unpaid benefits at the end of the accounting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments. Short-term benefits given by the Group to its employees include salaries and wage, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

Retirement benefits
Retirement benefits liability, as presented in the consolidated statement of financial position, 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, adjusted for the effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method. The retirement benefit costs comprise of the 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.

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

Related Party Transactions
Transactions between related parties are based on terms similar to those offered to non-related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control. Related parties may be individuals or corporate entities.

Foreign Currency Transactions and Translations
Transactions denominated in foreign currencies are recorded in Philippine pesos using the exchange rate at the date of the transactions. Outstanding monetary assets and liabilities denominated in foreign currencies are stated using the closing exchange rate at the end of financial reporting period. Gains or losses arising from foreign currency transactions are credited or charged directly to current operations.

Equity
Capital stock is determined using the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Revaluation surplus accounts for the excess of the fair market value over the carrying amounts of "Land and improvements" included under the Property, plant and equipment account and certain investment property. Any appraisal decrease is first offset against appraisal increment on earlier revaluation with respect to the same property and is thereafter charged to operations.

Net unrealized gain (loss) on available-for-sale investment accounts are the excess of the fair market value over the carrying amounts of these investments. When fluctuation is deemed permanent, the gain or loss resulting from such fluctuation will be reversed and charged to consolidated statement of comprehensive income in the year that the permanent fluctuation is determined.

Retained earnings include all current and prior period net income less any dividends declared as disclosed in the consolidated statement of comprehensive income.

Leases
Leases are classified as finance leases whenever the term of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor
Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting period so as to reflect a constant periodic rate of return on the Group's net investment in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the lease asset and recognized on a straight-line basis over the term of the lease.

The Group as lessee
Assets held under finance lease are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rental is recognized as expense in the periods in which it is incurred.

Rental expense under operating leases is charged to profit or loss on a straight-line basis over the term of the lease.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Income Taxes

Income taxes represent the sum of current year tax and deferred tax.

The current year tax is based on taxable income for the year. Taxable income differs from income as reported in the consolidated statement of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted at the end of financial reporting period.

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the end of financial reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes and carryforward benefits of net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT). Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets and liabilities are measured using the tax rate that is expected to apply to the period when the asset is realized or the liability is settled.

The carrying amount of deferred tax assets is reviewed at end of each financial reporting period and reduced to the extent that it is not probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Income tax relating to items recognized directly in equity is recognized in equity and other comprehensive income.

Earnings per Share (EPS)
EPS is determined by dividing net income for the year by the weighted average number of shares outstanding during the year including fully paid but unissued shares as of the end of the year, adjusted for any subsequent stock dividends declared. Diluted earnings per share is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares. The Group has no existing dilutive shares.

Provisions
Provisions are recognized only when the following conditions are met: a) there exists a present obligation (legal or constructive) as a result of past event; b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and, c) reliable estimate can be made of the amount of the obligation. Provisions are reviewed at end of each financial reporting period and adjusted to reflect the current best estimate.

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

Events after the End of Financial Reporting Period
Post year-end events that provide additional information about the Group's position at the end of financial reporting period (adjusting events) are reflected in the Group's consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Management's Use of Judgments and Estimates

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates. The effect of any changes in estimates will be recorded in the Group's consolidated financial statements when determinable.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

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

  - Power over the entity;
  - Exposure, or rights, to variable returns from its involvement with the entity; and,
  - The ability to use its power over the entity to affect the amount of the Parent Company's returns.

  The Parent Company regularly reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

- *Classification of Leases*
  The Group has entered into various lease agreements as either a lessor or a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Currently, all of the Group’s lease agreements are determined to be operating leases.

- *Determination of Impairment of AFS Investment*
  The Group follows the guidance of PAS 39 in determining when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of the near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

- *Distinction between Investment Property and Owner-Occupied Property*
  The Group determines whether a property qualifies as an investment property. In making its judgments, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also other assets used in the supply process.

  Some properties are held to earn rentals or for capital appreciation and other properties are held for use in rendering of services or for administrative purposes. If the portion cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods and services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

- *Classification of Financial Instruments*
  The Group classifies a financial instrument, or its component parts, on initial recognition financial liability or an equity instrument in accordance with the substance of the contractual definitions of a financial asset, a financial liability or an equity instrument. The substance rather than its legal form, governs its classification in the consolidated statements of financial position.

<u>*Estimates*</u>
The key assumptions concerning the future and other sources of estimation of uncertainty at the end of financial reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- *Estimation of Impairment of Receivables*
  The Group maintains allowance for impairment losses on receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts.

  The factors include, but are not limited to, the length of relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis. The Group provides full allowance for receivables that it deems uncollectible. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for impairment losses on receivables would increase recorded operating expenses and decrease current assets.

- *Determination of Net Realizable Value (NRV) of Inventories*
  The Group's estimate of the NRV of inventories is based on evidence available at the time the estimates are made of the amount that these inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at financial reporting date. The amount and timing of recorded expenses for any period would differ if different judgments were made of different estimates were utilized.

- *Estimation of Allowance for Inventory Obsolescence*
  Provision is established as a certain percentage based on the age and movement of stocks. In case there is write-off or disposal of slow-moving items during the year, a reduction in the allowance for obsolescence if any, is made.

- *Estimation of Fair Value of Investment Property*
  The Group's investment property composed of parcels of land and buildings and improvements are carried at revalued amount at the end of the reporting period. In determining the fair value of these assets, the Group engages the services of professional and independent appraisers. The fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date. Such amount is influenced by different factors including the location and specific characteristics of the property (e.g., size, features, and capacity), quantity of comparable

properties available in the market, and economic condition and behavior of the buying parties. A significant change in these elements may affect prices and the value of the assets. The amounts of revaluation and fair value gains recognized on investment property are disclosed in Note 13.

- *Estimation of Useful Lives of Property, Plant and Equipment*
  Useful lives of property, plant and equipment are estimated based on the period over which these assets are expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. Any reduction in the estimated useful lives of property, plant and equipment would increase the Group's recorded operating expenses and decrease on the related asset accounts.

  There were no significant changes in the estimated useful lives of the Group's property, plant and equipment during the year.

- *Determination of Pension and Other Retirement Benefits*
  The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on management's selection of certain assumptions used by actuaries in calculating such amounts.

  The assumptions for pension costs and other retirement benefits are described in Note 19, and include among others, discount and salary increase rates. Actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expense and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the Group's pension and other retirement obligations.

  The Group also estimates other employee benefits obligation and expense, including the cost of paid leaves based on historical leave availments of employees, subject to the Group's policy. These estimates may vary depending on the future changes in salaries and actual experiences during the year.

- *Impairment of Nonfinancial Assets*
  Impairment review is performed when certain impairment indicators are present. Such indicators would include significant changes in asset usage, significant decline in market value and obsolescence or physical damage on an asset. If such indicators are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Determining the net recoverable value of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may

materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

- *Estimation of Realizability of Deferred Tax Assets and Deferred Tax Liabilities*
  Significant judgment is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- *Determination of Fair Value of Financial Assets and Liabilities*
  PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of extensive accounting estimates and judgments. While significant components of fair value measurement are determined using verifiable objective evidence (i.e. interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect income and equity.

- *Estimation of Provisions for Contingencies*
  The estimate of the probable costs for possible third party claims, including tax liabilities, if any, has been developed based on management's analysis of potential results. When management believes that the eventual liabilities under these claims, if any, will not have a material effect on the consolidated financial statements, no provision for probable losses is recognized in the consolidated financial statements.

---

4. **Loan Payable**

This account pertains to long-term loans from local banks as follows:

a. On April 8, 2011, OPI entered into a loan agreement with a local bank for the establishment of a power plant for ₱275.9 million payable in ten (10) years with six months grace period. Interest is fixed at 9% per annum but subject to re-pricing.

   Debt Covenant
   OPI entered into a deed of assignment with hold-out relative to the loan, in favor of the bank, OPI's trade receivable under the Power Supply Agreement (PSA) entered with Oriental Mindoro Electric Cooperative, Inc. (ORMECO). Also the loan requires a portion of OPI's cash in bank pertaining to a Reserve Fund equivalent to two (2) months amortization payable under the loan agreement.

   Also, as a security for the loan, OPI mortgaged its 6.4 MW Bunker C-Fired Packaged Power Station in favor of the bank.

   OPI is in compliance with the said covenants.

b. In 2013 and 2012, OPI availed short-term loans from various local banks. Total loan proceeds amounted to ₱237.6 million in 2013 and ₱117.5 million in 2012 of which ₱218.2 million and ₱31.0 million has been paid on the respective years. Interest on loans ranges from 3% to 4.75% per annum. The loans are payable within 1 week to 6 months from availment of the loans.

   On June 25, 2013, OPI availed a term loan agreement with a local bank for the construction of Inabasan Mini-Hydro Power Plant amounting to ₱1.1 billion. The release of loan proceeds will depend on the fulfillment, compliance or submission by OPI of the specific conditions for the following project components: civil works, electro-mechanical works, and contingent works. No draw has been made by OPI for this loan.

c. Loan from a local bank was availed for the rehabilitation, expansion and improvements of waterworks system of CWC for ₱137 million payable in fifteen (15) years on a monthly basis. Interest is fixed at 10.5% per annum, reviewable and subject to adjustment annually thereafter but not to exceed 15% per annum. CWC was able to negotiate the interest rate at 6.25% in 2013 and 2012 and 9% in 2011.

   Debt Covenant
   CWC executed a deed of assignment relative to the loan, in favor of the bank of (a) a portion of CWC's Reserve Fund (via Savings or Other Investment Account) equivalent to two monthly interest amortization during the grace period, to increase to two monthly principal and interest amortization after the grace period onwards. The Reserve Fund shall be maintained for CWC's expenses for maintenance, operation and emergency fund; and (b) billed water/receivables until the amount of the loan is fully paid.

   Also, CWC, JOH and major stockholders mortgaged their real estate and other equipment situated in Calapan, Oriental Mindoro in favor of the bank. The titles of the mortgaged property have already been delivered to the bank.

   CWC is in compliance with the said covenants.

   In 2013, another loan was obtained by CWC from a local bank amounting to ₱40.0 million at an annual interest of 3% which will mature on June 14, 2014

d. On August 30, 2013, a local bank granted ₱50.0 million loan to JOH with an interest of 3% per annum and will mature after 129 days. This loan was used to accommodate OPI's capital needs.

   On October 11, 2013 and December 3, 2013, another local bank granted ₱39.0 million and ₱7.5 million loan, respectively to JOH. Interest rate of the loan is at 3% per annum and matures after 129 days and 178 days. This loan is specifically intended to settle ORDC's loan.

   On October 27, 2011, a local bank granted JOH ₱50.0 million loan for relending to OPI to finance part of OPI's establishment of a power plant. The loan will mature after 120 days. This loan does not include any significant covenants and warranties.

e. In July 2009, ORDC entered into a loan agreement with a local bank for the acquisition of EGI Rufino Building located in Pasay City for ₱46.8 million payable in fifteen (15) years. Interest of 8.0% per annum is fixed for the first ten (10) years and 10.0% fixed for the next five years. This loan was fully paid in 2013.

   In 2012, ORDC availed auto loan financing from various banks. Total loan proceeds amounted to ₱3.6 million in 2012 of which ₱1.4 million has been paid on the same year. Interest on loans ranges from 11.57% to 18.63% per annum. The loans are payable within 2 to 3 years from availment.

f. In August 2009, JGMI entered into a loan agreement with a local bank for the acquisition of transportation equipment for ₱1.2 million payable in 60 months. The first due date is on August 7, 2009 and on every 7th of the month thereafter.

   In relation to this loan agreement, the above property reported under "Transportation equipment" account was mortgaged as security for the payment of the loan. Upon full payment of last monthly installment, the collateral documents will be released.

5. **Related Party Transactions**

The Group has the following transactions with related parties:

a. Unsecured and non-interest bearing cash advances made by stockholders to the Group for working capital purposes which are payable on demand and usually settled in cash.

b. Unsecured and noninterest bearing cash advances from affiliates for working capital purposes which are payable on demand and usually settled in cash.

   Affiliates are entities that are owned and controlled by JOH and neither a subsidiary nor associate of the Group. These affiliates are effectively sister companies of the Group by virtue of ownership of JOH.

5. **Income Taxes**

The provision for income tax differs from the amount computed by applying the statutory income tax rate to income before income tax due mainly to interest income already subjected to final tax at a lower rate.

Deferred tax liability on fair value adjustments and appraisal increase in property and equipment is based on effective tax rate of 30% of the appraisal increase for ordinary assets.

The Group did not recognize the deferred tax asset on NOLCO since management believes this could not be realized prior to its expiration.

6. **Earnings Per Share (EPS)**

Computation of EPS is as follows:

	Nine months ended September 30	
	2014	2013
Net income	**₱94,962,873**	₱75,481,425
Divided by weighted average number of common shares	**281,500,000**	281,500,000
	₱0.2569	₱0.1905

7. **Other Matters**

Acquisition of Bia Ventures, Inc.
On March 24, 2014, the BOD of JOH agreed to purchase 100% of the outstanding shares of pre-operating company, Bia Ventures, Inc. (BVI). Subsequently, the BOD of JOH has agreed to transfer all its shareholdings in OPI to BVI. As a result of the transfer, JOH still indirectly owns 60% of OPI since Bia Ventures, Inc. is a wholly-owned subsidiary of JOH.

Inabasan River Mini-Hydro Power Plant Project
On February 22, 2014, OPI entered into a construction contract with an affiliate, where the latter agreed to complete the execution and accomplishment of the electromechanical aspect of the Inabasan Project. Total contract price of the project amounted to ₱152.7 million.

On March 3, 2014, OPI entered into another construction contract with an affiliate, where the latter agreed to complete the execution and accomplishment of the civil aspect of the Inabasan Project. Total contract price of the project amounted to ₱1.2 billion.

On March 14, 2014, OPI entered into an agreement with a foreign supplier for the purchase of various hydroelectric equipment to be used in the Inabasan Project. Total contract price of the equipment amounted to US$3.0 million.

EXHIBIT II

Key Performance Indicators

			September 30			
			2014		2013	
Profitability						
Return on total assets (ROA)	=	{ni + [interest exp x (1 - tax rate)]}	109,484,116	0.0498	90,570,454	0.0496
- measures how well assets have been employed by management		average total assets	2,198,008,344		1,827,055,042	
Return on equity (ROE)	=	net income	94,962,873	0.0852	75,481,425	0.0749
- when compared to the ROA, measures the extent to which financial leverage is working for or against shareholders		average stockholders' equity	1,115,051,842		1,007,693,045	
Water revenue per subscriber	=	water revenues	140,882,929	9,771	104,939,880	7,975
- measures how well service and facilities improvements have influenced consumer's usage		average no. of water subscribers	14,419		13,158	
Financial leverage						
Debt ratio	=	total liabilities	1,355,689,780	0.5334	804,723,223	0.4340
- measures the share of company's liabilities to total assets		total assets	2,541,667,060		1,854,349,627	
Liabilities to equity	=	total liabilities	1,355,689,780	1.1431	804,723,223	0.7667
- measures the amount of assets being provided by creditors for each peso of assets being provided by the stockholders		stockholders' equity	1,185,977,280		1,049,626,404	
Market valuation						
Market to book ratio	=	market value per share	4.3	1.02	6.40	1.72
- relates the Company's stock		book value per share	4.21		3.73	

EXHIBIT III

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE
September 30, 2014

	Current	1-30 days	31-60 days	Over 60 days	Total
Trade	57,948,973	26,196,179	3,510,994	1,978,183	89,634,329
Advances and nontrade	153,879,028	8,490,342	5,866,887	3,492,024	171,728,281
	211,828,001	34,686,521	9,377,881	5,470,207	261,362,610

EXHIBIT IV

JOLLIVILLE HOLDINGS CORPORATION
(A Subsidiary of Jolliville Holdings Corporation)
SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
SEPTEMBER 30, 2014

Beginning Unappropriated Retained Earnings, as adjusted	₱ 75,747,752
Add net income during the period	2,099,970
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	₱ 77,847,722

JOLLIVIILE HOLDINGS CORPORATION
SUMMARY OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS
AS OF SEPTEMBER 30, 2014

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓*
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓*
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓*
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓*
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓*
PAS 16	Property, Plant and Equipment	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓*
PAS 19 (Amended)	Employee Benefits	✓		
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	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28	Investments in Associates			✓*
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓*
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓*
	Amendment to PAS 32: Classification of Rights Issues			✓*
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓*
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓*
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓*
	Amendments to PAS 39: The Fair Value Option			✓*
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓*
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓*
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓*
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓*
	Amendment to PAS 39: Eligible Hedged Items			✓*
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓*
IFRIC 9	Reassessment of Embedded Derivatives			✓*
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓*
IFRIC 10	Interim Financial Reporting and Impairment			✓*
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓*
IFRIC 12	Service Concession Arrangements			✓*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 13	Customer Loyalty Programmes			✓*
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓*
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓*
IFRIC 17	Distributions of Non-cash Assets to Owners			✓*
IFRIC 18	Transfers of Assets from Customers			✓*
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓*
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓*
SIC-15	Operating Leases - Incentives			✓*
SIC-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			✓*

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **JOLLIVILLE HOLDINGS CORP.**

FOR THE REGISTRANT

Chief Executive Officer: **JOLLY L. TING**

Signature and Title: ______________________________

Chief Executive Officer

Chief Financial Officer: **ORTRUD T. YAO**

Signature and Title: ______________________________

Chief Financial Officer

Date: 13 Nov 2014