

COVER SHEET

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S.E.C Registration Number

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(Company's Full Name)

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

ORTRUD T. YAO																			
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Contact Person

373-30-38																			
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Company Telephone Number

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Month Day  
(Fiscal Year)

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Month Day  
(Annual Meeting)

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S	T	A	T	E	M	E	N	T																			

FORM TYPE

20-IS
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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total amount of borrowings

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Domestic

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Foreign

SEC Personnel concerned

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File Number

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Cashier

STAMPS																			
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JOLLIVILLE HOLDINGS CORPORATION

## **NOTICE OF ANNUAL STOCKHOLDERS' MEETING**

**TO: ALL STOCKHOLDERS**

NOTICE is hereby given that there will be an annual meeting of the stockholders of Jolliville Holdings Corporation ("Corporation") on **Wednesday, 24 June 2015**, at **10:00 o'clock** in the morning, at the 4<sup>th</sup> Floor, Lansbergh Place, 170 Tomas Morato Avenue corner Scout Castor Street, Quezon City, with the following agenda:

### **AGENDA**

1. Call to Order
2. Proof of Notice
3. Determination of Quorum
4. Approval of Minutes of the Meeting of Stockholders
5. Report of the Chairman
6. Approval of the Audited Financial Statements as of 31 December 2014
7. Election of Directors
8. Ratification of Acts of the Board of Directors and Management
9. Appointment of External Auditor
10. Other Matters
11. Adjournment

In accordance with the rules of the Philippine Stock Exchange, the close of business on **29 May 2015** has been fixed as the record date for the determination of the stockholders entitled to notice of and vote at said meeting and any adjournment thereof.

Registration for those who are personally attending the meeting will start at 9:00 a.m. and end promptly at 9:45 a.m. All stockholders who will not, are unable, or do not expect to attend the meeting in person are encouraged to fill out, date, sign and send a proxy to the Corporation at 4<sup>th</sup> Floor, Lansbergh Place, 170 Tomas Morato Avenue corner Scout Castor Street, Quezon City, Philippines. All proxies should be received by the Corporation at **least five (5) days** before the meeting, or on or before **16 June 2015**. Proxies submitted will be validated by a Committee of Inspectors on **17 June 2015** at 10:00 o'clock in the morning at 4<sup>th</sup> Floor, Lansbergh Place, 170 Tomas Morato Avenue corner Scout Castor Street, Quezon City. For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

To avoid inconvenience in registering your attendance at the meeting, you or your proxy is requested to bring identification paper(s) containing a photograph and signature, e.g. passport, driver's license, or credit card.

City of Quezon, 28 May 2015.

**ORTRUD T. YAO**  
Chief Information Officer

**JOLLIVILLE HOLDINGS CORPORATION**  
**ANNUAL SHAREHOLDERS' MEETING**

June 24, 2015 at 10:00 A.M.

4<sup>th</sup> Floor 20 Lansbergh Place, 170 Tomas Morato Avenue, Quezon City

**PROXY**

I/WE, the undersigned shareholder/s of JOH, hereby appoint, name, and constitute:

\_\_\_\_\_,  
or in his absence,

the Chairman of the Board, or in the latter's absence, the Secretary of the Meeting, as my attorney-in-fact and proxy, to represent me at the annual stockholders' meeting of the Company on Wednesday, 24 June 2015 at 10:00 a.m. and any adjournment(s) thereof, as fully and to all intents and purposes as I might or could if present and voting in a person, hereby ratifying and confirming any and all actions taken on matters which may properly come before such meeting or adjournment(s) thereof.

In particular, I/We hereby direct my/our said proxy to vote all my/our shares on the agenda items set forth below as I/We have expressly indicated by marking the same with an "X".

Items	Action		
	For	Against	Abstain
1. Approval of Minutes of the Annual Stockholders' Meeting held on 25 June 2014			
2. Approval of the Audited Financial Statements for the year ended Dec. 31, 2014			
3. Election of the Board of Directors for the current year:			
a. Jolly L. Ting			
b. Melody T. Lancaster			
c. Nanette T. Ongcarranceja			
d. Ortrud T. Yao			
e. Rodolfo L. See			
f. Dexter E. Quintana (Independent Director)			
g. Sergio R. Ortiz-Luis Jr (Independent Director)			
4. Ratification of Acts of the Board of Directors and Management			
5. Re-appointment of Constantino Guadalquiver & Co. as the current year's External Auditor			

\_\_\_\_\_  
Printed Name of Stockholder

\_\_\_\_\_  
Authorized Signatory

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE 16 JUNE 2015. THIS PROXY WILL BE VALIDATED BY A COMMITTEE OF INSPECTORS ON 17 JUNE 2015 AT 10:00 O'CLOCK IN THE MORNING AT THE PRINCIPAL OFFICE OF THE COMPANY LOCATED AT 4<sup>TH</sup> FLOOR, 20 LANSBERGH PLACE, 170 TOMAS MORATO AVENUE COR. SCOUT CASTOR STREET, QUEZON CITY. THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT. A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON. THIS PROXY DOES NOT NEED TO BE NOTARIZED. (Partnerships, Corporations and Associations must attach certified resolutions designating their proxies/representatives and authorized signatories.)

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 20-IS**

**INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:  
  
[ ] Preliminary Information Statement  
[ ☒ ] Definitive Information Statement
2. Name of Registrant as specified in its charter  
**JOLLIVILLE HOLDINGS CORPORATION**
3. Country of incorporation **PHILIPPINES**
4. SEC Identification Number **134800**
5. BIR Tax Identification Code **000-590-608-000**
6. Address of principal office  
**4/F 20 Lansbergh Place, 170 Tomas Morato Ave.,  
corner Scout Castor St., Quezon City** Postal Code **1103**
7. Registrant's telephone number, including area code **(632) 373-3038**
8. Date, time and place of the meeting of security holders  
  
**June 24, 2015 (Wednesday), 10:00 A.M.  
Jolliville Holdings Corporation  
4/F 20 Lansbergh Place, 170 Tomas Morato Ave.,  
cor. Sgt. Castor St., Quezon City**
9. Approximate date on which the Information Statement is first to be sent or given to security holders **June 2, 2014**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
- | Title of Each Class               | Number of Shares of Common Stock<br>Outstanding or Amount of Debt Outstanding |
|-----------------------------------|---|
| <b>Common Stock, ₱1 par value</b> | <b>281,500,000 shares</b>   |
11. Are any or all of registrant's securities listed on a Stock Exchange?  
  
Yes ☒ No ☐
- If yes, disclose the name of such Stock Exchange and the class of securities listed therein: **Philippine Stock Exchange — common shares**

**Statement that proxies are not solicited:**

**WE ARE NOT ASKING YOU FOR A PROXY  
AND YOU ARE REQUESTED NOT TO SEND US A PROXY.**

**PART I.**  
**INFORMATION REQUIRED IN THE INFORMATION STATEMENT**

**A. GENERAL INFORMATION**

**Item 1. Date, Time, and Place of Meeting of Security Holders**

Date	:	24 June 2015
Time	:	10:00 A.M.
Place	:	4 <sup>th</sup> Floor 20 Lansbergh Place 170 Tomas Morato Ave. cor. Scout Castor St., Quezon City
Principal: Office	:	4 <sup>th</sup> Floor 20 Lansbergh Place 170 Tomas Morato Ave. cor. Scout Castor St., Quezon City

The approximate date on which the information statement and proxy form will be sent to all shareholders is on 02 June 2015.

**Item 2. Dissenter's Right of Appraisal**

The stockholders of the Company may exercise the right of appraisal with respect to the actions to be taken up at the meeting pursuant to Title X on Section 81 governing the exercise of Appraisal Rights under the Corporation Code of the Philippines which states that:

Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the terms of corporate existence.
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in this code; and
3. In case of merger or consolidation.

An appraisal right is also available to dissenting shareholders in case the corporation decides to invest its funds in another corporation or business as provided for in Section 42 of the Corporation Code.

There is no matter to be taken up which will give rise to the exercise of this right.

**Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

There is no substantial interest, direct or indirect, by security holdings or otherwise, of any director or officer of the Company, any nominee or associate thereof, in any matter to be acted upon, other than elections to office.

The Board of Directors of the Company is not aware of any party who has indicated an intention to oppose the motions set forth in the Agenda.

## B. CONTROL AND COMPENSATION INFORMATION

### Item 4. Voting Securities and Principal Holders Thereof

As of 15 May 2015, there were 281,500,000 shares of Jolliville Holdings Corporation common stock outstanding and entitled to vote at the Annual Stockholders' Meeting. Out of the aforesaid outstanding common shares, 1,276,100 common shares are held by foreigners. Each share is entitled to one vote. Only holders of the Company's stock of record at the close of business on 29 June 2015 acting in person or by proxy on the day of the meeting are entitled to notice and to vote at the Annual Stockholders' Meeting to be held on 24 June 2015. The record date was set ten (10) days from the date of the Company's disclosure of the notice to the Philippine Stock Exchange (PSE).

Cumulative voting is allowed for election of the members of the Board of Directors. Each stockholder may vote the number of shares of stock outstanding in his own name as of the record date of the meeting for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected and provided, however, that no delinquent stock shall be voted.

#### *a. Security Ownership of Certain Record and Beneficial Owners*

The following table presents the record/beneficial owners known to the Company who in person or as group own more than five percent (5%) of the issued and outstanding capital stock of the Company as of April 30, 2015.

<b>Title of Class of Shares Held</b>	<b>Name, Address of Record Owner and Relationship with Issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>Percent Held</b>
Common	Elgeete Holdings, Inc. (4/F 20 Lansbergh Place, 170 Tomas Morato Ave. cor. Sgt. Castor St., Quezon City)	See Footnote 1	Filipino	120,000,000	42.63%
Common	PCD Nominee Corporation- Filipino (37/F Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati	See Footnote 2	Filipino	95,383,639	33.88%

	City)				
Common	Myron Ventures, Inc. (357 Quezon Avenue, Quezon City, Stockholder)	See Footnote 3	Filipino	18,000,000	6.39%

<sup>1</sup> The companies (Elgeete and Affiliates) are private holdings companies majority-owned and controlled by members of the Ting Family. Mr. Jolly L. Ting, the single largest stockholder in these companies, exercises the voting power over the shares owned by said companies.

<sup>2</sup> Under PCD Nominee Corporation, IGC Securities, Inc. and Lucky Securities Inc. hold 56,371,739 (20.03%) and 14,170,000 (5.03%) of the Company's outstanding capital stock, respectively. None of their clients own more than five percent of the Company's outstanding capital stock.

<sup>3</sup> The Company is a domestic corporation duly registered with the Securities and Exchange Commission and authorized Mrs. Teresita A. Napa to vote for its shares during the Annual Stockholders' Meeting.

*b. Security Ownership of Management*

As of April 30, 2015, the shares owned of record or beneficially by the directors and the executive officers are as follows:

<i><b>Title of Class</b></i>	<i><b>Name of Beneficial Owner</b></i>	<i><b>Amount and Nature of Beneficial Ownership</b></i>	<i><b>Citizenship</b></i>	<i><b>Percent of Class</b></i>
Common	Jolly L. Ting	959,999 (direct)	Filipino	0.34%
Common	Jolly L. Ting	65,386,111 (indirect)	Filipino	23.23%
Common	Rodolfo L. See	5,994,000 (direct)	Filipino	2.13%
Common	Melody T. Lancaster	1 (direct)	Filipino	0.00%
Common	Nanette T. Ongcarranceja	500,001 (direct)	Filipino	0.18%
Common	Nanette T. Ongcarranceja	11,165,720 (indirect)	Filipino	3.97%
Common	Ortrud T. Yao	1,000,001 (direct)	Filipino	0.36%
Common	Ortrud T. Yao	11,165,720 (indirect)	Filipino	3.97%
Common	Dexter E. Quintana	150,501 (direct)	Filipino	0.05%
Common	Sergio R. Ortiz-Luis Jr.	1,000 (direct)	Filipino	0.00%
Common	Anna Francesca C. Respicio	Nil	Filipino	0.00%

Directors and officers as a group hold a total of 96,323,054 shares equivalent to 34.22% of Jollville Holdings Corporation's issued and outstanding capital stock. Mr. Jolly L. Ting owns indirectly more than 5% shares of the Company's total outstanding capital stock.

*c. Voting Trust Holders of 5% or more*

No person holds 5% or more of the issued and outstanding shares of the Company under a voting trust or similar agreement.

*d. Changes in Control*

There has been no arrangement, which may result in a change in the control of the Company.

There has been no change in control of the Company since the beginning of the Company's last fiscal year.

## Item 5. Directors and Executive Officers

### a. *Directors and Senior Officers*

The Company's Board of Directors is responsible for the overall management and direction of the Company. The Board meets regularly on a monthly basis, or as often as required, to review and monitor the Company's financial position and operations.

The directors of the Company are elected at the Annual Stockholders' Meeting to hold office for one (1) year and until their respective successors have been elected and qualified.

None of the members of the Board of Directors and Officers of the Company own directly more than 5% of Jolliville Holdings Corporation's shares.

Listed below are the Directors and Senior Officers of the Company as of 15 May 2015 with their qualifications and credentials. There are no other such directors and senior officers.

<i><b>Name</b></i>	<i><b>Positions Held</b></i>	<i><b>Company/Organization</b></i>
<b>JOLLY L. TING</b> 70, Filipino Bachelor of Science in Business Administration, University of the East	<p><b>Present:</b></p> <ul style="list-style-type: none"> <li>○ Chairman (since March 21, 2011)</li> <li>○ Chairman (since January 2009)</li> <li>○ Founder, Chairman, Chief Executive Officer (since April 3, 1999)</li> <li>○ Chairman (since April 26, 2002)</li> <li>○ Chairman (since April 26, 2002)</li> <li>○ Chairman (since May 19, 2009)</li> <li>○ Chairman (since July 19, 1992)</li> <li>○ Chairman (since April 7, 1990)</li> <li>○ Chairman (since 1997)</li> <li>○ Member (since 1978)</li> </ul> <p><b>Previous:</b></p> <ul style="list-style-type: none"> <li>○ President (January 2009 to April 2010)</li> <li>○ President (1991-1992)</li> <li>○ Director, Treasurer (1994-1997)</li> <li>○ Chairman (since April 26, 2002)</li> </ul>	Ormin Power, Inc.  Philippine H2O Ventures Corp.  Jolliville Holdings Corporation  Jolliville Group Management, Inc.  Ormina Realty and Development Corp.  Servwell BPO International Inc.  Jolliville Leisure and Resort Corporation  Jollideal Marketing Corporation Calapan Waterworks Corporation Mirage Resources & Holdings Corp. (manages the renowned Gloria Maris Sharksfin Restaurant & Dimsum chains)  Calapan Ventures, Inc.  Rotary Club, University District, Manila  Mirage Resources & Holdings Corp.  Uptrend Concepts Management Corp.



<i><b>Name</b></i>	<i><b>Positions Held</b></i>	<i><b>Company/Organization</b></i>
<b>NANETTE T. ONGCARRANCEJA</b> 41, Filipino Fine Arts Advertising Studies, College of the Holy Spirit  Advanced Courses, Columbia College, Vancouver Community College, Kwantlen University	<b>Present:</b> <ul style="list-style-type: none"> <li>Chairman (since January 2013)</li> <li>Treasurer (since August 2010)</li> <li>President (since April 2010)</li> <li>President (since September 15, 2004)</li> <li>Director (since April 19, 1999)</li> <li>President, Director (since October 26, 2000)</li> <li>Vice President (since April 5, 2008)</li> <li>Director (since November 6, 2000)</li> <li>Director (since August 17, 1999)</li> <li>Vice President, Director (since October 9, 2002)</li> <li>Director, Treasurer (since November 15, 2002)</li> <li>Director, Secretary, Treasurer (since January 6, 2005)</li> </ul> <b>Previous:</b> <ul style="list-style-type: none"> <li>Secretary and Director (January 2009 to April 2010)</li> <li>Vice President (July 2001 to September 2004)</li> <li>Secretary/Treasurer (April 1999 to July 2001)</li> <li>Assistant Secretary (March-April 1999)</li> <li>Treasurer (November 6, 2000 to April 4, 2008)</li> </ul>	Rural Bank of Roxas (Or.Min.), Inc.  Ormin Power, Inc.  Philippine H2O Ventures Corp. Jollville Holdings Corporation  - do - Jollville Group Management, Inc.  Jollideal Marketing Corporation  - do -  Ormin Holdings Corporation  Monako Wear Corporation (owner of Velvet Rose Lingerie Stores) Dollarstore Philippines, Inc. (owner of MyDollarStore Chain of Merchandise Outlets) Vitanutrition Incorporated     Calapan Ventures, Inc.  Jollville Holdings Corporation  - do -  - do -  Jollideal Marketing Corporation
<b>ORTRUD T. YAO</b> 37, Filipino Honors, Bachelor of Commerce, major in Finance, University of British Columbia	<b>Present:</b> <ul style="list-style-type: none"> <li>Vice-President for Finance &amp; Secretary (since August 2010)</li> <li>President (since October 2012)</li> <li>Asst. Secretary/Treasurer, Chief Finance Officer (since July 20, 2001)</li> <li>Chief Compliance Officer (since June 17, 2002)</li> <li>Director, Treasurer, Chief Finance Officer (since January 2009)</li> <li>Secretary (since April 2010)</li> <li>Secretary/Treasurer, Director (since September 28, 2005)</li> <li>President, Director (since August 15, 2005)</li> <li>Secretary, Director (since January 12, 2004)</li> <li>President, Director (since March 30, 1999)</li> <li>Vice President, Director (since March 26, 1999)</li> <li>Treasurer, Director (since March 19, 2001)</li> <li>Secretary/Treasurer, Director (since October 9, 2002)</li> <li>President, Director (since November 15, 2002)</li> <li>President, Director (since January 6, 2005)</li> </ul>	Ormin Power, Inc.  Rural Bank of Roxas (Or. Min.), Inc.  Jollville Holdings Corporation  - do -  Calapan Ventures, Inc.  - do - Calapan Waterworks Corporation  Ormin Holdings Corporation  Kenly Resources, Inc.  Oltru Holdings Corp.  A-Net Resources Corp.  Granville Ventures, Inc.  Monako Wear Corporation  Dollarstore Philippines, Inc.  Vitanutrition Incorporated

<b>Name</b>	<b>Positions Held</b>	<b>Company/Organization</b>
<b>MELODY T. LANCASTER</b> 43, Filipino Bachelor of Science in Management Engineering Ateneo de Manila University  Computer Systems Technology British Columbia Institute of Technology  Certified Project Management Professional Project Management Institute	<b>Present:</b> <ul style="list-style-type: none"> <li>○ Vice-President (since July 2, 2014)</li> <li>○ Vice President (since June 25, 2014)</li> <li>○ Secretary (since June 18, 2014)</li> <li>○ Vice-President (since February 7, 2014)</li> <li>○ Director (since March 29, 2010)</li> <li>○ Director (since 2009)</li> <li>○ Vice-President (since March 30, 2007)</li> <li>○ Director (since March 26, 1999)</li> <li>○ Management Consultant (since 2004)</li> <li>○ Director (since March 2002)</li> <li>○ President</li> <li>○ Treasurer (since 1986)</li> </ul>	Philippine H2O Ventures Corp.  Jolliville Hodlings Corporation  Menakeo Construction, Inc.  Melan Properties Corp.  Kenly Resources Inc.  Febra Resources Corp. Elgeete Holdings Inc.  A-Net Resources Corp.  RBS Citizens Bank of Rhode Island  Oltru holdings Corp. Fortress Industries Ltd. (Canada) Jolliville Realty and Development Inc. (former name of Jolliville Holdings Corporation)
<b>RODOLFO L. SEE</b> 72, Filipino Bachelor of Science in Business Administration, Far Eastern University	<b>Present:</b> <ul style="list-style-type: none"> <li>○ Director (since August 18, 2004)</li> <li>○ Director (since January 2009)</li> <li>○ Chairman, President (since 1980)</li> <li>○ Chairman, President (since 1974)</li> <li>○ Owner (since 1982)</li> </ul>	Jolliville Holdings Corporation  Calapan Ventures, Inc. Gold Prize Food Manufacturing Corp.  Gold Medal Food Manufacturing Corp.  International Food Snack Corp. (exporter of locally produced dried fruit products)
<b>DEXTER E. QUINTANA</b> 62, Filipino Masters in Business Administration, Graduate School of Business, University of the Philippines	<b>Present:</b> <ul style="list-style-type: none"> <li>○ Independent Director (since July 20, 2001)</li> <li>○ President (since 1984)</li> <li>○ President (since 1987)</li> <li>○ Managing Director (since 2008)</li> </ul> <b>Previous:</b> <ul style="list-style-type: none"> <li>○ Independent Director (From January 2009 to June 23, 2014 )</li> </ul>	Jolliville Holdings Corporation  First Property Ventures, Inc. (realty development and commercial property leasing firm) Quintas Management Insurance Brokers, Inc. (life and non-life underwriting firm) Strategic Partners Alliance Inc. (management consultancy & financial intermediation firm)  Calapan Ventures, Inc.



*b. Family Relationships*

Mrs. Nanette T. Ongcarranceja, Mrs. Melody T. Lancaster, and Mrs. Ortrud T. Yao are siblings and they are all children of Mr. Jolly L. Ting. Other than the ones disclosed, there are no other family relationships known to the Company.

*c. Independent Directors*

Messrs. Dexter E. Quintana and Sergio R. Ortiz-Luis Jr. are neither officers nor substantial shareholders of Jollville Holdings Corporation nor are they directors or officers of any of its related companies with the exception of Philippine H2O Ventures Corp. where Mr. Ortiz-Luis also serves as independent director.

Effective 2012, the Company has adopted SEC Memorandum Circular No. 9, Series of 2011, on Term Limits of Independent Directors. A person can only be elected as an independent director up to five companies within the Group.

The term of an independent director is for five consecutive years. Tenure of at least six months is considered one year. After this period, an independent director shall become ineligible for election as such in the same company, unless he first undergoes a "cooling off" period of two years.

Re-election of a person who has served as an independent director for five years is allowed after the mandatory two-year cooling-off period provided that during this period said person has not engaged in any activity that under existing rules disqualifies a person from being an independent director in the same company. Upon reelection, such person may serve as an independent director for another five consecutive years.

However, after serving for 10 years, a person is perpetually barred from serving as an independent director for such company, without prejudice to his being elected as such in other companies outside of the Group.

*d. Significant Employees*

Other than the aforementioned Directors and Senior Officers identified in the item on Directors and Senior Officers in this Information Statement, there are no other significant employees. The Company's success and growth depends in no small measure to the continued service of its Founder, Chairman and Chief Executive Officer, Mr. Jolly Lim Ting. His vision and strategic plans have allowed the Company and the Group to grow to where it is now. While Mr. Ting continues to provide the strategic direction to the Group, he has put to work in the business his children as well as some professional managers to add depth to his management team.

*e. Pending Legal Proceedings*

To the knowledge and/or information of the Company, the present members of the Board of Directors or its Senior Officers and the nominees for election as director named in the subsequent sections are not, as of April 30, 2015 or for the past five (5) years, involved or have been involved in any material legal proceeding affecting/involving themselves and/or their properties before any court of law or administrative body in the Philippines or elsewhere. To the knowledge and/or information of the Company, the said persons have not been convicted by final judgment of any offense punishable by the laws of the Republic of the Philippines or any other nation/country.

*f. Certain Relationships and Related Transactions*

Historically, the Company receives or extends advances from and to its major shareholders from time-to-time as the need arises. These advances are non-interest bearing and payable under certain terms and conditions primarily dependent on the Company's cash position.

*g. Elections of Directors*

The directors of the Company are elected at the Annual Stockholders' Meeting to hold office for one (1) year and until their respective successors have been elected and qualified.

The directors on the Nominations Committee are Mrs. Melody T. Lancaster, Mrs. Nanette T. Ongcarranceja and Mr. Sergio R. Ortiz-Luis Jr. The chairperson is Mrs. Lancaster and the Independent Director is Mr. Ortiz-Luis.

The incumbent members of the Board of Directors are also the nominees for the succeeding year as submitted to and pre-screened by the Nominations Committee of the Corporation. Their particulars and qualifications had already been enumerated and given earlier in this Information Statement. The Company has no reason to believe that any of the aforesaid nominees will be unwilling or unable to serve if elected as a director.

As required under SRC Rule 38 and as ratified for inclusion in the Corporation's By-Laws by the stockholders in its meeting held November 24, 2010 (the amended By-Laws was approved by the SEC on December 23, 2009), the following criteria and guidelines shall be observed in the nomination and election of independent directors:

**A. Definition**

1. As used in Section 38 of the Code, independent director means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company and includes, among others, any person who:
  - a. Is not a director or officer of the covered company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;
  - b. Does not own more than two percent (2%) of the shares of the covered company and/or its related companies or any of its substantial shareholders;
  - c. Is not related to any director, officer or substantial shareholder of the covered company, any of its related companies or any of its substantial shareholders. For this purpose, relatives includes spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
  - d. Is not acting as a nominee or representative of any director or substantial shareholder of the covered company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;
  - e. Has not been employed in any executive capacity by the covered company and/or by any of its substantial shareholders within the last five (5) years;
  - f. Is not retained, either personally or through his firm or any similar entity, as professional adviser, by that covered company, any of its related companies and/or any of its substantial shareholders, within the last two (5) years;

- g. Has not engaged and does not engage in any transaction with the covered company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms-length and are immaterial.

No person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of this Code, committed within five (5) years prior to the date of his election, shall qualify as an independent director. This is without prejudice to other disqualifications which the covered company's Manual on Corporate Governance provides.

Any controversy or issue arising from the selection, nomination or election of independent directors shall be resolved by the Commission by appointing independent directors from the list of nominees submitted by the stockholders.

When used in relation to a company subject to the requirements of this Rule and Section 38 of the Code:

- a. **Related company** means another company which is: (a) its parent company, (b) its subsidiary, or (c) a subsidiary of its parent company; and
- b. **Substantial shareholder** means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

B. Qualifications

- 1. Must be the holder of at least one share of the Corporation;
- 2. College graduate or has sufficient management experience to compensate for lack of formal education or has been engaged or exposed to the business of the corporation for at least five (5) years;
- 3. Of legal age;
- 4. Possesses integrity and probity; and
- 5. Assiduous.

C. Disqualifications

- 1. Falls under Section II (5) of the Code of Corporate Governance;
- 2. Becomes an employee;
- 3. Beneficial ownership exceeds two percent (2%);
- 4. Absent in meetings up to 50%; and
- 5. Others as per Corporate Governance Manual.

D. Nominations

- 1. The Nominations Committee conducts nominations prior to the Annual Stockholders' Meeting.
- 2. The Nominations Committee solicits candidates for independent director. All recommendations are signed by the nominating shareholder together with acceptance and conformity by the prospective nominee.
- 3. The Nominations Committee pre-screens candidates whether they meet the requirements as an independent director per criteria mentioned above, general guidelines in the Corporate Governance Manual, Articles of Incorporation, By-Laws and perceived needs of the Board of Directors and the Corporation such as, but not limited to:
  - a. Nature of business of corporations which he is a director of;

- b. Age;
  - c. No. of directorships/active memberships/officer in other corporations and organizations;
  - d. Possible conflict of interest.
4. The Nominations Committee shall prepare a list of all candidates and evaluate based on the above-listed required qualifications to enable it to effectively review the qualifications of the nominees for independent director.
  5. After the nomination, the Committee shall prepare a final list of candidates which shall contain all the information about the nominees for independent director, as required under Part IV (A) and (C) of Annex C of SRC Rule 12, which list, shall be made available to the SEC and to all shareholders through the filing and distribution of the Information Statement or Proxy Statement, in accordance with SRC Rule 20, or in such other reports the company is required to submit to the SEC.  
The name of the person or group who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.
  6. Only nominees on the final list of candidates will be eligible for election. No other nominees shall be entertained after the final list is prepared. No further nomination will be allowed during the annual stockholders' meeting.

#### E. Election

1. Except as those required under the Rule and subject to pertinent existing laws, rules and regulations of the Commission, the conduct of the election of independent directors shall be made in accordance with the standard election procedures of the company or its by-laws.
2. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure that independent directors are elected during the stockholders' meeting.
3. Specific slots for independent directors shall not be filled-up by unqualified nominees.
4. In case of failure of election for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

In case of resignation, disqualification or cessation of independent directorship and only after notice has been made with the Commission within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Committee otherwise, said vacancies shall be filled by the stockholders in a regular or special meeting called for that purpose. An independent director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.

The following nominees, as submitted to and pre-screened by the Nominations Committee of the Corporation, qualify as independent director:

1. Mr. Dexter E. Quintana
2. Mr. Sergio R. Ortiz-Luis Jr.

The name of the person who recommended Mr. Quintana is Mr. Benito Soliven III who is a colleague of Mr. Quintana in the Financial Executives Institute of the Philippines. Meanwhile, Mr. Ortiz-Luis was nominated by Mrs. Nanette T. Ongcarranceja. Mr. Soliven and Mrs. Ongcarranceja are not related by consanguinity of affinity to either of the nominated independent directors.

Copies of the certification of qualification of independent directors are attached as Annexes "E" and "E-1".

**Item 6. Compensation of Directors and Executive Officers**

SUMMARY COMPENSATION TABLE				
Annual Compensation				
(a)	(b)	(c)	(d)	(e)
Name and Principal Position	Year	Salary	Bonus	Others
A Jolly L. Ting**, Chairman & Chief Executive Officer				
B Nanette T. Ongcarranceja**, President/Chief Operating Officer				
C Ortrud T. Yao**, Treasurer/Asst. Corp. Sec./Chief Finance Officer				
D Melody T. Lancaster**, Vice President				
TOTAL	2015*	7,377,413	571,892	48,504
	2014	7,300,755	565,950	48,000
	2013	6,953,100	490,000	-
	2012	6,000,000	490,000	-
E All other officers and directors as a group unnamed	2015*	6,637,886	527,383	12,126
	2014	6,568,912	521,903	12,000
	2013	6,256,107	497,050	-
	2012	5,958,197	462,727	-

*\*estimated amounts*

*\*\*These are the only top compensated Executives of the Company.*

Members of the Board of Directors are given a standard per diem of ₱10,000 per Board meeting.

During the last and ensuing year, there are no:

- 1) Employment contracts between the Company and the named directors and senior officers;
- 2) Compensatory Plan or Arrangement;
- 3) Outstanding Warrants or Options held by directors and officers or the prices of such adjusted or amended; and
- 4) Amounts paid for committee participation or special assignments.

Under Article IV Section 2 of the Company's By-Laws, the officers of the Corporation shall hold office for one year and until their successors are chosen and qualified in their stead. Any officer elected or appointed by the majority of the Board of Directors may be removed by the affirmative vote of the Board of Directors.



The members of the Compensation and Remuneration Committee are Mrs. Nanette T. Ongcarranceja, Mrs. Ortrud T. Yao and Mr. Sergio R. Ortiz-Luis Jr. The chairman is Mrs. Ongcarranceja and the independent director is Mr. Ortiz-Luis.

#### **Item 7. Appointment of External Auditors and Other Related Matters**

Constantino, Guadalquiver & Co. (CGCo) has been the Company's independent auditors since 2000. They are being recommended by the Audit Committee for election by the stockholders at the scheduled annual meeting.

Mr. Dexter E. Quintana, an independent director, chairs the Audit Committee. The members are Mr. Rodolfo L. See and Mrs. Ortrud T. Yao.

Representatives of CGCo will be present during the annual meeting of stockholders and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions from stockholders, if needed. CGCo has accepted the Company's invitation to stand for re-election this year.

Edwin P. Ramos is the current audit partner for the Company and its subsidiaries. Pursuant to SRC Rule 68, Paragraph 3(b)(iv), the Company will either change its External Auditor or rotate the engagement partner every five (5) years.

#### **Item 8. Financial and Other Information**

The Company's financial statements as of and for the year ended December 31, 2014 and Management Report are attached hereto as Annexes "A" and "B".

**UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE COMPANY'S SEC FORM 17-A DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

ALL REQUESTS MAY BE SENT TO THE FOLLOWING ADDRESS:

**MRS. ORTRUD T. YAO**  
Chief Finance Officer  
Jolliville Holdings Corporation  
4/F 20 Lansbergh Place  
170 Tomas Morato Ave., cor. Sct. Castor St.  
1103, Quezon City

#### **Item 9. Action with Respect to Minutes of Previous Meeting**

Actions to be taken will constitute reading and approval of the minutes of the previous stockholders' meeting, approval of the Annual Report of Management and ratification of all acts of the officers and management for the year ended December 31, 2014. The minutes of the Annual Stockholders' Meeting held on 25 June 2014 and the relevant resolutions approved by the Board of Directors for ratification by the stockholders are attached hereto as Annexes "C" and "D".

#### **Item 10. Voting Procedures**

The aforementioned motions will require the affirmative vote of a majority of the issued and outstanding shares of the Company's common stock present and represented and entitled to vote at the Annual Meeting. Because abstentions with

respect to any matter are treated as shares present and represented and entitled to vote for purposes of determining whether the stockholders have approved that matter, abstentions have the same effect as negative votes. Broker non-votes and shares as to which proxy authority has been withheld with respect to any matter are not deemed to be present or represented for purposes of determining whether stockholder approval of that matter has been obtained.

Items requiring the vote of stockholders will be presented for approval of the stockholders at the meeting and voting shall be by *viva voce*. CGCo, the Company's independent auditors, were requested and have agreed to manually tally the votes at the meeting. They will present the results afterwards.

**Item 11. Amendments of Charter, By-Laws and Other Documents**

None.

**Item 12. Other Matters**

As of the date hereof, there are no other matters which the Board of Directors intends to present or has reason to believe others will present at the meeting.

## **SIGNATURES**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the Information set forth in this report is true, complete and correct. This report is signed in Quezon City on May 28, 2015.

**JOLLIVILLE HOLDINGS CORPORATION**

ISSUER 

**NANETTE T. ONGCARRANCEJA**  
PRESIDENT

**JOLLIVILLE HOLDINGS CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2014**

**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**  
**FORM 17-A, Item 7**

**December 31, 2014**

**For the Year Ended December 31, 2014**

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**Other Required Information**

Map Showing the Relationship Between and Among Related Entities

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*\* These schedules, which are required by SRC Rule 68, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's consolidated financial statements or the notes to consolidated financial statements.*



**JOLLIVILLE HOLDINGS CORPORATION**

April 8, 2015


The Securities and Exchange Commission  
SEC Building, EDSA, Greenhills  
Mandaluyong City


**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**


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

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein and submits the same to the stockholders or members.

**Constantino Guadalquivier & Co.**, the independent auditors and appointed by the stockholders, has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

  
**JOLLY L. TING**  
Chairman  
CTC No. 25294727  
Issued on 02-17-15 at Quezon City

  
**NANETTE T. ONGCARRANCEJA**  
President  
CTC No. 25294715  
Issued on 02-17-15 at Quezon City

  
**ORTRUD T. YAO**  
Treasurer  
CTC No. 25294734  
Issued on 02-17-15 at Quezon City

**28 MAY 2015**

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2015 in the city of **MAKATI CITY**, Philippines. Affiant exhibiting to me their Community Tax Certificates as above stated.

Doc No. 424 ;  
Page No. 86 ;  
Book No. XVIII ;  
Series of 2015.

**JOSHUA P. LAPUZ**  
Notary Public for Makati  
Appointment No. M-41  
Until December 31, 2015  
Roll No. 45790  
IBP Lifetime Roll No. 04897  
PTR No. 4748511 / 1-5-15 / Makati City  
G/F Fedman Suites, 199 Salcedo St.  
Legaspi Village Makati City



**Constantino Guadalquiver & Co.**  
Certified Public Accountants

22nd Floor Citibank Tower  
8741 Paseo de Roxas Street  
Salcedo Village, Makati City, Philippines  
Telephone (+632) 848-1051  
Fax (+632) 728-1014  
E-mail address: mail@cgco.com.ph

## INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors  
Jollville Holdings Corporation  
4th Floor, 20 Lansbergh Place Building  
170 Tomas Morato corner Scout Castor Street  
Quezon City

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

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Jolliville Holdings Corporation and subsidiaries as of December 31, 2014 and 2013 and their financial performance and cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

CONSTANTINO GUADALQUIVER & CO.

BOA Registration No. 0213, valid until December 31, 2016

SEC Accreditation No. (A.N.) 0003-FR-3, valid until November 10, 2017 (Group A)

BIR A.N. 08-001507-0-2014, valid until January 4, 2017

By:



Edwin F. Ramos

Partner

CPA Certificate No. 0091293

SEC A.N. 0432-AR-2, valid until February 13, 2016 (Group A)

TIN 134-885-074-000

BIR A.N. 08-001507-8-2014, valid until January 4, 2018

PTR No 4755984, issued on January 14, 2015, Makati City

Makati City, Philippines

April 8, 2015



**JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****DECEMBER 31, 2014 AND 2013****(Amounts in Philippine Pesos)**

	Note	2014	2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	<b>P 315,310,916</b>	P 227,792,017
Receivables – net	7	<b>236,758,736</b>	115,404,883
Inventories - net	8	<b>16,027,707</b>	24,309,768
Due from related parties	17	<b>55,811,669</b>	47,010,801
Other current assets	9	<b>67,371,213</b>	68,361,655
Total Current Assets		<b>691,280,241</b>	482,879,124
<b>Noncurrent Assets</b>			
Available-for-sale (AFS) investments	10	<b>3,005,410</b>	2,887,074
Investment in an associate	11	<b>21,028,347</b>	20,290,138
Investment property	12	<b>614,850,001</b>	680,963,882
Property, plant and equipment – net	13	<b>1,237,515,838</b>	778,236,638
Deferred tax assets	22	<b>10,715,814</b>	9,357,052
Other noncurrent assets	14	<b>49,296,495</b>	34,985,938
Total Noncurrent Assets		<b>1,936,411,905</b>	1,526,720,722
		<b>P 2,627,692,146</b>	P 2,009,599,846
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Current portion of loans payable	15	<b>P 261,098,384</b>	P 269,374,572
Accounts payable and accrued expenses	16	<b>313,621,126</b>	150,469,043
Due to related parties	17	<b>62,726,812</b>	73,691,552
Dividend payable		<b>126,557</b>	302,279
Income tax payable		<b>16,990,603</b>	10,778,625
Total Current Liabilities		<b>654,563,482</b>	504,616,071
<b>Noncurrent Liabilities</b>			
Noncurrent portion of loans payable	15	<b>579,270,960</b>	248,787,572
Retirement benefit obligation	18	<b>27,591,751</b>	24,371,606
Deferred tax liabilities	22	<b>26,068,703</b>	26,714,516
Deposit for future stock subscription		<b>95,000,000</b>	95,000,000
Customers' deposits		<b>24,726,795</b>	19,095,674
Total Noncurrent Liabilities		<b>752,658,209</b>	413,969,368
Total Liabilities		<b>1,407,221,691</b>	918,585,439

*(Forward)*

(Carryforward)

	Notes	2014	2013
<b>Equity</b>			
<b>Attributable to Equity Holders of Parent Company</b>			
Capital stock		P 281,500,000	P 281,500,000
Additional paid-in capital		812,108	812,108
Revaluation surplus			
– net of deferred taxes	12, 13	205,595,633	205,654,298
Revaluation reserves on AFS investments	10	820,821	727,298
Retained earnings		459,172,754	355,521,854
Reserve for actuarial gain		735,471	735,471
		<b>948,636,787</b>	<b>844,951,029</b>
<b>Noncontrolling Interests</b>		<b>271,833,668</b>	<b>246,063,378</b>
<b>Total Equity</b>		<b>1,220,470,455</b>	<b>1,091,014,407</b>
		<b>P 2,627,692,146</b>	<b>P 2,009,599,846</b>

See accompanying Notes to Consolidated Financial Statements.

**JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**  
*(Amounts in Philippine Pesos)*

	Note	2014	2013	2012
<b>REVENUES</b>				
Power sales		<b>P 501,909,524</b>	P 457,863,336	P 440,317,360
Water services		<b>188,329,549</b>	150,093,049	130,447,382
Rental	23	<b>59,820,720</b>	65,574,395	64,181,778
Technical services	23	<b>37,493,544</b>	25,742,601	15,093,540
Equity share in net earnings of an associate	11	<b>738,209</b>	293,970	131,520
Sale of goods		–	15,403,475	19,078,059
Others		<b>18,205</b>	364,372	428,955
		<b>788,309,751</b>	715,335,198	669,678,594
<b>COSTS OF SALES AND SERVICES</b>	19	<b>508,423,915</b>	496,464,416	468,683,255
<b>GROSS INCOME</b>		<b>279,885,836</b>	218,870,782	200,995,339
<b>OPERATING EXPENSES</b>	20	<b>109,876,319</b>	97,412,178	72,008,391
<b>INCOME FROM OPERATIONS</b>		<b>170,009,517</b>	121,458,604	128,986,948
<b>OTHER INCOME (CHARGES) – Net</b>	21	<b>(9,558,460)</b>	10,319,424	(22,526,838)
<b>INCOME BEFORE INCOME TAX</b>		<b>160,451,057</b>	131,778,028	106,460,110
<b>INCOME TAX EXPENSE (BENEFIT)</b>	22			
Current		<b>32,674,662</b>	21,404,883	19,520,543
Deferred		<b>(1,979,433)</b>	(1,520,971)	(180,201)
		<b>30,695,229</b>	19,883,912	19,340,342
<b>NET INCOME</b>		<b>P 129,755,828</b>	P 111,894,116	P 87,119,768
<b>OTHER COMPREHENSIVE INCOME</b>				
<b><i>Not reclassifiable to profit or loss</i></b>				
Actuarial gain (loss)		<b>P –</b>	P 2,579,505	P –
Deferred tax effect		–	(746,518)	–
		–	1,832,987	–

*(Forward)*

(Carryforward)

	Note	2014	2013	2012
<b>Reclassifiable to profit or loss</b>				
Increase in:				
Revaluation surplus - net	P	—	P 2,981,383	P —
Fair value of AFS investments	10	152,848	150,853	228,744
		152,848	3,132,236	228,744
		152,848	4,965,223	228,744
<b>TOTAL COMPREHENSIVE INCOME</b>	P	129,908,676	P 116,859,339	P 87,348,512
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the parent company	P	98,800,471	P 93,019,028	P 59,738,323
Noncontrolling interests		30,955,357	18,875,088	27,381,445
	P	129,755,828	P 111,894,116	P 87,119,768
<b>EARNINGS PER SHARE</b>		0.3510	0.3304	0.2122
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the parent company	P	99,287,957	P 98,878,554	P 59,967,067
Noncontrolling interests		30,620,719	17,980,785	27,381,445
	P	129,908,676	P 116,859,339	P 87,348,512
<b>EARNINGS PER SHARE</b>	24 P	0.3527	P 0.3513	P 0.2130

See accompanying Notes to Consolidated Financial Statements.

**JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**  
*(Amounts in Philippine Pesos)*

	Notes	2014	2013	2012
<b>ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY</b>				
<b>CAPITAL STOCK</b> – P1 par value				
Authorized – 1,000,000,000 shares				
Subscribed and fully paid				
– 281,500,000 shares	P	281,500,000	P 281,500,000	P 281,500,000
<b>ADDITIONAL PAID-IN CAPITAL</b>		<b>812,108</b>	812,108	812,108
<b>REVALUATION SURPLUS IN INVESTMENT PROPERTY AND PROPERTY AND EQUIPMENT - Net</b>				
Balance at beginning of year	12, 13	205,654,298	204,103,821	204,097,899
Appraisal increase		–	1,550,477	–
Depreciation on property and equipment		(58,665)	–	–
Change in ownership interest		–	–	5,922
Balance at end of year		205,595,633	205,654,298	204,103,821
<b>REVALUATION RESERVES ON AFS INVESTMENTS</b>				
	10			
Balance at beginning of year		727,298	612,728	384,236
Increase in fair value		93,523	114,570	228,356
Change in ownership interest		–	–	136
Balance at end of year		820,821	727,298	612,728
<b>RETAINED EARNINGS</b>				
Balance at beginning of year		355,521,854	262,502,826	202,915,050
Change in ownership interest		4,850,429	–	(234,445)
Net income during the year		98,800,471	93,019,028	59,738,323
Balance at end of year		459,172,754	355,521,854	262,418,928
<b>RESERVE FOR ACTUARIAL GAIN (LOSS)</b>				
Adjustment at beginning of year		735,471	(2,028,102)	(2,028,102)
Actuarial gain during the year		–	2,763,573	–
Balance at end of year	3	735,471	735,471	(2,028,102)
	P	948,636,787	P 844,951,029	P 747,419,483
<b>NONCONTROLLING INTERESTS</b>				
Balance at beginning of year	P	246,063,378	P 221,141,598	P 209,301,654
Increase (decrease) in noncontrolling interests		(4,850,429)	6,940,995	(15,541,501)
Share in total comprehensive income		30,620,719	17,980,785	27,381,445
Balance at end of year	P	271,833,668	P 246,063,378	P 221,141,598
	P	1,220,470,455	P 1,091,014,407	P 968,561,081

See accompanying Notes to Consolidated Financial Statements.

**JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**  
*(Amounts in Philippine Pesos)*

	Notes	2014	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		<b>P 160,451,057</b>	P 131,778,028	P 106,460,110
Adjustments for:				
Depreciation and amortization	13	<b>59,253,579</b>	54,600,126	43,800,874
Increase in fair value of investment property through profit or loss	12, 21	<b>(17,548,000)</b>	(36,087,300)	(9,292,000)
Finance charges	15	<b>25,705,153</b>	27,120,417	35,692,461
Interest income	6, 21	<b>(3,174,106)</b>	(2,989,472)	(4,808,947)
Provisions for:				
Retirement expense	18	<b>3,123,232</b>	3,142,403	2,270,190
Impairment loss	7	<b>1,197,641</b>	936,290	310,418
Unrealized foreign exchange loss	6	<b>52,372</b>	360,805	11,024
Equity share in net earnings of the associate	11	<b>(738,209)</b>	(293,970)	(131,520)
Operating income before working capital changes		<b>228,322,719</b>	178,567,327	174,312,610
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Receivables	7	<b>(40,996,853)</b>	(20,446,685)	(10,756,299)
Inventories	8	<b>8,282,061</b>	(4,883,339)	(1,003,671)
Other current assets	9	<b>4,427,907</b>	(17,997,083)	(2,201,213)
Increase (decrease) in:				
Accounts payable and accrued expenses	16	<b>95,077,941</b>	(33,392,457)	(34,064,318)
Customers' deposits		<b>5,631,121</b>	6,871,620	425,500
Cash generated from operations		<b>300,744,895</b>	108,719,383	126,712,609
Interest paid		<b>(26,708,976)</b>	(28,181,353)	(37,435,980)
Income tax paid		<b>(31,097,790)</b>	(24,301,542)	(22,872,324)
Interest received		<b>3,174,106</b>	2,988,282	4,808,947
Net cash provided by operating activities		<b>246,112,236</b>	59,224,770	71,213,252

*(Forward)*

(Carryforward)

	Notes	2014	2013	2012
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to:				
Property and equipment	13, 28	P (441,969,733) P	(109,693,444) P	(54,278,593)
Decrease (increase) in:				
Due from related parties	17	(8,800,868)	10,116,672	(33,601,318)
Other noncurrent assets	14	(14,310,557)	(9,465,976)	(5,928,930)
Cash and cash equivalents				
due to a deconsolidated subsidiary		—	—	(2,242,333)
Increase in dividend payable		(175,722)	—	302,279
Net cash used in investing activities		(465,256,880)	(109,042,748)	(95,748,895)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from loan availment	15	478,418,406	369,124,997	131,037,900
Payments of loans	15	(156,211,206)	(301,361,977)	(121,048,856)
Increase (decrease) in:				
Noncontrolling interests		(4,526,545)	10,374,265	(15,770,278)
Due to related parties	17	(10,964,740)	3,175,490	(1,948,973)
Net cash provided by (used in) financing activities		306,715,915	81,312,776	(7,730,207)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>				
		(52,372)	(360,805)	(11,024)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		87,518,899	31,133,993	(32,276,874)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
		227,792,017	196,658,024	228,934,898
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
	6	P 315,310,916 P	227,792,017 P	196,658,024

See accompanying Notes to Consolidated Financial Statements.

## JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Philippine Pesos)

#### 1. Corporate Information

Jolliville Holdings Corporation ("JOH" or "the Parent Company") and subsidiaries, collectively referred to as "the Group" were incorporated and organized under the laws of the Philippines and registered with the Securities and Exchange Commission (SEC) on various dates.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

Subsidiaries	Percentage of Ownership	
	2014	2013
Ormina Realty and Development Corporation (ORDC)	100.00	100.00
Jolliville Group Management, Inc. (JGMI)	100.00	100.00
Servwell BPO International (Servwell)	100.00	100.00
Granville Ventures Inc. (GVI)*	100.00	100.00
Jollideal Marketing Corporation (JMC)*	100.00	100.00
Jolliville Leisure and Resort Corporation (JLRC)*	100.00	100.00
Ormin Holdings Corporation (OHC)* and Subsidiaries:	100.00	100.00
OTY Development Corp. (OTY)*	100.00	100.00
Melan Properties Corp. (MPC)*	100.00	100.00
KGT Ventures, Inc. (KGT)*	100.00	100.00
Ibaya Island Resort Corp. (IIRC)*	100.00	100.00
NGTO Resources Corp. (NGTO)*	100.00	100.00
Philippine Hydro Electric Ventures, Inc.	100.00	
Ormin Power, Inc. (OPI)	60.00	60.00
Philippine H2O Venture Corp. and Subsidiaries		
Direct ownership of the Parent Company	33.51	27.34
Parent Company's ownership through OHC Subsidiaries	24.67	24.67
Tabuk Water Corp. (Tabuk Water)*	58.18	52.01
Calapan Waterworks Corporation (CWC)	57.98	51.83
Metro Agoo Waterworks Inc. (MAWI)* (see Note 2)		
Parent Company's ownership through CWC	49.19	44.12
Nation Water Corporation (NWC) * (see Note 2)		
Parent Company's ownership through CWC and TWC	43.54	-

\*preoperating stage

The Parent Company was incorporated primarily to acquire, invest in, hold, sell, exchange and generally deal in with securities of every kind and description (without in any way acting as investment house, or securities dealer or broker), and to purchase, lease or otherwise acquire lands or interest in lands, and to build, construct or erect thereon buildings, factories, or other structures.



Currently, the Parent Company's principal activity is holdings in subsidiaries and associates and leasing of investment property and movable property. The principal activities of the subsidiaries are as follows:

Name of subsidiary	Principal activity
Philippine H2O Ventures Inc.	Will invest in, purchase, or otherwise acquire and own, hold, use, develop, lease, sell, assign, transfer, mortgage, pledge, exchange, operate, enjoy or otherwise dispose of, as may be permitted by law, all properties of every kind, nature and description and wherever situated, including but not limited to real estate, whether improved or unimproved, agricultural and natural resource projects, buildings, warehouses, factories, industrial complexes and facilities; shares of stock, subscriptions, bonds, warrants, debentures, notes, evidences of indebtedness, and other securities and obligations of any corporation or corporations, association or associations, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized and to pay therefore in money or by exchanging therefore stocks, bonds or other evidences of indebtedness or securities of this or any other corporation, and while the owner or holder of any such real or personal property, stocks, subscriptions, bonds, debentures, contracts, or obligations, to receive, collect, and dispose of interest, dividends, and income arising from such property; and to possess and exercise in respect thereof all the rights, powers, and privileges of ownership, including complying with the provisions of the Revised Securities Act.
CWC	Operates, manages and maintains the general business of development and utilization of water resources to harness, produce and supply water for domestic, municipal, agricultural, industrial, commercial or recreational purposes.
NWC	Will operate, manage and maintain the general business of, development and utilization of water resources to harness, produce and supply water for domestic, municipal, agricultural, industrial, commercial or recreational purposes
Tabuk Water* / MAWI*	Will engage in the operation, management and maintenance of development and utilization of water resources. Also, will acquire, own, lease, construct, install, equip, operate, manage and maintain plants.
Philippine Hydro Electric Ventures, Inc.*	Will engage in, own, develop, construct, rehabilitate, operate, and maintain water and electric power plant systems and facilities, indigenous power generation plants and other types of power generation and/or converting stations; to make the necessary undertaking for the distribution of such facilities to consumers; to act as holding company or joint venture partner or investor in the business of developing, operating, and/or owning power generation plants, converting stations, and/or distribution facilities; to acquire, build, construct, own, maintain and operate all necessary and convenient building, structures, dows, machinery, sub-stations, transmission lines, poles, wires, and other devices; and in relation thereto, engage in all allied services and business necessary for the conduct and maintenance of the above projects.

Name of subsidiary	Principal activity
OPI	Provide power generation and electricity supply services to distribution utilities, including but not limited to, electric cooperatives; to install, build, own, lease maintain or operate power generation facilities, using fossil fuel, natural gas, or renewable energy; and to engage in any and all acts which may be necessary, or convenient, in the furtherance of such power generation services.
JGMI	Provide management, investment and technical advices and services except the management of funds, securities, portfolio or similar assets of the managed entities or corporations.
Servwell	Design, implement, and operate certain business processes; assist companies in running their accounting units; provide receivables and payables processing, billings and collections, treasury, escrow and other related services; provide provident fund accounting; and provide human resource-related processes.
ORDC	Engages in real estate business including property development, sale or lease. Develops, sells and/or leases movable property.
JLRC/MPC KGT/OTY IIRC/NGTO*	Will engage in the lease and purchase of marine, aquatic and environmental resources located in the Philippines and develop and conserve places with tourism value.
JMC*	Will engage in the purchase and sale of construction and other related materials.
GVI OHC*	Will engage in real estate business including property acquisition, development, sale or lease. Also, will engage in the purchase, investment and sale of securities of any kind, without, in any way, acting as investment house or security dealer or broker.

*\*preoperating stage*

The Parent Company's registered office and principal place of business is No. 20 Lansbergh Place, 170 Tomas Morato corner Scout Castor Street, Quezon City.

The consolidated financial statements of the Parent Company and subsidiaries (Group) were approved and authorized for issue by the Board of Directors (BOD) on April 8, 2015.

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## 2. Basis of Preparation

### Presentation of Financial Statements

The consolidated financial statements of the Group 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 value. The Group presents all items of income and expenses in a single statement of comprehensive income. Two comparative periods are presented for the statement of financial position when the Group applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or reclassifies items in the financial statements. 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.

### Statement of Compliance

The financial statements of the Group have been prepared in compliance with PFRS. PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by SEC.

### Basis of Consolidation

The consolidated financial statements of the Group include the accounts of Jolliville Holdings Corporation and its subsidiaries where the Parent Company has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

*Subsidiaries.* Subsidiaries are entities controlled by the Parent Company. 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.

Disposals of equity investments to noncontrolling interests result in gains and losses for the Group are recorded in the consolidated statements of comprehensive income. Purchase of equity shares from noncontrolling interests are accounted for as equity transaction (i.e., transactions with owners in their capacity as owners). In such circumstances, the carrying amounts of the controlling and noncontrolling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid shall be recognized directly in equity.

On May 18, 2012, CWC's BOD unanimously approved to accept ₱100 million from CVI as an additional equity investment in CWC, in consideration for the latter's additional subscription of 14,285,714 shares, valued at ₱7 per share.

On the same date, CVI's BOD approved the sale of its investment in Kristal Water. The decision was reached in order for CVI to focus its resources to the growth of its core water utility business. The investment was sold at cost to CVI's affiliates on July 5, 2012.

On June 4, 2012, CWC's BOD approved the declaration of cash dividends of ₱0.35 per share, or a total of ₱35.5 million to stockholders of record as of June 8, 2012. Dividend still payable to CWC's noncontrolling interests amounted to ₱302,279.

On June 13, 2012, CVI's BOD approved the declaration of cash dividends of ₱0.2 per share, with an aggregate amount of ₱32.4 million to stockholders of record as of June 29, 2012.

In 2012, CWC subscribed to 84.84% equivalent to 2,121,000 shares of MAWI and paid an amount equal to ₱527,250.

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.

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.

On August 18, 2014, the SEC approved the change of name of CVI from Calapan Ventures, Inc. to Philippine H2O Ventures Corp. as well as the amendment of the latter's primary and secondary purpose.

On November 28, 2014, the SEC approved the change in name from Bia Ventures, Inc. to Philippine Hydro Electric Ventures, Inc.

In 2014, CWC and TWC entered into a Memorandum Agreement with Aquafino Water Corporation to form Nation Water Corporation. On November 13, 2014, the SEC approved the incorporation of the Associate, which has not yet started its commercial operations. CWC and TWC subscribed ₱999,800 and ₱874,800 representing 39.99% and 34.99% equity ownership interests in the Associate with unpaid subscription amounting to ₱749,900 and ₱656,200, respectively.

On November 24, 2014, the CWC's BOD approved the declaration of cash dividends of ₱1 per common share, or a total of ₱101,027,839 to stockholders on record as of November 24, 2014. Out of the total amount of dividends declared, dividends attributable to Philippine H2O Ventures Corp. amounting to ₱100,686,484 were converted into deposit for future stock subscription.

In 2013, the Parent Company subscribed additional 51,900,000 shares of OPI with ₱1 par value. As of December 31, 2014 and 2013 the related subscription payable related to the investment in OPI amounted to ₱35.4 million.

On December 18, 2013 JGMI and Servwell declared its 2012 retained earnings as cash dividend amounting to ₱28,091,097 and ₱11,905,585, respectively. These are to be distributed on 2014.

On December 15, 2014 JGMI and Servwell declared its 2014 retained earnings as cash dividend amounting to ₱10,000,000 and ₱25,000,000, respectively. On December 16, 2014 ORDC declared its 2014 retained earnings as cash dividends amounting to ₱40,000,000.

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### 3. Summary of 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 interpretations issued by IFRIC which became effective in 2014:

- Amendments to PFRS 10, *"Consolidated Financial Statements"*, PFRS 11, *"Joint Arrangements"* and PAS 27, *"Separate Financial Statements": Investment Entities*  
The amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL).

The amendments have no significant impact to the Group since none of the entities in the Group qualify as an investment entity under PFRS 10.

- Amendment to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*  
The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

The amendments affect presentation only and have no impact on the Group's financial position or performance since the Group does not offset financial assets against financial liabilities.

- 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.

The amendments affect disclosures only and have no impact on the Group's financial position or performance since there is no impairment on financial assets recognized in 2014.

- 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.

The Group has no derivatives during the current period. Thus, the amendment is not applicable.

- Philippine Interpretation IFRIC 21, *"Levies"*

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

The interpretation did not have material financial impact on the Group's consolidated financial statements.

#### 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 in 2015*

- Amendments to PAS 19, *"Employee Benefits - Defined Benefit Plans: Employee Contributions"*

The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the re-measurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans.

The amendments will not have any significant impact on the consolidated financial statements of the Group.

*Annual Improvements to PFRS (2010 to 2012 cycle)*

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

- PFRS 2, *"Share-based Payment - Definition of Vesting Condition"*  
The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it currently has no share-based payments.
- PFRS 3, *"Business Combinations - Accounting for Contingent Consideration in a Business Combination"*  
The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32, Contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted).

The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *"Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets"*  
The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments will affect disclosures only and will not have an impact on the Group's consolidated financial position or performance.

- PFRS 13, *"Fair Value Measurement - Short-term Receivables and Payables"*  
The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. This amendment is effective immediately.
- PAS 16, *"Property, Plant and Equipment: Revaluation Method - Proportionate Restatement of Accumulated Depreciation"*  
The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and
  - b. the carrying amount of the asset after taking into account any accumulated impairment losses.
  - c. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment will have no impact on the Group's financial position or performance.

- PAS 24, *"Related Party Disclosures - Key Management Personnel"*  
The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.

The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments will affect disclosures only and will have no impact on the Group's financial position or performance.

- PAS 38, *"Intangible Assets: Revaluation Method - Proportionate Restatement of Accumulated Amortization"*  
The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  - b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. These amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments will have no impact on the Group's financial position or performance.

#### *Annual Improvements to PFRS (2011 to 2013 cycle)*

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

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



- PFRS 3, "*Business Combinations - Scope Exceptions for Joint Arrangements*"  
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the consolidated financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.
- PFRS 13, "*Fair Value Measurement - Portfolio Exception*"  
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will have no impact on the Group's financial position or performance.
- PAS 40, "*Investment Property*"  
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

*Effective in 2018*

*PFRS 9, "Financial Instruments: Classification and Measurement"*

PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety.

PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at FVPL. For liabilities designated as at FVPL using the FVO, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI.

The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for nonfinancial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

*Deferred*

Philippine Interpretation IFRIC 15, *"Agreements for the Construction of Real Estate"*

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine SEC and the FRSC have deferred the affectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

The principal accounting policies applied in the preparation of the Group's consolidated financial statements are set out below:

Financial Assets and Liabilities

Recognition

The Group recognizes a financial asset or 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 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 FVPL.

Determination of fair value

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.

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, and 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 December 31, 2014 and 2013, the Group holds financial asset under loans and receivables and financial liability under other financial liabilities.

A more detailed description of the categories of financial assets and liabilities that the Group has is as follows:

- *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Subsequent to initial recognition, loans and receivables that are classified as non-current are carried at amortized cost in the statements of financial position. Assets that are classified as current are carried at their undiscounted amount. Amortization is determined using the effective interest rate method. Loans and receivables are included in current assets if maturity is within twelve (12) months of each end of financial reporting period. Otherwise, these are classified as noncurrent assets.

This category includes cash and cash equivalents (Note 6), receivables (Note 7) and due from related party (Note 17).

- *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 (see Note 10).

- *Other Financial Liabilities*

Other financial liabilities pertain to liabilities that are not held for trading or not designated as 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 the 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 the effective interest method. These include liabilities arising from operations and borrowings.

This category includes accounts payable and accrued expenses (Note 16) and due to related parties (Note 17) and loan payable (Note 15) in the consolidated statements of financial positions.

#### Impairment of Financial Assets

The Group assesses at the 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 statements 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 asset 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 statements of comprehensive income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

#### 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.

#### Derecognition of Financial Assets and Liabilities

##### 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 of 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 statements of comprehensive income.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements 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 statements of financial position.

#### Business Combination

Business acquisitions are accounted for using the acquisition method of accounting.

The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they are recorded in the consolidated statement financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for the subsequent measurement in accordance with the Group's accounting policies.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

#### Revenue, Cost and Expense Recognition

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 and water revenues* are recognized when the related 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 Recognition

Cost and expenses are recognized in the consolidated statements of comprehensive income when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

#### 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* 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.
- *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* 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 represents property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is accounted for under the fair value model. Generally, it is revalued annually and is included in the Group's statement of financial position at its fair value. Fair value is supported by market evidence and is determined by independent appraisers with sufficient experience with respect to both the location and the nature of the investment property.

Investment property, which consists mainly of land, buildings and condominium units, is initially measured at acquisition cost, including transaction costs.

Any gain or loss resulting from either a change in the fair value or the sale or retirement of an investment property is immediately recognized in profit or loss as fair value adjustment on investment property under other income in the Group's statement of income.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal.

A company-occupied property classified under property and equipment account becomes an investment property when it ends company-occupation.

#### Property, Plant and Equipment

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 residual values, 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, equipment 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.

Borrowing costs capitalized in 2014 amounted to ₱6.4 million.

#### Research and Development Costs

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.



#### Impairment of Nonfinancial Assets

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.

#### Bank Loans and Long-term Payables

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.

#### Employee benefits

##### *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 and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) and, individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

#### 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.

#### Segment Information

For management purposes, the Group is organized into five (5) major operating businesses which comprise the bases on which the Group reports its primary segment information. Financial information on business segments is presented in Note 5. The Group has no geographical segments as all of the companies primarily operate only in the Philippines.

Segment revenue, expenses and performance include transfers between business segments. The transfers are accounted for at competitive market prices charged to unaffiliated customers for similar products and services. The measurement policies the Group used for segment reporting are the same as those used in the consolidated financial statements. There have been no changes from prior periods in the measurement methods used to determine profit and loss. No asymmetrical allocations have been applied between segments.

Inter-segment assets, liabilities, revenue, expenses and results are eliminated in the consolidated financial statements.

#### 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.

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### **4. 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.

Rental expense for 2014, 2013 and 2012 are shown in Notes 19 and 20.

- *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.

Estimates

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:

- *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.

The Group's allowance for impairment losses amounted to ₱3.0 million and ₱1.8 million as of December 31, 2014 and 2013, respectively (see Notes 7 and 9).

- *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.

The Group's inventories as of December 31, 2014 and 2013 amounted to ₱16.0 million and ₱24.3 million, respectively (see Note 8).

- *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.

No allowance for inventory obsolescence recognized in the consolidated financial statements as of December 31, 2014 and 2013.

- *Fair Value Measurement 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 12.

The carrying value of the Group's investment property amounted to ₱614.9 million and ₱681.0 million as of December 31, 2014 and 2013, respectively (see Note 12).

- *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.

The Group's property, plant and equipment as of December 31, 2014 and 2013 amounted to ₱1.2 billion and ₱778.2 million, respectively (see Note 13).

- *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 18, 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.

Retirement expense amounted to ₱3.1 million in 2014, ₱3.7 million in 2013 and ₱2.3 million in 2012. The Group's retirement benefit obligation amounted to ₱27.6 million and ₱24.4 million as of December 31, 2014 and 2013, respectively (see Note 18).

- *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.



#### *Impairment of Goodwill*

Purchase accounting requires extensive use of accounting estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at the acquisition date. It also requires the acquirer to recognize goodwill. The Group's business acquisitions have resulted in goodwill which is subject to a periodic impairment test. The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate to calculate the present value of those cash flows. There was no impairment loss in 2014, 2013 and 2012.

The carrying amounts of investment property, property, plant and equipment and other noncurrent assets are disclosed in Notes 12, 13 and 14.

- *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.

The Group's deferred tax assets amounted to ₱10.7 million and ₱9.4 million as of December 31, 2014 and 2013, respectively (see Note 22). The Group's deferred tax liabilities amounted to ₱26.1 million and ₱26.7 million as of December 31, 2014 and 2013, respectively (see Note 22).

- *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 (see Note 26).

- *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.

No provisions were recognized in 2014 and 2013.

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## **5. Business Segments**

The Group's operating businesses are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that serves different market.

- The Parent Company and ORDC are engaged in providing furnishings and non-heavy equipment for lease. Also, the Parent Company leases some of its investment property.

- Water segment pertains to CWC, engaged in the operation, maintenance and distribution of water supplies in the City of Calapan, province of Oriental Mindoro and City of Tabuk, province of Kalinga.
- Power segment pertains to OPI, engaged in power generation and provides electricity supply services in the Province of Oriental Mindoro.
- Trading segment pertains to CVI's trading of goods. On October 9, 2013, the Group announced the discontinuance of CVI's trading business activity.
- Management services segment pertains to JGMI and Servwell, engaged in providing management, investment and technical advices and services.
- Marketing service, other water service and real estate businesses are still in their preoperating stages.

Segment accounting policies are the same as the policies described in Note 4.

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, investment property, property and equipment - net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of accounts payable, wages, and taxes currently payable and accrued liabilities.

The Group generally accounts for inter-segment sales and transfers as in arm's-length transactions at current market prices. Such sales and purchases are eliminated in consolidation.

The following are revenue and income information regarding industry segments for the years ended December 31, 2014, 2013 and 2012 and certain assets and liability information regarding industry segments as of December 31, 2014, 2013 and 2012:

	2014						
	Rental	Water	Power	Management services	Unallocated	Elimination	Consolidated
Segment revenues	₱68,621,868	₱188,329,549	₱501,909,524	₱72,019,793	₱15,221,593	₱43,327,398	₱802,774,929
Segment cost and expenses	42,795,610	116,487,383	421,588,480	26,112,970	29,064,591	43,327,398	592,721,638
Earnings before depreciation and income tax	25,826,258	71,842,166	80,321,044	45,906,823	(13,843,000)	—	210,053,291
Depreciation and amortization	16,176,055	20,036,058	16,224,238	470,765	—	—	52,907,116
Income tax expense (benefit)	2,210,961	13,951,812	(264,510)	14,232,725	564,240	—	30,695,228
Net income (loss)	7,439,242	37,854,296	64,361,316	31,203,333	(14,407,240)	—	126,450,947
Segment assets	414,168,667	817,856,708	947,925,966	69,174,897	378,565,908	—	2,627,692,146
Segment liabilities	51,855,286	425,785,573	707,815,993	9,908,299	211,856,540	—	1,407,221,691
Additions to property, plant and equipment (Note 13)	₱3,675,876	₱—	₱320,696,647	₱7,705	₱188,149,549	₱—	₱512,529,777

2013								
	Rental	Water	Power	Trading	Management services	Unallocated	Elimination	Consolidated
Segment revenues	₱74,116,366	₱150,093,049	₱457,863,335	₱15,403,475	₱46,310,263	₱40,040,270	₱29,109,630	₱754,717,128
Segment cost and expenses	36,177,958	97,499,276	394,637,184	16,329,261	23,371,063	29,433,862	29,109,630	568,338,974
Earnings before depreciation and income tax	37,938,408	52,593,773	63,226,151	(925,786)	22,939,200	10,606,408	–	186,378,154
Depreciation and amortization	23,025,176	16,923,092	13,761,628	12,004	878,226	–	–	54,600,126
Income tax expense (benefit)	3,890,530	9,478,814	102,733	(259,994)	6,671,829	–	–	19,883,912
Net income (loss)	₱11,022,702	₱26,191,867	₱49,361,790	(₱677,796)	₱15,389,145	₱10,606,408	₱–	₱111,894,116
Segment assets	₱437,006,058	₱465,999,968	₱596,771,271	₱10,582,038	₱61,506,389	₱437,734,122	₱–	₱2,009,599,846
Segment liabilities	₱115,431,060	₱210,375,335	₱368,714,066	₱690,870	₱3,294,155	₱220,079,953	₱–	₱918,585,439
Additions to property, plant and equipment (Note 13)	₱13,712,369	₱58,049,827	₱73,521,905	₱82,468	₱47,344	₱–	₱–	₱145,413,913

2012								
	Rental	Water	Power	Trading	Management services	Unallocated	Elimination	Consolidated
Segment revenues	₱71,652,319	₱130,447,382	₱440,317,360	₱19,078,059	₱37,061,099	₱14,789,404	(₱29,438,099)	₱683,907,524
Segment cost and expenses	41,643,734	83,968,539	395,719,497	20,248,455	20,615,303	889,111	(29,438,099)	533,646,540
Earnings before depreciation and income tax	30,008,585	46,478,843	44,597,863	(1,170,396)	16,445,796	13,900,293	–	150,260,984
Depreciation and amortization	17,046,620	13,925,197	11,894,940	–	934,117	–	–	43,800,874
Income tax expense (benefit)	4,552,273	10,027,915	94,392	(16,271)	4,682,033	–	–	19,340,342
Net income (loss)	₱8,409,692	₱22,525,731	₱32,608,531	(₱1,154,125)	₱10,829,646	₱13,900,293	₱–	₱87,119,768
Segment assets	₱446,900,660	₱411,735,829	₱472,050,924	₱16,344,321	₱49,169,828	₱410,461,999	(₱6,903,105)	₱1,799,760,456
Segment liabilities	₱73,754,339	₱185,356,201	₱357,514,836	₱5,657,444	₱1,178,296	₱214,557,466	(₱6,903,105)	₱831,115,477
Additions to property, plant and equipment (Note 13)	₱17,038,704	₱70,124,124	₱23,748,324	₱–	₱731,871	₱–	₱–	₱111,643,023

## 6. Cash and Cash Equivalents

This account consists of:

	Note	2014	2013
Short-term time deposits	26	<b>₱112,657,346</b>	₱103,061,247
Cash in banks	26	<b>202,335,048</b>	124,412,248
Cash on hand		<b>318,522</b>	318,522
		<b>₱315,310,916</b>	<b>₱227,792,017</b>

Cash in banks earn interest at the respective bank deposit rates. Time deposits are made for varying periods up to three months depending on the immediate cash requirements of the Group, and earn interest at 0.625% to 4.5% gross. Interest income earned amounted to ₱3.2 million in 2014, ₱3.0 million in 2013 and ₱4.8 million in 2012 (see Note 21).

The Group's foreign currency denominated monetary asset under cash in bank amounted to US\$17,708 with peso equivalent of ₱786,476 as of December 31, 2014 and 2013. This balance was restated using the closing rate as of December 31, 2014 and 2013 of ₱44.617/US\$1 and ₱44.414 /US\$1, respectively. The Group's net foreign exchange loss amounted to ₱52,372 in 2014, ₱452,312 in 2013 and net foreign exchange gain amounted to ₱379 in 2012 are reported under "Other income (charges)" account in the consolidated statements of comprehensive income (see Note 21).

## 7. Receivables - net

This account consists of:

	2014	2013
Trade	<b>₱97,767,536</b>	₱84,675,375
Advances to supplier	<b>31,898,595</b>	3,975,650
Advances to contractor	<b>14,548,078</b>	15,000,000
Advances to officers and employees	<b>10,233,973</b>	9,814,076
Others	<b>84,665,442</b>	3,723,778
	<b>239,113,624</b>	117,188,879
Less allowance for impairment	<b>2,354,888</b>	1,783,996
	<b>₱236,758,736</b>	<b>₱115,404,883</b>

OPI's trade receivables as of December 31, 2014 and 2013 amounting to ₱33.1 million and ₱25.3 million, respectively, were assigned in favor of a creditor bank (see Note 15).

Others in 2014 include receivables from sale of investment property of ₱80.3 million.

The rollforward analysis of allowance for impairment losses follows:

	Note	2014	2013
Balance at beginning of year		<b>₱1,783,996</b>	₱1,085,891
Provision for impairment losses	20	–	936,290
Write-off		–	(238,185)
Balance at end of year		<b>₱1,783,996</b>	<b>₱1,783,996</b>

## 8. Inventories - net

This account consists of:

	2014	2013
Bunker C and low sulfur fuel oil, lube and diesel oil	<b>₱11,840,540</b>	₱19,810,750
Spare parts	<b>4,187,167</b>	4,499,018
	<b>₱16,027,707</b>	<b>₱24,309,768</b>

## 9. Other Current Assets

This account consists of:

	2014	2013
Input VAT	<b>₱46,783,994</b>	₱51,977,143
Creditable withholding taxes	<b>16,983,713</b>	12,348,607
Deposits	<b>2,159,430</b>	2,156,930
Prepaid insurance	<b>905,646</b>	856,098
Others	<b>1,736,071</b>	1,022,877
	<b>68,568,854</b>	68,361,655
Less allowance for impairment loss	<b>1,197,641</b>	-
	<b>₱67,371,213</b>	<b>₱68,361,655</b>

Others include prepaid rent, unused office supplies and other prepaid expenses.

## 10. Available-for-Sale Investments

The rollforward analysis of the net carrying value of this account is shown below:

	Note	2014	2013
Cost:			
Balance at beginning and end of year		<b>₱2,000,000</b>	₱2,000,000
Fair value gain on available for sale investments:			
Balance at beginning of year		<b>887,074</b>	736,221
Gain during the year		<b>118,336</b>	150,853
Balance at end of year		<b>1,005,410</b>	887,074
Net carrying value	26	<b>₱3,005,410</b>	<b>₱2,887,074</b>

This account pertains to investment in mutual fund managed by an insurance company. This fund seeks to achieve an optimal level of income in the medium term together with long term capital growth through investments in fixed income securities and money market instruments and shares listed in the Philippine Stock Exchange (PSE).

Although the amount can be withdrawn anytime, the Group's management intends to hold the fund on a long-term basis.

## 11. Investment in an Associate

This account consists of:

	2014	2013
Cost:		
Balance at beginning and end of year	<b>₱18,369,837</b>	₱18,369,837
Accumulated equity share in net earnings of an associate:		
Balance at beginning of year	<b>1,920,301</b>	₱1,626,331
Share in net earnings during the year	<b>738,209</b>	293,970
Balance at end of year	<b>2,658,510</b>	1,920,301
Net carrying value	<b>21,028,347</b>	₱20,290,138

The undistributed earnings of the associate included in the Group's unappropriated retained earnings amounted to ₱2,658,510 and ₱1,920,301 as of December 31, 2014 and 2013, respectively. These amounts are not currently available for distribution as dividends until these are actually received.

Summarized financial information of the associate follows:

	2014	2013
Total current assets	<b>₱8,820,444</b>	₱6,181,120
Total noncurrent assets	<b>63,554,690</b>	63,370,764
Total current liabilities	<b>14,436,897</b>	13,187,108
Total noncurrent liabilities	<b>7,229,922</b>	7,689,784
Total revenue	<b>25,999,253</b>	24,118,484
Total comprehensive income	<b>1,963,323</b>	781,836

## 12. Investment Property

The rollforward analysis of this account follows:

		2014	
		Buildings and condominium units	Total
	Note	Land	
Cost:			
Balance at beginning of year		₱115,299,928	₱204,141,480
Disposal during the year		(41,152,250)	-
Balance at end of year		74,147,678	204,141,480
Fair value adjustment:			
Balance at beginning of year		306,303,373	55,219,101
Gain (loss) during the year	21	24,559,500	(10,316,381)
Disposal		(39,204,750)	-
Balance at end of year		291,658,123	44,902,720
Net carrying value		<b>₱365,805,801</b>	<b>₱249,044,200</b>

	Note	2013		
		Land	Buildings and condominium units	Total
Cost:				
Balance at beginning of year		₱164,900,992	₱149,677,368	₱314,578,360
Reclassification		(49,601,064)	54,464,112	4,863,048
Balance at end of year		115,299,928	204,141,480	319,441,408
Fair value adjustment				
Balance at beginning of year		275,053,338	55,244,884	330,298,222
Gain during the year	21	36,087,300	-	36,087,300
Reclassification		(4,837,265)	(25,783)	(4,863,048)
Balance at end of year		306,303,373	55,219,101	361,522,474
Net carrying value		₱421,603,301	₱259,360,581	₱680,963,882

Changes in the fair value of the investment property recognized in the consolidated statements of comprehensive income amounted to ₱14.2 million in 2014, ₱36.1 million in 2014 and ₱9.3 million in 2013 were presented under "Other income (charges)" and "Revaluation surplus" in the consolidated statements of comprehensive income and consolidated statement of changes in equity, respectively.

On December 15, 2014, the Group entered into a contract of sale with Baliland Enterprises Inc. to sell a property for a total consideration of ₱80,357,000.

The Group leases out some of its investment property generally for a period of one (1) year, renewable annually upon mutual consent of the parties. Rental income earned by the Group from its investment property under operating leases amounted to ₱20.9 million in 2014, ₱20.5 million in 2013 and ₱20.0 million in 2012.

Direct costs relative to investment property held under lease are as follows:

	2014	2013	2012
Insurance	₱171,136	₱198,942	₱198,961
Repairs and maintenance	238,000	176,781	312,735
Real property tax	1,954,552	7,236	8,178
	₱2,363,688	₱382,959	₱519,874

### 13. Property, Plant and Equipment

The rollforward analysis of this account follows:

	2014									
	Land and improvements	Leasehold improvements	Buildings, condominium units and improvements	Furniture, furnishings and equipment for lease	Water utilities and distribution system	Power plant	Office furniture, fixtures and equipment	Transportation equipment	Construction in progress	Total
Cost:										
At January 1	₱43,799,039	₱19,720,735	₱87,629,784	₱267,972,065	₱308,516,490	₱327,487,407	₱30,752,890	₱30,133,309	₱77,850,333	₱1,193,862,052
Additions	498,750	–	1,706,474	1,182,707	92,854,723	96,178,396	3,043,405	2,538,573	314,526,749	512,529,777
Reclassification	–	–	–	–	–	(173,880)	–	–	–	(173,880)
At December 31	44,297,789	19,720,735	89,336,258	269,154,772	401,371,213	423,491,923	33,796,295	32,671,882	392,377,082	1,706,217,949
Accumulated depreciation and amortization:										
At January 1	346,902	1,467,536	28,460,683	255,705,296	80,154,058	26,754,645	21,728,422	18,817,403	–	433,434,945
Depreciation and amortization	507	655,803	8,424,450	7,128,758	15,197,104	15,001,966	3,049,354	3,534,949	–	52,992,891
At December 31	347,409	2,123,339	36,885,133	262,834,054	95,351,162	41,756,611	24,777,776	22,352,352	–	486,427,836
Revaluation increment in land										
At January 1 and at December 31	16,557,961		1,251,570							17,809,531
Depreciation	52,518		31,288							83,806
Net	16,505,443		1,220,282							17,725,725
Net carrying value	₱60,455,823	₱17,597,396	₱53,671,407	₱6,320,718	₱306,020,051	₱381,735,312	₱9,018,519	₱10,319,530	₱392,377,082	₱1,237,515,838



	2013									
	Land and improvements	Leasehold improvements	Buildings, condominium units and improvements	Furniture, furnishings and equipment for lease	Water utilities and distribution system	Power plant	Office furniture, fixtures and equipment	Transportation equipment	Construction in progress	Total
Cost:										
At January 1	₱3,799,039	₱18,197,840	₱78,759,266	₱258,344,817	₱305,201,434	₱254,288,089	₱25,508,857	₱26,512,464	₱77,850,333	₱1,048,462,139
Additions	40,000,000	1,522,895	8,870,518	9,627,248	3,315,056	73,199,318	5,258,033	3,620,845	–	145,413,913
Disposal	–	–	–	–	–	–	(14,000)	–	–	(14,000)
At December 31	43,799,039	19,720,735	87,629,784	267,972,065	308,516,490	327,487,407	30,752,890	30,133,309	77,850,333	1,193,862,052
Accumulated depreciation and amortization:										
At January 1	340,820	765,104	13,420,812	246,567,495	68,216,647	14,084,351	19,363,050	16,076,540		378,834,819
Depreciation and amortization	6,082	702,432	15,039,871	9,137,801	11,937,411	12,670,294	2,365,372	2,740,863		54,600,126
At December 31	346,902	1,467,536	28,460,683	255,705,296	80,154,058	26,754,645	21,728,422	18,817,403		433,434,945
Revaluation increment in land										
At January 1 and at December 31	13,536,000		–							1,536,000
Additions	3,021,961		1,251,570							4,273,531
Total	16,557,961		1,251,570							17,809,531
Net carrying value	₱60,010,098	₱18,253,199	₱60,420,671	₱12,314,831	₱228,362,432	₱300,732,762	₱8,976,406	₱11,315,906	₱77,850,333	₱778,236,638

Certain property, plant and equipment under “Land and improvements”, “Water utilities and distribution system” and “Power plant” accounts with a total carrying value of ₱261.7 million and ₱271.3 million as of December 31, 2014 and 2013, respectively, were mortgaged in favor of a creditor bank in connection with the Group’s loan availment (see Note 15).

JGMI’s transportation equipment with a net carrying value of ₱0.3 million as of December 31, 2013 was mortgaged as security for payment of loan obtained. Upon full payment of last monthly installment, the collateral documents will be released (see Note 15).

Depreciation and amortization expense was charged under the following accounts in the consolidated statements of comprehensive income:

	Note	2014	2013	2012
Costs of sales and services	19	<b>₱39,356,768</b>	₱36,524,811	₱36,552,737
Operating expenses	20	<b>13,550,348</b>	18,075,315	7,248,137
		<b>₱52,907,116</b>	<b>₱54,600,126</b>	<b>₱43,800,874</b>

In 2014 depreciation amounting to ₱85,774 was capitalized as part of development cost.

Furniture, furnishings and equipment for lease are generally for a period of one (1) year, renewable annually upon mutual agreement of the parties. Rental income generated on lease of furniture, furnishings and equipment amounted to ₱40.2 million in 2014, ₱45.2 million in 2013 and ₱44.2 million in 2012.

The Group's management had reviewed the carrying values of the property, plant and equipment as of December 31, 2014 and 2013 for any impairment. Based on the evaluation, there are no indications that the property and equipment might be impaired.

#### 14. Other Noncurrent Assets

This account consists of:

	Note	2014	2013
Development cost		<b>₱25,696,395</b>	₱12,679,230
Special bank deposit	23	<b>9,351,398</b>	9,303,354
Reserve fund	15	<b>6,472,097</b>	7,338,606
Utilities and other deposits		<b>6,776,605</b>	5,664,748
Goodwill		<b>1,000,000</b>	–
		<b>₱49,296,495</b>	<b>₱34,985,938</b>

Special bank deposit pertains to performance security in the form of a bank guarantee in relation to the lease agreement of CWC with the local government of Tabuk (see Note 23).

Reserve fund pertains to hold-out requirement of the local bank creditors of OPI and CWC as security for their respective loans (see Note 15).

Development cost pertains to capitalized cost relating to the Inabasan project.

#### 15. Loans Payable

Details of loans availed from local banks as follow:

- 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 9.0% per annum but subject to re-pricing. As of December 31, 2014, interest rate is 6.5% per annum. As of December 31, 2013, the loan has been fully availed. Outstanding balance of the loan amounted to ₱184,067,651 and ₱213,130,965 as of December 31, 2014 and 2013, respectively.

Interest recognized as expense in 2014 and 2013 amounted to ₱12.3 million and ₱15.5 million, respectively.

*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. OPI's assigned receivables and reserve fund amounted to ₱33.1 million and ₱3.6 million, respectively as of December 31, 2014 and ₱25.3 million and ₱4.5 million, respectively as of December 31, 2013 (see Notes 7 and 14).

Also, as a security for the loan, OPI mortgaged its 6.4 MW Bunker C-Fired Packaged Power Station in favor of the bank. The carrying book value of the power station mortgaged as of December 31, 2014 and 2013 amounted to ₱251.0 million and ₱260.3 million and is included under "Power plant" account under Property, Plant and Equipment (see Note 13).

As of December 31, 2014 and 2013, OPI is in compliance with the said covenants.

- b. In 2014 and 2013, OPI availed short-term loans from various local banks. Total loan proceeds amounted to ₱53.5 million in 2014 and ₱68.5 million in 2013 of which ₱4.0 million and ₱58.0 million has been paid on the respective years. Interest on loans ranges from 3% to 6.5% per annum. The loans are payable within 1 month to 6 months from availment of the loans.

Interest expense incurred for these loans in 2014 and 2013 amounted to ₱4.8 million and ₱3.0 million, respectively (see Note 21).

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. The total principal and interest released amounted to ₱279.5 million and ₱5.8, respectively, in 2014. Interest incurred in 2014 amounting to ₱6.4 million was capitalized as part of Power Plant – Construction in Progress (see Note 13).

- c. In December 2005, CWC entered into loan agreement from a local bank for the rehabilitation, expansion and improvements of waterworks system of CWC for ₱137 million payable in fifteen (15) years. 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 2014 and 2013.

In 2014, CWC entered into another loan agreement with local bank for ₱118.25 million. Total proceeds during the year amounted to ₱92.3 million payable in ten (10) years with annual interest of 6%. The proceeds of the loan will be used exclusively to finance the water source development, acquisition of three (3) sets of electro-mechanical equipment, site and land development, construction of a high ground reservoir and expansion of its waterworks system.

*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. CWC's reserve fund amounted to ₱2.9 million as of December 31, 2014 and 2013 (see Note 14).

Also, CWC, JOH and major stockholders mortgaged their real estate and other equipment situated in Calapan, Oriental Mindoro in favor of the bank. The aggregate carrying value of CWC's property and equipment mortgaged as of December 31, 2014 and 2013 amounted to ₱10.7 million and ₱11.0 million, respectively (see Note 13). The titles of the mortgaged property have already been delivered to the bank.

As of December 31, 2014 and 2013, CWC is in compliance with the said covenants.

In 2013, CWC availed a loan from a local bank amounting to ₱40.0 million for 180 days subject to renewal, for an annual interest rate of 3%. As of December 31, 2014, the loan balance amounted to ₱30.0 million.

Interest recognized as expense amounted to ₱5.8 million in 2014, ₱5.1 million in 2013 and ₱6.1 million in 2012 (see Note 21).

- d. On August 30, 2013, a local bank granted ₱50.0 million loans to JOH with an interest of 3% per annum and will mature after 129 days. This loan was used to accommodate OPI's working capital needs. As of December 31, 2014 and 2013 loan balance amounted to ₱40.0 million and ₱50.0 million, respectively.

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. As of December 31, 2014, the loan has been fully paid.

Interest expense for the above loans in 2014, 2013 and 2012 amounted to ₱2.2 million, ₱1.7 million and ₱0.7 million, respectively (see Note 21).

- 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. Total loan payments in 2014 and 2013 amounted to ₱0.27 million and ₱0.24 million, respectively.

Interest expense incurred for the above loans amounted to ₱0.6 million, ₱3.1 million and ₱3.3 million in 2014, 2013 and 2012, respectively.

- 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 with a net carrying value of ₱0.3 million as of December 31, 2013, reported under "Transportation equipment" account was mortgaged as security for the payment of the loan. The loan was fully paid on August 2014.

The maturity profile of loans payable follows:

	Note	2014	2013
Due within 1 year		<b>₱261,098,384</b>	₱269,374,572
Due beyond 1 year, not later than 5 years		<b>259,210,735</b>	156,931,895
Due beyond 5 years		<b>320,060,225</b>	91,855,677
	26	<b>₱840,369,344</b>	<b>₱518,162,144</b>

#### 16. Accounts Payable and Accrued Expenses

This account consists of:

	Note	2014	2013
Trade		<b>₱237,873,148</b>	₱110,148,046
Retention payable	23	<b>35,205,328</b>	1,674,851
Accrued expenses		<b>20,469,260</b>	17,818,601
Government payables		<b>12,471,257</b>	14,487,285
Payable to contractors	23	<b>4,955,178</b>	4,955,178
Others		<b>2,646,955</b>	1,385,082
	26	<b>₱313,621,126</b>	<b>₱150,469,043</b>

Trade payables are settled on 15 to 30 day terms.

Payable to contractors and retention payable arise from various contractor agreements. These are non-interest bearing and are normally settled on 15 to 30 day terms.

Carrying values of this account approximate the fair values at end of financial reporting period due to the short term nature of the transactions.

Accrued expenses include interest and payables to electrical and water utility providers.

#### 17. Related Party Transactions

The Group has the following transactions with related parties:

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

c. Details of related party balances follow:

	Note	2014	2013
Due from:			
Stockholders		<b>₱8,439,201</b>	₱265,321
Equity under common/shared ownership		<b>30,879,333</b>	30,310,962
Affiliates		<b>16,493,135</b>	16,434,518
	26	<b>₱55,811,669</b>	47,010,801
Due to:			
Stockholders		<b>₱61,069,989</b>	70,170,187
Equity under common/shared ownership		<b>1,000,000</b>	-
Affiliates		<b>656,823</b>	3,521,365
	26	<b>₱62,726,812</b>	₱73,691,552

The Group and its affiliates have common shareholders.

d. The rollforward analysis of related party accounts follow:

	2014	2013
Due from related parties		
Balance at beginning of year	<b>₱47,010,801</b>	₱57,127,473
Advances made during the year	<b>9,672,816</b>	4,298,249
Collection during the year	<b>(871,948)</b>	(14,414,921)
Balance at end of year	<b>₱55,811,669</b>	₱47,010,801
Due to related parties		
Balance at beginning of year	<b>₱73,691,552</b>	₱70,516,062
Advances received during the year	<b>38,068,798</b>	14,754,692
Payments made during the year	<b>(49,033,538)</b>	(11,579,202)
Balance at end of year	<b>₱62,726,812</b>	₱73,691,552

e. The summary of the above related party transactions follows:

2014				
Category	Amount/Volume	Outstanding balance	Terms and condition	Guaranty/Settlement/ Provision
<u>Affiliates</u>				
1. Due from	Advances made: ₱401,878 Collections: 343,261	₱16,493,135	Payable on demand; no significant warranties and covenants	Unsecured; no impairment
2. Due to	Advances received: 250,192 Payments: 3,114,734	656,823	Payable on demand; no significant warranties and covenants	No guarantees
<u>Stockholders</u>				
3. Due from	Advances made: 8,173,880	8,439,201	Payable on demand; no significant warranties and covenants	Unsecured; no impairment

(Forward)

(Carryforward)

2014				
Category	Amount/Volume	Outstanding balance	Terms and condition	Guaranty/Settlement/ Provision
4. Due to	Advances received: 36,818,606 Payments: 45,918,804	61,069,797	Payable on demand; no significant warranties and covenants	No guarantees
<u>Equity under common/shared ownership</u>				
5. Due from	Advances made: 1,097,058 Collections: 528,687	30,879,333	Payable on demand; no significant warranties and covenants	Unsecured; no impairment
6. Due to	Advances received: 1,000,000	1,000,0000	Payable on demand; no significant warranties and covenants	No guarantees
2013				
Category	Amount/Volume	Outstanding balance	Terms and condition	Guaranty/Settlement/ Provision
<u>Affiliates</u>				
1. Due from	Advances: ₱346,640 Collections: 6,553,072	₱16,434,518	Payable on demand; no significant warranties and covenants	Unsecured; no impairment
2. Due to	Advances received: 3,228,891 Payments: 5,775,946	3,521,365	Payable on demand; no significant warranties and covenants	No guarantees
<u>Stockholders</u>				
3. Due from	Collections: ₱7,861,849	₱265,321	Payable on demand; no significant warranties and covenants	Unsecured; no impairment
4. Due to	Receipts: 11,525,801 Payments: 5,803,256	70,170,187	Payable on demand; no significant warranties and covenants	No guarantees
<u>Equity under common/shared ownership</u>				
5. Due from	Advances made: 3,951,609	30,310,962	Payable on demand; no significant warranties and covenants	Unsecured; no impairment

- f. The Parent Company and its subsidiaries, in the normal course of their business, had transactions with each other as summarized below:

Nature	2014	2013
Rental	<b>₱8,801,149</b>	₱8,541,969
Management fee	<b>34,526,249</b>	20,567,661
	<b>₱43,327,398</b>	<b>₱29,109,630</b>

In 2013, the Parent Company extended to OPI and ORDC interest-bearing advances with a total amount of ₱109.1 million at 4% and 3% per annum, respectively for working capital purposes and payable in 119 and 90 days, respectively. Interest recognized in 2013 amounted to ₱1.7 million. As of December 31, 2013, the balance of advances amounted to ₱96.5 million.

In 2014, the Parent Company extended to OPI and ORDC interest bearing advances with a total amount of ₱96.3 million at 3% per annum for working capital purposes and payable in 122 and 178 days, respectively. Interest recognized in 2014 amounted to ₱2.4 million. As of December 31, 2014, the balance of advances amounted to ₱40.0 million.

- g. The remuneration of directors and other members of key management personnel during the year are as follows:

	2014	2013	2012
Salaries	<b>₱13,183,912</b>	₱12,556,107	₱11,958,197
Bonuses	<b>3,092,402</b>	1,036,402	987,050
	<b>₱16,276,314</b>	<b>₱13,592,509</b>	<b>₱12,945,247</b>

## 18. Retirement Benefit Obligation

The Group operates a noncontributory retirement plan covering all qualifying employees. Under the current plan, the employees are entitled to retirement benefits of 60 percent of one month's pay per year on attainment of at least five years of their services with the Group.

The most recent actuarial valuations of present value of the defined benefit obligation were carried out at March 27, 2014 by independent actuaries. The present value of the defined benefit obligation and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

As of December 31, 2014, the plan has not been funded.

The principal assumptions used for the purposes of the actuarial valuation follow:

	2014	2013	2012
Discount rate	<b>5.3%</b>	6.6%	6.6%
Expected rate of salary increase	<b>5.0%</b>	5.0%	5.0%



Retirement expenses recognized in the consolidated statements of comprehensive income included under "Salaries and employee benefits" were determined as follows:

	2014	2013	2012
Current service cost	<b>₱1,912,539</b>	₱1,650,267	₱958,523
Interest cost	<b>1,307,606</b>	1,492,136	1,311,667
Transitional liability recognized	-	600,735	-
	<b>₱3,220,145</b>	<b>₱3,743,138</b>	<b>₱2,270,190</b>

The rollforward of retirement benefit obligation follows:

	Note	2014	2013
Balance at beginning of year		<b>₱24,371,606</b>	₱23,207,973
Retirement expense	20	<b>3,220,145</b>	3,743,138
Actuarial loss (gain)		-	(2,579,505)
Balance at end of year		<b>₱27,591,751</b>	<b>₱24,371,606</b>

The estimated average working lives of employees for 2013 is twelve (12) years.

## 19. Cost of Sales and Services

This account consists of:

	Notes	2014	2013	2012
Fuel cost		<b>₱368,121,664</b>	₱338,147,807	₱330,530,786
Depreciation and amortization	13	<b>39,356,768</b>	36,524,811	36,552,737
Salaries and employee benefits	17, 18	<b>33,906,695</b>	32,497,470	31,301,404
Utilities		<b>18,044,122</b>	17,084,066	13,855,048
Repairs and maintenance		<b>15,497,834</b>	26,537,257	22,773,600
Rental	23	<b>8,840,929</b>	21,832,395	8,870,383
Supervision and regulatory fees	23	<b>2,576,087</b>	1,617,997	1,335,243
Transportation and travel		<b>1,643,472</b>	1,777,342	2,185,175
Insurance		<b>1,476,428</b>	1,276,523	1,239,103
Communication		<b>559,002</b>	596,283	339,386
Office supplies		<b>308,121</b>	489,059	510,283
Security services		<b>360,161</b>	326,116	315,225
Others		<b>1,052,445</b>	2,876,945	380,531
		<b>491,743,729</b>	481,584,071	450,188,904
Outside services		<b>16,680,187</b>	14,880,345	18,494,351
		<b>₱508,423,915</b>	<b>₱496,464,416</b>	<b>₱468,683,255</b>

Others include professional fee, parking fees, toll, and training.

## 20. Operating Expenses

This account consists of:

	Notes	2014	2013	2012
Salaries and employee benefits	17, 18	<b>₱28,341,394</b>	₱24,541,825	₱20,679,318
Taxes and licenses		<b>19,216,664</b>	10,954,743	9,626,899
Depreciation and amortization	13	<b>13,550,348</b>	18,075,315	7,248,137
Professional services		<b>7,873,915</b>	12,917,115	6,223,375
Training and allowance		<b>6,790,934</b>	5,827,495	7,065,579
Representation		<b>5,548,226</b>	3,090,083	1,981,253
Transportation and travel		<b>3,699,064</b>	1,680,337	1,352,456
Office supplies		<b>3,393,748</b>	2,260,384	1,070,388
Communication		<b>2,898,336</b>	2,211,955	1,686,620
Repairs and maintenance		<b>2,860,052</b>	1,923,518	2,603,744
Security services		<b>1,895,443</b>	1,676,877	1,664,852
Association dues		<b>1,894,984</b>	1,948,867	2,115,305
Utilities		<b>1,818,678</b>	1,813,550	1,945,018
Rental	23	<b>1,515,015</b>	1,040,148	1,801,999
Provision for impairment losses	7, 9	<b>1,197,641</b>	936,290	310,418
Donation		<b>1,073,569</b>	492,318	1,250,510
Outside services		<b>804,000</b>	2,565,086	-
Insurance		<b>510,875</b>	233,974	162,141
Guarantee fee		<b>96,565</b>	171,923	230,521
Others		<b>4,896,868</b>	3,050,375	2,989,858
		<b>₱109,876,319</b>	₱97,412,178	₱72,008,391

Others include advertisement, allowances, materials, supplies, parking and toll fees.

## 21. Other Income (Charges)

This account consists of:

	Notes	2014	2013	2012
Interest expense	15	<b>(₱25,705,153)</b>	(₱27,120,417)	(₱35,692,461)
Increase in fair value of investment property	12	<b>14,243,120</b>	36,087,300	9,292,000
Interest income	6	<b>3,174,106</b>	2,989,472	4,808,947
Bank charges		<b>(1,095,174)</b>	(1,056,800)	(664,719)
Financial host expense	23	<b>(475,820)</b>	(432,977)	(398,588)
Net foreign exchange gain (loss)	6	<b>(52,372)</b>	(452,312)	379
Others		<b>352,833</b>	305,158	127,603
		<b>(₱9,558,460)</b>	₱10,319,424	(₱22,526,839)

## 22. Income Taxes

- a. The Group's current income taxes for 2014 and 2013 pertain to regular corporate income tax.
- b. The Group's deferred tax assets consist of the following:

	2014	2013
Tax effect of:		
Accrued retirement expense	<b>₱8,277,525</b>	₱7,311,482
NOLCO	<b>1,313,908</b>	1,280,481
Allowance for impairment losses of receivables	<b>1,065,758</b>	706,466
Carryforward benefit of MCIT	<b>58,623</b>	58,623
	<b>₱10,715,814</b>	<b>₱9,357,052</b>

The Group did not recognize the deferred tax asset on NOLCO amounting to ₱0.7 million since management believes this could not be realized prior to its expiration.

NOLCO amounting to ₱4.3 million as of December 31, 2014, can be carried forward and claimed as deduction against regular taxable income for the next three years as follows:

Date incurred	Amount	Expired	Balance	Expiry date
December 31, 2014	₱2,231,750	₱-	₱2,231,750	December 31, 2017
December 31, 2013	941,929	-	941,929	December 31, 2016
December 31, 2012	1,206,014	-	1,206,014	December 31, 2015
December 31, 2011	2,913,393	2,913,393	-	December 31, 2014
	<b>₱7,293,086</b>	<b>₱2,913,393</b>	<b>₱4,379,693</b>	

The carryforward benefit of MCIT that can be claimed as deduction from regular corporate income tax due for the next three years as follow:

Date incurred	Amount	Expired/Applied	Balance	Expiry date
December 31, 2013	₱58,623	₱-	₱58,623	December 31, 2016
December 31, 2011	385,596	385,596	-	December 31, 2014
	<b>₱444,219</b>	<b>₱385,596</b>	<b>₱58,623</b>	

- c. The Group's deferred tax liabilities consist of the following:

	2014	2013
Tax effect of:		
Capitalized borrowing costs	<b>₱6,552,000</b>	₱6,804,000
Fair value adjustments and appraisal increase in investment property and property and equipment	<b>19,516,703</b>	19,910,516
	<b>₱26,068,703</b>	<b>₱26,714,516</b>

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.

- d. Reconciliation between the statutory and the effective income tax rates follows:

	2014	2013	2012
Statutory income tax rate	30.00%	30.00%	30.00%
Additions to (reductions in) income tax resulting from:			
Income tax holiday incentives	(5.30)	(6.55)	(8.38)
Effect of change in fair value of investment property	(2.99)	(8.22)	(2.62)
Interest income taxed at lower rate	(2.86)	(0.63)	(1.34)
Applied NOLCO	0.34	0.02	0.31
Other unallowable expenses	(1.70)	0.41	0.19
Nontaxable income	(9.20)	-	-
Effective income tax rate	19.00%	15.03%	18.16%

- e. The Parent Company and its subsidiaries opted for the itemized deduction scheme for its income tax reporting in 2014, 2013 and 2012.

## 23. Significant Contracts and Commitments

### a. Lease of Water Facilities

In 2006, CWC entered into a lease agreement with the local government of Tabuk, in the province of Kalinga (local government). Items under lease are the water facilities developed and owned by the local government. Under the agreement, CWC will manage, operate and maintain this water system within a defined service area for 25 years from the day the facilities are turned-over by the local government. CWC shall pay lease to the local government based on agreed amounts and subject to adjustments depending on the average actual billed volumes. Also, CWC shall pay supervision fee of ₱5 per connection on a monthly basis subject to adjustment according to the change in general consumer price index of the region where the local government belongs.

CWC maintains a performance security in the form of a bank guarantee. If provided in the form of a bank guarantee or an irrevocable letter of credit, security shall be valid for an initial period of twelve (12) months and the Group shall ensure that the security shall be renewed annually, each renewal to take effect immediately on the expiration of the previous security. The amount of performance security is ₱9.0 million per annum from year one (1) to year ten (10) and ₱4.5 million per annum from year eleven (11) to year fifteen (15) of the lease. This is reported as "Special bank deposit" under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 14). The balance of special bank deposit amounted to ₱9.3 million as of December 31, 2014 and 2013.

The lease became effective in October 2006. On March 25, 2010, the lease term was extended for another ten (10) years.

The future aggregate minimum lease payments under lease are as follows:

	2014	2013	2012
Within one year	₱8,832,000	₱8,832,000	₱8,832,000
Over 1 year but not more than 5 years	35,328,000	35,328,000	35,328,000
More than five years	15,456,000	24,288,000	33,120,000
	₱59,616,000	₱68,448,000	₱77,280,000

Lease and supervision fees accrued amounted to ₱8.8 million and ₱2.5 million in 2014, respectively, ₱14.0 million and ₱1.6 million in 2013, respectively, and ₱8.8 million and ₱1.3 million in 2012, respectively (see Note 20).

The Group's water revenue from operating the water utilities in Tabuk amounted to ₱24.4 million in 2014, ₱24.7 million in 2013 and ₱20.5 million in 2012.

b. Subsidy Agreement between National Power Corporation (NPC), ORMECO, and OPI

In 2011, OPI, NPC and ORMECO have signed the subsidy agreement which governs the availment by OPI of the Missionary Electrification Subsidy (ME Subsidy) as a New Power Provider (NPP) in the province of Mindoro. The agreement shall take effect from the time of execution until expiration of the Power Supply Agreement (PSA) or termination of the Subsidy Agreement, as provided under Section 8 of the Subsidy Agreement, whichever comes earlier.

The ME Subsidy shall be computed as the difference between the True Cost of Generation computed under the PSA and the Socially Acceptable Generation Rate (SAGR) paid by ORMECO. The amount of the ME Subsidy shall be taken from the Universal Charge-Missionary Electrification (UC-ME) fund being maintained by NPC.

c. Power Supply Agreement (PSA)

*Calapan Diesel Power Plant*

On February 9, 2010, the OPI entered into a PSA with ORMECO wherein the OPI agreed to supply the power needs of ORMECO for a period of fifteen (15) years, subject to renewal for another fifteen (15) years by mutual agreement of the parties and to construct, operate and maintain the needed power generation plant on a Build-Own-Operate (BOO) basis. This agreement includes responsibilities of both parties on the construction, testing and operating the power station which will also be owned by the Company.

The OPI agrees to supply electricity generated by the power station to ORMECO more or less 3,800,000 kWh of energy per month or a maximum of 8 MW Power at any given time during the cooperation period for which electricity and other fees shall be paid by ORMECO per month. ORMECO agreed to buy such electricity up to the plant's production capacity.

*Inabasan Mini-Hydro Power Plant*

On July 18, 2012, OPI entered into a PSA with ORMECO wherein OPI agreed to supply the power needs of ORMECO for a period of twenty-five (25) years, subject to extension upon mutual agreement of the parties and to construct, operate and maintain the needed Renewable Energy Power Facility No. 2 on a BOO basis. Renewable Energy Power Facility No. 2 pertains to the Inabasan River Mini-Hydro Power Plant Project which will be constructed at the Municipality of San Teodoro, Oriental Mindoro. This agreement includes responsibilities of both parties on the construction, testing and operating the power facility which will also be owned by OPI.

OPI agrees to supply electricity generated by the power facility to ORMECO on a minimum of 4,083,000 kWh up to the maximum of 4,320,000 kWh of energy per month at any given time during the cooperation period for which the generation rate shall be paid by ORMECO per month.

d. Fuel Supply and Management Agreement (FSMA)

Pursuant to the PSA, OPI also entered into a FSMA with ORMECO. OPI shall own the storage tanks and dispensing pumps that will be installed at the power plant and all the structures, fixtures and equipment used in connection with the supply of fuel and lube oil. This agreement shall have the same duration as that of the PSA unless otherwise agreed by both parties.

e. Hydropower Service Contract

On March 25, 2010, OPI entered into a Hydropower Service Contract with the Department of Energy (DOE) pursuant to Section 2, Article XII of the 1987 Constitution and Republic Act No. 9513, otherwise known as the Renewable Energy Act of 2008. OPI was appointed and constituted by DOE as the exclusive party to explore, develop and utilize the hydropower resources within Inabasan River in the Municipality of San Teodoro, Oriental Mindoro. Technical and financial risk under the contract shall be assumed by OPI in case no hydropower resource in quantities of electricity is determined during the pre-development stage.

The pre-development stage of the hydropower contract shall be two (2) years from March 25, 2010 and renewable for another year if OPI has not been in default in its exploration, financial and other work commitments and obligations and has provided a work program for the extension period acceptable to DOE, after which this hydropower contract shall automatically terminate unless a declaration of commerciality has been submitted by OPI before the end of the third contract year and thereafter duly confirmed by DOE. Within this stage, OPI shall undertake exploration, assessment, harnessing, piloting and other studies of hydropower resources in the area.

The Company shall carry out the work commitments specified in the Work Program during the pre-development stage and a bond must be secured. This performance bond shall be secured from a DOE-accredited insurance or surety company.

f. Lease Agreement

*Power Plant Site*

The OPI leased a parcel of land owned by ORMECO for the Power Plant's site. The term of the lease is for 15 years starting on February 9, 2010 with an annual rental of ₱10,000 inclusive of VAT and may be renewed for another fifteen (15) years, under terms and conditions mutually agreed upon by the parties.

Rental expense related to the lease and reported in the Statements of comprehensive income amounted to ₱8,928 in 2014 and 2013.

*Generator Set*

In 2013, OPI rented 3 x 1.0MW generator sets. The lease shall be for a month, and renewable monthly. Rent expense related to this amounted to ₱7,848,395 in 2013.

g. Agreements for Power Plant

*6-8MW Modular Bunker Power Plant*

OPI entered into various contracts with the contractors for the electrical tie-line, mechanical and electrical works and construction of the power plant over a period of 120 to 180 calendar days. Retention payable amounting to ₱1.4 million as of December 31, 2012 is included in "Accounts payable and accrued expenses" account in the consolidated statements of financial position (see Note 16). This has been paid during 2013.

*Construction of 2 x 1.7MW Hyundai Himsen 9H-21/32 Bunker-fired Power Plant*

On June 18, 2013, OPI entered into a turnkey agreement with a contractor for the construction, erection, installation, training, start-up, testing and commissioning activities and services necessary to achieve a complete and operable 2 x 1.7MW Hyundai Himsen 9H-21/32 Bunker-fired Power Plant located at ORMECO Compound, Barangay Sta. Isabel, Calapan City, Oriental Mindoro.

The maximum amount OPI shall be obligated to pay the contractor for the completion of the project will be the sum of (a) Foreign Portion Project Costs amounting to US\$1,588,000 and (b) Local Portion Project Costs amounting to ₱25 million. As of December 31, 2014, the Company already paid a total amount of ₱92.9 million with a retention payable of ₱9.2 million included in "Accounts payable and accrued expenses" account in the consolidated statements of financial position.

*Construction of 10MW Hydro Electric Power Plant*

In 2014, the Company entered into various contracts with the contractors for the civil works, electro mechanical works and supply of mechanical hydraulic and electrical equipment. Construction in Progress and retention payable amounted to ₱293,505,057 and 25,969,730 as of December 31 2014, respectively.

h. Memorandum of Agreements (MOA)

OPI entered into a MOA with the DOE for the granting of financial benefits to the host communities of the energy-generation company and/or energy resources for its 8 MW Modular Bunker Diesel Power Plant and 10 MW Inabasan Hydroelectric Power Plant. Based on the agreements, OPI shall provide financial benefits equivalent to one centavo per kilowatt-hour (₱0.01/kWh) of the total electricity sales of the generation facility to the region, province, city or municipality and barangay that host the generation facility.

Financial host expense amounted to ₱475,820 in 2014, ₱432,977 in 2013 and ₱398,588 in 2012 is included in "Other income (charges)" account in the consolidated statements of comprehensive income (see Note 21).

i. Power Generation Project and Operation and Maintenance Agreement

On July 2, 2014, the OPI entered into a Power Generation Project and Operation and Maintenance Agreement with a local service provider for the operation, maintenance and management services for Company's Modular Bunker Fuel-Fired Power Plant for a period of 34 months and may be extended for another 34 months upon mutual agreement of the parties. It also includes the hiring of contractors for repair services; sourcing and procuring of the required maintenance parts and other specific duties required by the Agreement. As compensation to the local service provider, the Company shall pay him ₱0.64 for every kwh generated and dispatched by the power plant based on the metering procedures specified by the Company's existing PSA with ORMECO. Total service fees incurred by the Company for the year ended December 31, 2014 amounted to ₱14,331,744.

As part of the Agreement, the Company's generators' spare parts' custody and management were transferred to the local service provider and will be returned to the Company upon the termination of the agreement. As of December 31, 2014, the Company's generators' spare parts inventory amounted to ₱4,187,167.

j. Technical Services Contracts

The Group has technical services contracts for a period of one year renewable upon such terms and conditions as may be mutually agreed upon by the parties. Total revenue from technical services amounted to in ₱54.0 million in 2014, ₱25.7 million in 2013 and ₱15.1 million in 2012.

k. Lease Agreements

*Group as a Lessor*

The Group leased its various properties and certain furniture, furnishings and equipment under operating lease with various lessees. The lease shall be for a period of one year and renewable upon mutual agreement of the parties. Rental income recognized in the consolidated statements of comprehensive income amounted to ₱59.8 million in 2014, ₱65.6 million in 2013 and ₱64.2 million in 2012.

*Group as a Lessee*

The Group leases several office spaces for a period of one year, renewable upon mutual agreement of the parties. Rental expense charged to operations and reported in the consolidated statements of comprehensive income amounted to ₱2.4 million in 2014, ₱1.0 million in 2013 and ₱1.8 million 2012 (see Note 20).

The Group also leased a parcel of land owned by ORMECO for the Calapan Bunker C Diesel Plant's site. The term of the lease is for 15 years with an annual rental of ₱10,000 and may be renewed for another fifteen (15) years, under terms and conditions mutually agreed upon by the parties.

In 2013, the Group rented 3 x 1.0MW generator sets. The lease shall be for a month, and renewable monthly. Rent expense related to this amounting to ₱7.8 million in 2013 is included in "Rental account" under cost of sales and services in the consolidated statements of comprehensive income.

The future aggregate minimum lease payments under operating lease as of December 31, 2014 and 2013 follow:

	2014	2013
Within one year	<b>₱10,000</b>	₱10,000
Over 1 year but not more than 5 years	<b>40,000</b>	40,000
More than five years	<b>60,000</b>	70,000
	<b>₱110,000</b>	₱120,000

## 24. Earnings Per Share (EPS)

Computation of EPS attributable to the equity holders of the Parent Company is as follows:

*Computed based on Net Income*

	2014	2013	2012
Net income	<b>₱98,800,471</b>	₱93,019,028	₱59,738,323
Divided by weighted average number of common shares	<b>281,500,000</b>	281,500,000	281,500,000
	<b>₱0.3510</b>	₱0.3304	₱0.2122



*Computation based on Total Comprehensive Income*

	2014	2013	2012
Net income	<b>₱99,287,957</b>	₱98,878,554	₱59,967,067
Divided by weighted average number of common shares	<b>281,500,000</b>	281,500,000	281,500,000
	<b>₱0.3527</b>	₱0.3513	₱0.2130

There were no potential dilutive shares in 2014, 2013 and 2012.

## 25. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, available-for-sale investments, special bank deposit, loans payable, accounts payable and accrued expenses, dividend payable and due from and to related parties. 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, credit risk and foreign exchange risk.

The main objectives of the Group's financial risk management 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 BOD 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 regular 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.

Table below summarizes the maturity profile of the Group's financial liabilities:

	2014				
	On demand	Within 1 year	Over 1 to 5 years	Over 5 years	Total
Loans payable	₱-	₱261,098,384	₱259,210,735	₱320,060,225	₱840,369,344
Accounts payable and accrued expenses*	301,149,869	-	-	-	301,149,869
Due to related parties	62,726,812	-	-	-	62,726,812
Customers' deposits	24,726,795	-	-	-	24,726,795
	<b>₱388,603,476</b>	<b>₱261,098,384</b>	<b>₱259,210,735</b>	<b>₱320,060,225</b>	<b>₱1,228,972,820</b>

	2013				
	On demand	Within 1 year	Over 1 to 5 years	Over 5 years	Total
Loans payable	₱-	₱269,374,572	₱156,931,895	₱91,855,677	₱518,162,144
Accounts payable and accrued expenses*	135,981,758	-	-	-	135,981,758
Due to related parties	73,691,552	-	-	-	73,691,552
Customers' deposits	19,095,674	-	-	-	19,095,674
	<b>₱228,768,984</b>	<b>₱269,374,572</b>	<b>₱156,931,895</b>	<b>₱91,855,677</b>	<b>₱746,931,128</b>

\*excluding government payables

#### 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.

In 2014 and 2013, the Group was able to negotiate the interest rate at an average of 7% and 7.25%, respectively which is below the agreed minimum annual fixed rate of 15% in the loan agreement. The following table set forth the impact of the range of reasonably possible changes in the interest rates on the Group's income before income tax and equity for the years ended December 31, 2014 and 2013:

	Reasonably possible changes in interest rates	Effect on income before tax	Effect on equity
<b>2014</b>	+4.4%	(₱36,976,251)	(₱25,883,376)
	-4.4%	36,976,251	25,883,376
<b>2013</b>	+7.75%	(₱40,157,566)	(₱28,110,296)
	-7.75%	40,157,566	28,110,296

#### Credit risk

Credit 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 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 table below shows the gross maximum exposure to credit risk of the Group as of December 31, 2014 and 2013, without considering the effects of credit risk mitigation techniques.

	2014	2013
Cash in banks and short-term time deposits*	<b>₱314,992,394</b>	₱227,473,495
Receivables – gross of allowance**	<b>192,096,059</b>	98,213,229
Available-for-sale investments	<b>3,005,410</b>	2,887,074
Due from related parties	<b>55,811,669</b>	47,010,801
Other noncurrent assets:		
Special bank deposit	<b>9,351,398</b>	9,303,354
Reserve fund	<b>6,472,097</b>	7,338,606
Utilities and other deposits	<b>6,776,605</b>	5,664,748
	<b>₱588,505,632</b>	<b>₱397,891,307</b>

\*excludes cash on hand

\*\*excludes advances to contractors and advances to suppliers

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 base of customers, it is not exposed to large concentration of credit risk.

Below is the credit quality of financial assets:

	2014				
	Neither past due nor impaired		Past due but not		Total
	High grade	Standard grade	impaired	Impaired	
Cash in banks and					
short-term time deposits	₱314,992,394	₱-	₱-	₱-	₱314,992,394
Receivables	171,031,260	-	19,280,803	1,783,996	192,096,059
Available-for-sale investments	3,005,410	-	-	-	3,005,410
Due from related parties	55,811,669	-	-	-	55,811,669
Other noncurrent assets:					
Special bank deposit	9,351,398	-	-	-	9,351,398
Reserve fund	6,472,097	-	-	-	6,472,097
Utilities and other deposits	6,776,605	-	-	-	6,776,605
<b>Total</b>	<b>₱567,440,833</b>	<b>₱-</b>	<b>₱19,280,803</b>	<b>₱1,783,996</b>	<b>₱588,505,632</b>

	2013				
	Neither past due nor impaired		Past due but not		Total
	High grade	Standard grade	impaired	Impaired	
Cash in banks and					
short-term time deposits	₱227,473,495	₱-	₱-	₱-	₱227,473,495
Receivables	58,888,265	9,041	37,531,927	1,783,996	98,213,229
Available-for-sale investments	2,887,074	-	-	-	2,887,074
Due from related parties	47,010,801	-	-	-	47,010,801
Other noncurrent assets:					
Special bank deposit	9,303,354	-	-	-	9,303,354
Reserve fund	7,338,606	-	-	-	7,338,606
Utilities and other deposits	5,664,748	-	-	-	5,664,748
<b>Total</b>	<b>₱358,566,343</b>	<b>₱9,041</b>	<b>₱37,531,927</b>	<b>₱1,783,996</b>	<b>₱397,891,307</b>

High grade cash in banks and short-term time deposits are placed, invested, or deposited in local banks belonging to the top ten (10) banks in the Philippines in terms of resources and profitability.

High grade accounts, other than cash in banks and short-term time deposits, are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Standard grade accounts are accounts which have probability of impairment based on historical trend. Available-for-sale investments are assessed based on financial status of the counterparty and its current share price performance in the market. Substandard grade accounts are accounts which have probability of impairment based on historical trend.

Aging analysis of past due but not impaired receivables follows:

	2014	2013
Less than 30 days	<b>₱3,237,664</b>	₱18,196,652
30 to 60 days	<b>1,343,675</b>	642,199
61 to 90 days	<b>208,596</b>	2,402,748
More than 90 days	<b>14,490,868</b>	16,290,328
	<b>₱19,280,803</b>	<b>₱37,531,927</b>

*Foreign exchange risk*

Foreign exchange risk occurs due to currency differences in the Group's cash and cash equivalents in United States Dollar.

The Group does not have any foreign currency hedging arrangements.

The Group closely monitors the movements of the exchange rate and makes a regular assessment of future foreign exchange movements. The Group then manages the balance of its foreign currency denominated monetary assets based on this assessment.

The following table demonstrates the impact on the income before tax and on equity, of reasonable possible change in the US Dollar to Peso exchange rate, as a result of changes in fair value of monetary assets, in 2014 and 2013:

	USD Appreciate (Depreciate)	Effect on income before tax	Effect on equity
<b>2014</b>	+1.21%	₱4,674	₱3,272
	-1.21%	(4,674)	(3,272)
	USD Appreciate (Depreciate)	Effect on income before tax	Effect on equity
2013	+8%	₱62,918	₱44,043
	-8%	(62,918)	(44,043)

## 26. Financial Instruments

Set out below is a comparison by category of carrying values and estimated fair values of Group's financial instruments as of December 31, 2014 and 2013:

		2014				
	Note	Carrying value	Fair value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets:						
Cash in bank and short term	6					
time deposits		₱314,992,394	₱314,992,394	₱314,992,394	₱—	₱—
Receivables	7	190,312,063	190,312,063	—	—	190,312,063
Available-for-sale investments	8	3,005,410	3,005,410	3,005,410	—	—
Due from related parties	17	55,811,669	55,811,669	—	—	55,811,669
Other noncurrent assets:	14			—	—	—
Special bank deposit		9,351,398	9,351,398	—	—	9,351,398
Reserve fund		6,472,097	6,472,097	—	—	6,472,097
Utilities and other deposits		6,776,605	6,776,605	—	—	6,776,605
		₱586,721,636	₱586,721,636	317,997,804	—	268,723,832
Financial liabilities:						
Loans payable	15	₱840,369,344	₱840,369,344	₱—	₱840,369,344	₱—
Accounts payable and						
accrued expenses*	16	301,149,869	301,149,869	—	—	301,149,869
Due to related parties	17	62,726,812	62,726,812	—	—	62,726,812
Customers' deposits		24,726,795	24,726,795	—	—	24,726,795
		₱1,228,972,820	₱1,228,972,820	₱—	₱840,369,344	₱388,603,476

\*Exclusive of government payables

		2013				
	Note	Carrying value	Fair value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets:						
Cash deposits	6	₱227,473,495	₱227,473,495	₱227,473,495	₱—	₱—
Receivables	7	96,429,233	96,429,233	—	—	96,429,233
Available-for-sale investments	8	2,887,074	2,887,074	2,887,074	—	—
Due from related parties	17	47,010,801	47,010,801	—	—	47,010,801
Other noncurrent assets:	14					
Special bank deposit		9,303,354	9,303,354	—	—	9,303,354
Reserve fund		7,338,606	7,338,606	—	—	7,338,606
Utilities and other deposits		5,644,748	5,644,748	—	—	5,644,748
		₱396,087,311	₱396,400,703	₱230,360,569	₱—	₱165,726,742
Financial liabilities:						
Loans payable	15	₱518,162,144	₱518,162,144	₱—	₱518,162,144	₱—
Accounts payable and accrued expenses*	16	135,981,758	135,981,758	—	—	135,981,758
Due to related parties	17	73,691,552	73,691,552	—	—	73,691,552
Customers' deposits		19,095,674	19,095,674	—	—	19,095,674
		₱746,931,128	₱746,931,128	₱—	₱518,162,144	₱228,768,984

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The carrying value of cash in banks and short-term deposits, receivables, due from and to related parties and accounts payable and accrued expenses approximate their fair values due to the short-term nature of the transactions and are considered due and demandable.

Other noncurrent assets approximate their fair values as this is subject to insignificant risk of change in value. Special bank deposit approximates its fair value as this is subject to insignificant risk of change in value. This account was only classified under noncurrent due to restriction attached to it by a third party. Reserve fund is classified under noncurrent due to the restriction attached to it by a third party. The fair value of utilities and other deposits could not be readily determined and reasonably measured as the actual timing of receipt which is linked to the cessation of the service cannot be reasonably predicted. Accordingly, refundable deposits are carried at costs less any impairment.

The carrying value of loans payable approximates its fair value because interest rate on the debt closely coincides with the market rate at financial reporting period.

The fair value of customer's deposits could not be practically determined since they are attached to the underlying service and that the cessation of services and the possibility of refund are not determinable. Moreover, the individual balances of this account are insignificant.

As of December 31, 2014 and 2013, the Group has available-for-sale investments valued under Level 1 amounting to ₱3.0 million and ₱2.9 million, respectively pertaining to managed fund in an insurance company which is invested in fixed income securities and money market instruments and shares listed in the PSE. The fair value of available-for-sale investments was determined using Level 1 in 2014, 2013 and 2012. Price of the investment is posted on a daily basis in the insurance company's website.

The fair value of the Group's land and building and building improvements classified under Investment Property (see Note 12) are determined on the basis of the appraisals performed by Royal Asia Appraisal Corporation, an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

The fair value of these non-financial assets was determined based on the following approaches:

*Fair Value Measurement for Land*

The Level 2 fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value.

*Fair Value Measurement for Building and Improvements*

The Level 3 fair value of the buildings and improvements under Investment Property account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees.

These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

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## 27. Capital Management

The Group's objective in managing capital is to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance and to sustain future development of the business.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group considers the following accounts as its capital:

	2014	2013
Capital stock	<b>₱281,500,000</b>	₱281,500,000
Additional paid-in capital	<b>812,108</b>	812,108
Retained earnings	<b>450,270,091</b>	355,521,854
	<b>₱732,582,199</b>	₱637,833,962

The Group manages capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. Total debt is equivalent to all components of liability excluding deferred tax liabilities and retirement benefit obligation.

The debt-to-equity ratios as at December 31, 2014 and 2013 follow:

	2014	2013
Total debt (excluding retirement benefit obligation and deferred tax liabilities)	<b>₱1,353,561,237</b>	<b>₱867,499,317</b>
Total equity	<b>1,220,470,455</b>	<b>1,091,014,407</b>
Debt-to-equity ratio	<b>1.11:1.00</b>	<b>0.80:1.00</b>

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## 28. Contingencies

- a. The Parent Company is not involved in any tax cases under preliminary investigation, litigation and prosecution in courts or outside the BIR for the years ended December 31, 2014 and 2013. However, there is a pending case between the Parent Company and the Jollibee Foods Corporation. The details follow:

Jolliville Holdings Corporation versus Jollibee Foods Corporation; IPC No. 14-2013-00076, Office of the Director General, Intellectual Property Office, Makati City.

The Company received a copy of the Bureau of Legal Affairs ("BLA") of the Philippine Intellectual Property Office ("IPO") Decision No. 2014-226 dated 16 September 2014 ("Decision") sustaining the opposition of Jollibee Foods Corporation and denying the registration of the Jolliville Holdings Corporation's name and logo application with the IPO Office. The decision was made in connection to a case filed by Jollibee Foods Corporation vs. Jolliville Holdings Corporation ("the Company") against the mark "JOLLIVILLE HOLDINGS CORPORATION & LOGO.

The Company maintains its position that it has the lawful right to use its name and logo and has filed an appeal with the IPO Office. The Memorandum of Appeal filed by the Company within the reglementary period has been referred back by IPO to the mediation proceeding that was scheduled last 20 February 2015. However, IPO has scheduled another mediation to give ample time to find ways to coordinate with the higher ups of the Appellee for the possible settlement of the subject case. Accordingly and with conformity of both Counsels, the mediator reset the mediation conference to 19 March 2015.

- b. The Group is a party to other lawsuits or claims arising from the ordinary course of business. The Group's management and legal counsels believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the Group's consolidated financial statements, and thus, no provision has been made for these contingent liabilities.





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## SUPPLEMENTAL STATEMENT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors  
Jollville Holdings Corporation  
4th Floor, 20 Lansbergh Place  
170 Tomas Morato corner Scout Castor Street  
Quezon City

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of Jollville Holdings Corporation and Subsidiaries as of December 31, 2014 and 2013, and for each of the three years in the period ended December 31, 2014 and have issued our report thereon dated April 8, 2015. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Retained Earnings Available for Dividend Declaration is presented for purpose of complying with SEC Memorandum Circular No. 11, Series of 2008 and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respect the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

CONSTANTINO GUADALQUIVER & CO.  
BOA Registration No. 0213, valid until December 31, 2016  
SEC Accreditation No. (A.N.) 0003-FR-3, valid until November 10, 2017 (Group A)  
BIR A.N. 08-001507-0-2014, valid until January 4, 2017

By:

Edwin F. Ramos  
Partner

CPA Certificate No. 0091293  
SEC A.N. 0432-AR-2, valid until February 13, 2016 (Group A)  
TIN 134-885-074-000  
BIR A.N. 08-001507-8-2014, valid until January 4, 2018  
PTR No 4755984, issued on January 14, 2015, Makati City

Makati City, Philippines  
April 8, 2015

**JOLLIVILLE HOLDINGS CORPORATION**  
**SCHEDULE OF RETAINED EARNINGS AVAILABLE**  
**FOR DIVIDEND DECLARATION**  
**AS OF DECEMBER 31, 2014**

<b>Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning</b>	P	75,747,752
Net income during the period closed to Retained Earnings		100,016,332
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture		—
Unrealized foreign exchange gain - net		—
Unrealized actuarial gain		—
Fair value adjustment (M2M gains)		—
Fair value adjustment of Investment Property resulting to gain		—
Adjustment due to deviation from PFRS/GAAP - gain		—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS		—
Add: Non-actual losses		—
Depreciation on revaluation increment (after tax)		—
Adjustment due to deviation from PFRS/GAAP - loss		—
Loss on fair value adjustment of investment property (after tax)		—
<b>Net income actually earned during the period</b>		<b>100,016,332</b>
Add (Less):		
Dividend declarations during the period		—
Appropriations of Retained Earnings during the period		—
Reversals of appropriations		—
Effects of prior period adjustments		—
Treasury shares		—
		—
<b>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND</b>	P	<b>175,764,084</b>



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## SUPPLEMENTAL STATEMENT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors  
Jolliville Holdings Corporation  
4<sup>th</sup> Floor, 20 Lansbergh Place Building  
170 Tomas Morato corner Scout Castor Street  
Quezon City

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of Jolliville Holdings Corporation and Subsidiaries as of and for the year ended December 31, 2014 and 2013 and have issued our report thereon dated April 8, 2015. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Schedule of Financial Soundness Indicators is the responsibility of the Company's management. This schedule is presented for purpose of complying with Securities Regulation Code Rule 68, as Amended (2011) and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states in all material respect the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

CONSTANTINO GUADALQUIVER & CO.  
BOA Registration No. 0213, valid until December 31, 2016  
SEC Accreditation No. (AN) 0003-FR-3 (Group A), valid until November 10, 2017  
BIR AN 08-001507-0-2014, valid until January 5, 2018

By:

Edwin F. Ramos  
Partner  
CPA License No. 0091293  
SEC AN 0432-AR-2, valid until February 13, 2016 (Group A)  
TIN 134-885-074-000  
BIR AN 08-001507-8-2014, valid until January 4, 2018  
PTR No. 4755984, issued on January 14, 2015, Makati City

Makati City, Philippines  
April 8, 2015

**JOLLIVILLE HOLDINGS CORPORATION**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**

		December 31, 2014	December 31, 2013
<b><i>Liquidity Analysis Ratio</i></b>			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	1.06	0.96
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	0.93	0.77
Solvency Ratio	Total Assets / Total Liabilities	1.87	2.19
<b><i>Financial Leverage Ratios</i></b>			
Debt Ratio	Total Debt / Total Assets	0.54	0.46
Debt-to-Equity Ratio	Total Debt / Total Stockholders'	1.15	0.84
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	7.24	5.86
Asset to Equity Ratio	Total Assets / Total Stockholders'	2.15	1.84
<b><i>Profitability Ratio</i></b>			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.35	0.31
Net Profit Margin	Net Profit / Sales	0.22	0.17
Return on Assets	Net Income / Total Assets	0.05	0.06
Return on Equity	Net Income / Total Stockholders'	0.11	0.10
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	10.83	17.55



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The Stockholders and Board of Directors  
Jolliville Holdings Corporation  
4th Floor, 20 Lansbergh Place  
170 Tomas Morato corner Scout Castor Street  
Quezon City

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of Jolliville Holdings Corporation and Subsidiaries as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 and have issued our report thereon dated April 8, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Summary of effective standards and interpretations under Philippine Financial Reporting Standards are the responsibility of the Company's management. This summary is presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011) and is not part of the basic financial statements. This summary has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

CONSTANTINO GUADALQUIVER & CO.  
BOA Registration No. 0213, valid until December 31, 2016  
SEC Accreditation No. (A.N.) 0003-FR-3, valid until November 10, 2017 (Group A)  
BIR A.N. 08-001507-0-2014, valid until January 4, 2017

By:

Edwin F. Ramos  
Partner

CPA Certificate No. 0091293  
SEC A.N. 0432-AR-2, valid until February 13, 2016 (Group A)  
TIN 134-885-074-000  
BIR A.N. 08-001507-8-2014, valid until January 4, 2018  
PTR No 4755984, issued on January 14, 2015, Makati City

Makati City, Philippines  
April 8, 2015

**JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**SUMMARY OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER**  
**PHILIPPINE FINANCIAL REPORTING STANDARDS**  
**DECEMBER 31, 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			✓
	Annual Improvements (2009-2011 Cycle): Repeated Application of PFRS 1			✓
	Annual Improvements (2009-2011 Cycle): First-time Adoption of PFRS – Borrowing Cost			✓
	Annual Improvements (2011-2013 Cycle): First-time Adoption of PFRS – Meaning of Effective PFRS*		✓	
PFRS 2	Share-based Payment			✓**
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓**
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓**
	Annual Improvements (2010-2012 Cycle): Definition of Vesting Condition*		✓	
PFRS 3 (Revised)	Business Combinations	✓		
	Annual Improvements (2010-2012 Cycle): Accounting for Contingent Consideration in a Business Combination*		✓	
	Annual Improvements (2011-2013 Cycle): Scope		✓	

\*These are effective subsequent to December 31, 2014.

\*\*Adopted but no significant impact

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Exceptions for joining Arrangements*			
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓**
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓**
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓**
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓**
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities			✓**
PFRS 8	Operating Segments	✓		
	Annual Improvements (2010-2012 Cycle): Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*		✓	
PFRS 9	Financial Instruments*		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments for Investment Entities		✓	
PFRS 11	Joint Arrangements			✓**
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments for Investment Entities		✓	
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements (2010-2012 Cycle): Short-term Receivables and Payables*		✓	
	Annual Improvements (2011-2013 Cycle): Portfolio Exception*		✓	

\*These are effective subsequent to December 31, 2014.

\*\*Adopted but no significant impact

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	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	✓		
	Annual Improvements (2009-2011 Cycle): Clarification of the Requirements for Comparative Information	✓		
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7</b>	Statement of Cash Flows	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts			✓
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
<b>PAS 16</b>	Property, Plant and Equipment	✓		
	Annual Improvements (2009-2011 Cycle): Classification of Servicing Equipment	✓		
	Annual Improvements (2010-2012 Cycle): Revaluation Method – Proportionate Restatement of Accumulated Depreciation*		✓	
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19</b>	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures*	✓		
<b>PAS 19 (Amended)</b>	Employee Benefits	✓		
	Amendments to PAS 19 – Defined Benefit Plans: Employee Contributions		✓	
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓**
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		

\*These are effective subsequent to December 31, 2014.

\*\*Adopted but no significant impact



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendment: Net Investment in a Foreign Operation			✓**
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements (2010-2012 Cycle): Key Management Personnel*		✓	
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments in Investment Entities		✓	
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		✓	
	Annual Improvements (2009-2011 Cycle): Presentation – Tax effect of Distribution to Holders of Equity Instruments			✓**
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓**
	Annual Improvements (2009-2011 Cycle): Interim Financial Reporting and Segment Information for Total Assets and Liabilities	✓		
PAS 36	Impairment of Assets	✓		
	Amendments arising from Recoverable Amount Disclosures for Non-Financial Assets		✓	
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓**
	Annual Improvements (2010-2012 Cycle): Revaluation Method – Proportionate Restatement of Accumulated			

\*These are effective subsequent to December 31, 2014.

\*\*Adopted but no significant impact

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amortization*		✓	
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓**
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓**
	Amendments to PAS 39: The Fair Value Option			✓**
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓**
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓**
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓**
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓**
	Amendment to PAS 39: Eligible Hedged Items			✓**
	Amendment to PAS 39: Novations of Derivatives and Continuation of Hedge Accounting		✓	
PAS 40	Investment Property	✓		
	Annual Improvements (2011-2013 Cycle): 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	✓		

\*These are effective subsequent to December 31, 2014.

\*\*Adopted but no significant impact

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

\*These are effective subsequent to December 31, 2014.

\*\*Adopted but no significant impact

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

\*These are effective subsequent to December 31, 2014.

\*\*Adopted but no significant impact

# CG&CO



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## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and Board of Directors  
Jollville Holdings Corporation  
4th Floor, 20 Lansbergh Place  
170 Tomas Morato corner Scout Castor Street  
Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Jollville Holdings Corporation and subsidiaries as of December 31, 2014 and 2013, and for each of the three years in the period ended December 31, 2014, included in this Form 17-A and have issued our report thereon dated April 8, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purpose of complying with the Securities Regulation Code Rule 68 As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respect the information required to be set forth therein in relation to the basic financial statements taken as a whole.

CONSTANTINO GUADALQUIVER & CO.  
BOA Registration No. 0213, valid until December 31, 2016  
SEC Accreditation No. (A.N.) 0003-FR-3, valid until November 10, 2017 (Group A)  
BIR A.N. 08-001507-0-2014, valid until January 4, 2017

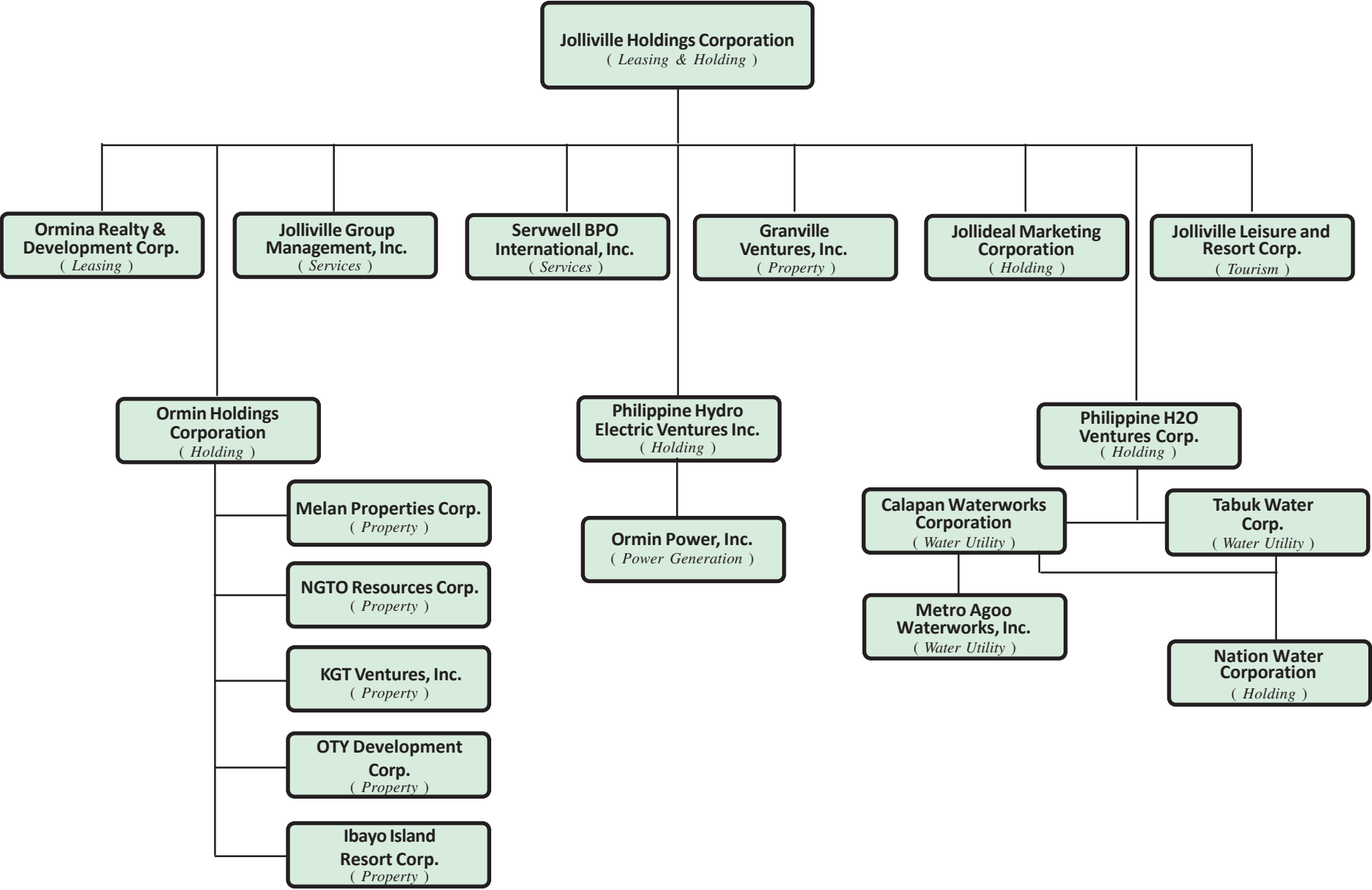
By:

A handwritten signature in black ink, appearing to read "E. Ramos".

Edwin F. Ramos  
Partner  
CPA Certificate No. 0091293  
SEC A.N. 0432-AR-2, valid until February 13, 2016 (Group A)  
TIN 134-885-074-000  
BIR A.N. 08-001507-8-2014, valid until January 4, 2018  
PTR No 4755984, issued on January 14, 2015, Makati City

Makati City, Philippines  
April 8, 2015

**JOLLIVILLE HOLDINGS CORPORATION**  
*Group Corporate Structure*



# **Annex B**

## **MANAGEMENT REPORT**

The information herein should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated financial statements and related notes thereto contained in this Report.

### **Short Background of Business of Registrant**

The Group has principal business interests in leasing, management services, property development and land banking, and a local waterworks system. Most recently, the Group engaged in business process outsourcing, and power generation through Servwell BPO International, Inc. ("Servwell") and Ormin Power, Inc. (OPI), respectively.

Jollville Holdings Corporation ("JOH" or "the Company") and Ormina Realty & Development Corp. ("ORDC") leases and rents out certain assets including land, buildings & improvements, furnishings and fixtures, equipment, and machineries to a number of independent business entities involved in the operation and management of KTV entertainment/recreation centers in the Metro Manila area.

A group subsidiary, Jollville Group Management, Inc. ("JGMI") provides general management services and assistance to companies within and affiliated to the Group, notably ORDC and Calapan Waterworks Corporation ("Calapan Water" or "CWWC"). Servwell, on the other hand, provides technical consultancy services to third parties engaged in the KTV entertainment and leisure/recreation business, primarily in the areas of records management and bookkeeping assistance, receivables and payables processing, billings and collections, treasury, escrow and other related services, provident fund accounting, and human-resource related processes. Management and Technical services are provided based on a pre-agreed monthly contract retainer that is reviewed yearly.

The Group owns and holds title to a number of properties in Metro Manila, Calapan City and Puerto Galera in Oriental Mindoro. These property investments, which include parcels of urban land, provincial and beachfront properties, as well as condominium units, are held for future operations and/or development. At this time when demand for property is soft, the Company is in no real rush to start development of its land-banked properties and there is no pressure on it to do so. It will only start its own development program for its properties once there is already a clear signal of a real turn around in the property situation.

Through Jollville Leisure & Resort Corporation ("JLRC"), the Company has ventured with other investors (Aviso Holdings, Inc., Sta. Lucia Realty and Dev't., Inc., Alson's Land Corp. and Blue River Holdings, Inc.) to invest in a businessman's hotel at the Eagle Ridge Golf and Country Club in General Trias, Cavite. Known as the Eagle Ridge Microtel, it is the first value-for-money businessman's hotel in the area designed to cater not only to the accommodation needs of transient businessmen and tourists, but also to golf players and enthusiasts who frequent the golf course and facilities Eagle Ridge. JLRC has an 37.6% stake in Eagle Ridge Hotel Corporation.

Calapan Water owns, operates and manages the waterworks system of Calapan City, Oriental Mindoro. It is one of the few privately owned water systems in the country today. Within its franchise area, it has no competitor and there is no known oppositor to its franchise. The franchise has a term of 25 years that started on February 9, 2003.

OPI began its commercial operations last November 11, 2011. It provides power generation and electricity supply services to the Oriental Mindoro Electric Cooperative and operates a

power plant in Calapan City using bunker fuel. It also has begun studies to produce electricity using hydroelectric power technology.

## **Business and General Information**

### **(1) Business Development**

Originally incorporated as a realty company in September 1986 by the Ting family, the Company underwent a transformation to that of a holding company on April 15, 1999 after securing Securities and Exchange Commission's (SEC) approval for the change in its primary purpose. Subsequently, on May 4, 1999, the SEC approved the increase in capitalization of Jolliville Holdings Corporation ("JOH" or "the Company"). The authorized capital stock of the Company was increased from 30,000 shares with a par value of ₱100 per share to 1 billion shares with a new par value of ₱1 per share. To date, 281.5 million common shares are issued and fully paid.

After this transformation into a holding company, JOH acquired the entire capital stock of its affiliates namely, Jolliville Group Management, Inc. ("JGMI"), Jollideal Marketing Corporation ("JMC"), Ormina Realty and Development Corporation ("ORDC"), Jolliville Leisure and Resort Corporation ("JLRC"), Granville Ventures, Inc. ("GVI"), and Ormin Holdings Corporation ("OHC"). It acquired the foregoing companies through the assignment of shares of stock, which was paid for in cash to members of the Ting Family who held ownership in the former prior to JOH's acquisition.

JGMI was incorporated on March 9, 1994 and at present, has an authorized capital stock of 10 million divided into 100,000 common shares, with a par value of ₱100 per share. On 18 December 2013, the Board of Directors of JGMI declared cash dividends amounting to ₱28.09 million. To date, one hundred thousand common shares of JGMI are issued and fully paid.

ORDC was incorporated on April 22, 1997 with an authorized capital stock of ₱200 million divided into 200 million common shares, with a par value of ₱1 per share. The Board of Directors of ORDC has declared cash dividends out of 2014 retained earnings amounting to ₱40 million on 16 December 2014. To date, 50 million common shares of the corporation are subscribed and ₱23,331,830 has been received as payment on subscription.

JLRC was incorporated on March 20, 1995, and at present, has an authorized capital stock of ₱20 million divided into 200,000 common shares, with a par value of ₱100 per share. To date, 50,000 common shares are issued and fully paid.

JMC was incorporated on April 10, 1999 with an authorized capital stock of ₱2 million divided into 20,000 common shares, with a par value of ₱100 per share. To date, 10,000 common shares are issued and fully paid.

OHC was incorporated on March 1, 1994 with an authorized capital stock of ₱10 million divided into 100,000 common shares, with a par value of ₱100 per share. To date, 25,000 common shares are issued and fully paid.

Granville Ventures, Inc. ("GVI") was incorporated on March 19, 2001 with an initial authorized capital stock of ₱1 million divided into 1 million common shares, with a par value of ₱1 per share. To date, 250,000 common shares are subscribed and ₱62,500 has been received as payment on subscription.

Servwell BPO International Inc. ("Servwell" or "SBI") was incorporated on May 19, 2009 as a wholly-owned subsidiary of JOH primarily to design, implement, and operate certain business processes; to assist companies in running their accounting units; to provide receivables and



payables processing, billings and collections, treasury, escrow and other related services; to provide provident fund accounting; and to provide human-resource related processes. It has an authorized capital stock of ₱5 million divided into 5 million common shares with a par value of ₱1 a share.

Servwell has declared cash dividends of ₱11.91 million, as approved by the members of the board on 18 December 2013. To date, all SBI shares have been fully subscribed to and paid for.

Calapan Waterworks Corporation ("CWWC" or "Calapan Water") was incorporated on May 23, 1991, and at present, has an authorized capital stock of ₱200 million divided into 200 million common shares, with a par of ₱1 per share. Currently 187,264,425 common shares of the corporation are subscribed and fully paid.

The Company through its subsidiary, ORDC, acquired a 92% controlling equity interest in Calapan Water in December 1999. On March 24, 2003, the Securities and Exchange Commission (SEC) approved the decrease in its par value from ₱100 to ₱1 and increase in number of shares from five hundred thousand to fifty million. Subsequently on August 6, 2003, the SEC approved Calapan Water's application for quasi-reorganization. The application was for a reduction of its authorized capital stock from fifty million (50,000,000) shares with a par value of ₱1.00 per share to seven million five hundred thousand (7,500,000) shares with the same par value per share. The decrease resulted in a reduction in paid-up capital from ₱29,120,000.00 to ₱4,368,000.00, and created a surplus of ₱24,752,000.00 which was used to wipe out the deficit as of 31 December 2002 amounting to ₱16,872,555.00. On October 24, 2003, the SEC approved the company's increase in its authorized capital stock from 7.5 million shares to 200 million shares. Relative to the increase, 48,125,000 shares were subscribed and ₱12,031,250 were received as payment on subscriptions. As a result of the increase and additional subscriptions, JOH at the time owned, directly and indirectly, 99.35% of CWWC.

On 24 November 2014, Calapan Water's Board of Directors approved the declaration of cash dividends amounting to ₱101,007,839 or ₱1 per common share, out of the retained earnings as of 2014 October. The dividends were distributed to stockholders of record as of 24 November 2014 on 8 December 2014. On 31 January 2015, H2O subscribed to 16,781,000 additional shares. To date, 118,331,139 common shares of Calapan Water have been subscribed and paid.

H2O was incorporated on 30 January 2009 under its original name "Calapan Equity Ventures, Inc." primarily as an investment holding company. On 23 December 2009, the SEC approved the amendment of the Articles of Incorporation and By-Laws of H2O changing (i) its name from "Calapan Equity Ventures, Inc." to "Calapan Ventures, Inc." and (ii) its primary purpose from a holding company to one that is engaged in the business of trading, processing, assembling, manufacturing and/or fabricating and exporting and importing, and dealing in goods, materials, merchandise, commodities, minerals, metals and real and personal properties of every kind, class and description. It still performs the function as a holding company as a secondary purpose.

Upon its incorporation on 30 January 2009, H2O had an authorized capital stock of ₱200,000,000 divided into 200,000,000 Common Shares with a par value of One Peso (₱1.00) per share. As of 31 December 2014, the issued and outstanding capital stock of H2O consisted of 162,161,000 common shares.

On 09 October 2013, H2O has stopped its trading business since it contributed a loss of ₱1.16 million and ₱1.15 million in net income for the years 2011 and 2012 respectively.

On 16 July 2014, H2O filed its application for Amended Articles of Incorporation and By-Laws with the SEC changing (i) its corporate name from "Calapan Ventures Inc." to "Philippine H2O

Ventures Corp.”, (ii) its primary purpose from “trading” to a “holding company”, since its trading business has already been suspended and to recognize as well that its primary purpose is to be a holding company and the secondary purpose will be “trading”, (iii) the date of its annual stockholders’ meeting from the “last Friday of June” to “every 3<sup>rd</sup> Wednesday of June”. The SEC has approved the changes and issued a certificate of filing of amended articles of incorporation and By-Laws on 18 August 2014.

Ormin Power Inc. (OPI) was incorporated on April 27, 2009 to provide power generation and electricity supply services to distribution utilities, including but not limited to, electric cooperatives; to install, build, own, lease, maintain or operate power generation facilities, using fossil fuel, natural gas, or renewable energy; and to engage in any and all acts which maybe necessary, or convenient, in the furtherance of such power generation services. JOH effectively became owner of 60% of OPI’s outstanding capital stock in November 2010. As of December 31, 2012, OPI’s authorized capital stood at ₱120 million consisting of 120 million shares with a par value of ₱1 per share. Subscribed shares amounted to 80 million shares and paid-up capital is ₱80 million.

On March 15, 2014, OPI’s authorized capital stock increased to ₱466 million divided into 466 million common shares with a par value ₱1 per share. As of December 31, 2014, the subscribed and issued capital stock of OPI consisted of ₱248.5 million with paid-up capital in the amount of ₱184 million. On Dec 8, 2014 the BOD approved the declaration of stock dividends out of the unrestricted retained earnings amounted to ₱82 million.

Metro Agoo Waterworks Inc. (MAWI) was incorporated on September 17, 2012 to engage in, carry on, conduct, operate, manage and maintain the general business of development and utilization of water resources which have for their objects the harnessment, production and supply of water for domestic, municipal, agricultural, industrial, commercial or recreational purposes to this end, to acquire, own, lease, construct, install, equip, operate, manage and maintain plants for the harnessment, production, conveyance and supply of water and other plants and other related system elements required thereto. The authorized capital stock of MAWI is ten million (10,000,000) shares with a par value of One Peso (PhP1.00) per share. Two million five hundred thousand (2,500,000) shares are subscribed and the paid-in capital is ₱625,000. CWWC owns 85% of the outstanding capital stock of MAWI.

MAWI is an indirect subsidiary of the company through Calapan Water.

On 10 December 2012, MAWI entered into Memorandum of Agreements (MOA) with the Municipality of Agoo and with the Municipality of Tubao, Province of La Union. The MOA with Agoo covers the joint and mutual cooperation of MAWI and Agoo LGU in the successful construction, installation, operation and maintenance of a water supply system for the supply and distribution of water in Agoo for domestic, industrial and/or commercial use for a period of twenty-five (25) years, renewable for another 25 years. On the other hand, the MOA with Tubao covers the sourcing of water by MAWI within the former’s territorial jurisdiction to supply and distribute water to its constituents and the adjacent Municipality of Agoo, including the right of way to install, lay, construct and maintain water mains, pipes, conduits and all other necessary apparatus and appurtenances for a period of 25 years also, renewable for another 25 years.

In 2014, MAWI purchased parcel of land amounting to ₱482,425 to be used for digging of wells and construction of right of way to the reservoir site amounting to ₱16,325.

On 24 March 2014, the Company purchased 100% of the total outstanding shares of pre operating company, Philippine Hydro Electric Ventures Inc., equivalent to 79,996,805 common shares at ₱100 a share. Subsequently, JOH sold all of its shareholdings in subsidiary Ormin Power Inc. to Philippine Hydro Electric Ventures Inc.

Philippine Hydro Electric Ventures Inc. (“PHEVI”), formerly, Bia Ventures Inc., was incorporated on 17 July 2009, primarily to lease and purchase land, marine, aquatic and

environmental resources of the Philippines to the extent permitted by law and to develop and conserve places with tourism value. The Securities and Exchange Commission has approved PHEVI's amended articles of incorporation on 23 November 2014, amending its primary purpose as to engage in, own develop, construct, rehabilitate, operate and maintain water and electric power plant systems and facilities, renewable and indigenous power generation plants and other types of power generation and/or converting stations; and to make the necessary undertaking for the distribution of such facilities to consumers; to act as holding company or joint venture partner or investor in the business of developing, operating, and/or owning power generation plants. It has an authorized capital stock of ₱300 million divided into 300 million shares with a par value of ₱1 a share. To date, the subscribed and paid-up capital of PHEVI is ₱80 million.

On 13 November 2014, CWWC and Tabuk Water subscribed shares in Nation Water which resulted in H2O owning 74.85% of Nation Water indirectly.

Nation Water is a pre operating company that was formally registered with the SEC on 13 November 2014 primarily to engage in, carry on, conduct, operate, manage and maintain the general business of development and utilization of water resources which have for their objects the harnessment, production, and supply of water for domestic, municipal, agricultural, industrial, commercial and recreational purposes to this end, to acquire, own, lease, construct, install, equip, operate, manage and maintain plants for the harnessment, production, conveyance and supply of water and other plants and other related system elements required thereto. It has an authorized capital stock of ₱10 million divided into 10 million common shares with a par value of ₱1 per share. Currently, 2.5 million common shares are subscribed, and ₱625,000 has been received as payment on subscription.

Neither the Company nor its subsidiaries are the subject of any bankruptcy, receivership or similar proceedings.

## **(2) Business of Issuer**

The Group (refers to Jolliville Holdings Corporation and its subsidiaries) has principal business interests in leasing, technical services, property development and land banking, and a local waterworks system. Most recently, the Group engaged in trading, business process outsourcing, and power generation through CVI, Servwell and OPI, respectively.

JOH and ORDC leases and rents out certain assets including land, buildings & improvements, furnishings and fixtures, equipment, and machineries to a number of independent business entities involved in the operation and management of KTV entertainment/recreation centers in the Metro Manila area.

A group subsidiary, JGMI provides general technical services and assistance to companies within and affiliated to the Group, notably ORDC and Calapan Water. Another consolidated subsidiary, SBI, on the other hand, provides business process outsourcing services to third parties engaged in the KTV entertainment and leisure/recreation business. The services are provided based on a pre-agreed monthly contract retainer that is reviewed annually.

The Group owns and holds title to a number of properties in Metro Manila, Calapan City and Puerto Galera in Oriental Mindoro. These property investments, which include parcels of urban land, provincial and beachfront properties, as well as condominium units, are held for future operations and/or development. At this time when demand for property is soft, the Company is in no real rush to start development of its land-banked properties and there is no pressure on it to do so. It will only start its own development program for its properties once there is already a clear signal of a real turn around in the property situation.

Through JLRC, the Company has ventured with other investors (Aviso Holdings, Inc., Sta. Lucia Realty and Dev't., Inc., Alson's Land Corp. and Blue River Holdings, Inc.) to invest in a businessman's hotel at the Eagle Ridge Golf and Country Club in General Trias, Cavite. Known as the Eagle Ridge Microtel, it is the first value-for-money businessman's hotel in the area designed to cater not only to the accommodation needs of transient businessmen and tourists, but also to golf players and enthusiasts of the golf course and facilities of Eagle Ridge. JLRC has a 37.6% stake in Eagle Ridge Hotel Corporation.

Calapan Water owns, operates and manages the waterworks system of Calapan City, Oriental Mindoro. It is one of the few privately owned water systems in the country today. As of December 31, 2013, the water supply system serves seventeen (17) urban barangays and fifteen (15) adjoining rural barangays with the number of household connections at 10,042.

Groundwater is the source of water supply in Calapan City. A total of five (5) wells are operational with combined capacity of 141.70 liters per second (lps).

Potential locations of additional wells are already identified based on the results of the geo-resistivity survey.

All wells are equipped with production meters and Non-Revenue Water (NRW) for the year 2014 averaged 27.04% as against 25.81% in 2013 and 26.38% in 2012.

The latest bacteriological and chemical/physical examination conducted by the Batangas Water District Laboratory indicates that all of CWWC's water sources conform to the Philippine National Standards for Drinking Water.

In 26 May 2010, the NWRB approved Calapan Water's petition for increase of water rates for the operation and maintenance of water supply system within Calapan City, Oriental Mindoro.

The approved CPC is valid for five (5) years with authority to charge the following rates:

<b>Consumption Bracket</b>	<b>Water Rates</b>	
	<b>1<sup>st</sup> Stage Implementation (first three years)</b>  <i>80% increase of the existing rate (12% ROI)</i>	<b>2<sup>nd</sup> Stage Implementation (succeeding two years)</b>  <i>Full implementation of the modified rates</i>
<i>A. Residential</i>		
0 to 10 cu.m.	Php 280.80 minimum	Php 321.00 minimum
11 to 20 cu.m.	29.88 per cu.m.	47.90 per cu.m.
21 to 30 cu.m.	31.68 per cu.m.	59.00 per cu.m.
31 to 40 cu.m.	35.28 per cu.m.	62.60 per cu.m.
41 to 50 cu.m.	40.68 per cu.m.	66.80 per cu.m.
Over 50 cu.m.	47.88 per cu.m.	72.30 per cu.m.
<i>B. Commercial</i>		
0 to 25 cu.m.	Php 1,404.00 minimum	Php 1,605.00 minimum
26 to 1,000 cu.m.	70.56 per cu.m.	118.00 per cu.m.
Over 1,000 cu.m.	95.76 per cu.m.	133.60 per cu.m.

The above rates are being implemented beginning 19 August 2010 until present. The full implementation of the modified rates started on October 2013 billings.

Last October 1, 2006, Calapan Water formally took over the operation of the water system of the Municipality of Tabuk, the capital of Kalinga province. Our role is to operate and maintain the water system for a period of 15 years. The system remains the property of the local government. The subscriber base stood at 3,234 as of December 31, 2013, 3,042 as of December 31, 2012, and 2,869 as of December 31, 2011. The system is capable of accommodating up to around 9,000 subscribers.

The Tabuk water supply system utilizes well/pumping stations located in Bulanao public market, barangays Bulanao Norte, Dagupan Centro and Appas. The annual lease fee varies from year to year ranging from ₱1.757 million to ₱8.832 million. In a resolution passed by the legislative council of Tabuk City on 2 February 2010, this lease agreement was extended for another 10 years (from year 2021) or up to 30 September 2031.

Groundwater is the source of water supply in Tabuk City. Four (4) wells with a total capacity of 110 lps are operational. Aside from the existing four (4) wells, an elevated water steel storage and a ground level concrete reservoir with a total capacity of 350 cu.m. and 640 cu.m., respectively, has been built to ensure consistent water supply.

As part of its drive campaign to reduce the non-revenue water in particular, the company implemented the use of leak detection equipment last year. By using this device, the distribution system water losses will be minimized and water will be conserved.

The NRW for the years 2014, 2013 and 2012 averaged 32.03%, 30.64%, and 34.55, respectively.

The water rates used by Tabuk Urban Water Utility, which operated the water system prior to the appointment of Calapan Water, are still being implemented. The current rates are as follows:

<b>Consumption Bracket</b>	<b>Water Rates</b>
<i>Residential</i>	
0 to 10 cu.m.	Php 210.00 minimum
11 to 20 cu.m.	23.15 per cu.m.
21 to 30 cu.m.	25.30 per cu.m.
Over 31cu.m.	27.45 per cu.m.
<i>Commercial A</i>	
0 to 10 cu.m.	Php 315.00 minimum
11 to 20 cu.m.	34.70 per cu.m.
21 to 30 cu.m.	37.95 per cu.m.
Over 31 cu.m.	41.15 per cu.m.
<i>Commercial B</i>	
0 to 10 cu.m.	Php 367.00 minimum
11 to 20 cu.m.	40.50 per cu.m.
21 to 30 cu.m.	44.25 per cu.m.
Over 31 cu.m.	48.00 per cu.m.

The standard rates are adjusted monthly in accordance with the process and formula described in the lease agreement between Calapan Water and then municipality of Tabuk dated 6 July 2006 (which was extended for another 10 years or up to 30 September 2031), which takes into consideration the movements in the consumer price index of the Cordillera Autonomous Region with respect to power, labor and other related costs.

Ormin Power Inc began its commercial operations last November 11, 2011. It supplies electricity to the Oriental Mindoro Electric Cooperative through its 8 Megawatt (MW) diesel power plant in Calapan City. For 2013, OPI has expanded its plant capacity by 50%. It is also currently developing a 10MW Mini Hydro Power Plant in Inabasan, San Teodoro, Oriental Mindoro that is expected to be completed in 2016.

On 2 July 2013, OPI has signed and executed a loan agreement with the Development Bank of the Philippines for P1.108 billion. The proceeds of the loan will be used to partly finance the above mini hydro project..

The Company carries out most of its business activities (except the waterworks business where it has no direct competition in its service area) in a competitive environment and competes in terms of market reach, diversity and quality of products, customer relations, and pricing, among others. Heightened competition could negatively affect the Company's operational results.

In the leasing business, it competes with a number of financial services institutions, both domestic and international. Among these, the more notable ones would be the likes of Equitable PCI Leasing and Finance, Inc., ORIX Metro Leasing and Finance Corp., IFC Leasing and Finance Corp., and BPI Leasing. While these companies offer their leasing lines to the general public, none of them have concentrated and specialized on servicing the particular market niche of the Company, the KTV operators. The long-established relationship of the Company with its KTV clients in the renting out of facilities, furnishings and equipment puts it at some advantage vis-à-vis its competitors. This competitive advantage is further strengthened by the technical services and consultancy contracts of the Company with its KTV clients.

The Company's primary competitors in the technical services and business process outsourcing industries are Accenture, the technical services and business process outsourcing units of the other major independent consultancy firms, and a sprinkling of independent management consultancy firms. However, the Company considers as its competitive advantage, its long-time relationship with its clients as well as the fact that it has multi-faceted business relationship with them (it also rents out to the same clients furnishing, fixtures, furniture and equipment for their KTV operations). The technical services and business process outsourcing lines are highly dependent on the continuing renewals of its contracts with its clients. The Company is confident though that, for as long as the KTV operations of its clients are viable and profitable, it will continue to service the specialized management consultancy and business process outsourcing needs of these clients.

Land banking and property development is a highly competitive industry. The major industry and sector leaders of this industry include the SM Group and Robinsons Land that are more focused on retail mall development, Ayala Land that is involved in residential, commercial, high rise, and industrial development, Sta. Lucia Realty which is into residential, commercial and leisure/resort development, Filinvest Land which is into central business district development, Megaworld and Empire East Land which are into both horizontal (subdivision & townhouses) and vertical (condominium) residential and commercial development.

In the leisure and resort development businesses, JOH, realizing that it is a newcomer in these fields, adopts a strategy of "product and market niching". It enters into strategic alliances with more seasoned partners as in the case of the Eagle Ridge Microtel hotel project.

The Group does not plan nor propose going into other types of businesses or offer any new service.

The Company is very much dependent on its being able to have continuing business with its existing clients and customers. The Company has had a long-time relationship with these clients and does not foresee losing any of them.

The Company considers the Oriental Mindoro Electric Cooperative (ORMECO) as a significant customer being the primary off-taker of the power produced by Ormin Power Inc. The Group does not spend material amounts for business development activities as most plans are developed internally.

The Company's subsidiaries involved in the service industries need no special government approvals. However, its waterworks business through Calapan Water and its power

generation business through OPI require several special government approvals such as Environment Compliance Certificate from the Department of Environment and Natural Resources (DENR).

Calapan Water owns and operates exclusively the local waterworks system of Calapan City by virtue of its legislative franchise under Republic Act No. 9185 which expires on Feb. 9, 2028 and a Certificate of Public Convenience issued by the National Water Resources Board ("NWRB") which expires on Jan. 17, 2018. Calapan Water's application for the renewal of its CPC was approved on January 22, 2014.

The franchise shall be deemed by the fact itself revoked in the event Calapan Water fails to implement fully its medium-term development plan submitted to Congress in support of its application for the franchise. Said plan is discussed in depth in JOH's prospectus relating to its initial public offering of June 2002.

Tariff rates are subject to regulation by the NWRB. All tariff increases should be approved by the NWRB before implementation. A Water Permit should also be secured from the NWRB prior to the operation of new sources of water (wells).

The Group at present employs 254 full-time employees. This is broken down into 6 executive officers, 22 managers, 25 supervisors and 201 administrative, operations, clerical and contractual employees. No major addition or reduction from the present manpower is anticipated for the ensuing twelve months. There are no collective bargaining agreements in the Group.

## **Management's Discussion and Analysis**

### ***Results of Operations***

#### **2014 compared with 2013**

The consolidated financial statements for the year ended December 31, 2014 resulted in a net income after tax of ₱126,450,948 compared to ₱ 111,894,116 in 2013.

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 9.62% from ₱457,863,336 to ₱501,909,524 for this year as against last year. Additional generator sets were acquired during the period which resulted to higher power generation. As of December 31, 2014, it generated 47,581,968 kilowatt hour (kWh) as against 43,297,716 kilowatt hour (kWh) in 2013.

Water service revenues have been steadily increasing and this is attributed to the implementation of additional 20% rate increase for the Calapan operation of CWC starting October 2013 and additional subscribers from existing and new service areas. Revenues grew by ₱38,236,500 or 25.48% from ₱150,093,049 to ₱188,329,549. Total number of subscribers also increased from an average of 13,276 last year to 14,174 this year.

In the case of technical services, we were able to gain new customers during the period. Rates for them were just finalized in the 3rd quarter of the year. This resulted to the increase of technical service revenues amounting to ₱11,750,943 or 45.65% from ₱65,574,395 to ₱59,820,720.

Rental decreased by 8.77% or ₱5,753,675 as one client did not renew and leases were retained at existing rates.

The Company's trading activity ceased to operate last October 9, 2013 which resulted to no sales of goods this year.

Equity share in net earnings of an associate amounted to ₱738,209 as of December 31, 2014 and increased by 151.12% compared to ₱293,970 in 2013.

Cost of sales and services increased by 2.41% or ₱11,959,499 for the year 2014 as compared to 2013. The increase is primarily due to higher personnel costs and higher depreciation from capital investments made. These two accounts increased by 4.34% and 7.75% in 2014, respectively.

Operating expenses increased by 12.80% or ₱12,464,141 this year. Much of the increase could be attributed to the increase in outside services for fleet and building maintenance, consultancy fees incurred for the water supply system feasibility study, capital gains tax paid for the property sold during the year, additional rental incurred during the year, repairs and maintenance of certain vehicles, depreciation from acquisition of property and equipment, additional security services and travel and communication of employees for meetings and seminars.

Net other charges decreased by 192.63% or ₱19,877,884 this year. 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. Gain on investment property valuation from its adjustment to fair value amounted to ₱14,243,119 and ₱36,087,300 in 2014 and 2013.



Noncontrolling interest represents noncontrolling stockholders' share in the net income or loss of Philippine H2O Ventures, Corp. and Philippine Hydro Electric Ventures, Inc. The fluctuation in this account is tied-in to the operating results and to the Company's overall ownership in the former.

### **2013 compared with 2012**

Power sales pertain to the electricity generation activity of OPI. It began its commercial operations last November 11, 2011. It supplies electricity to the Oriental Mindoro Electric Cooperative and operates a power plant in Calapan City using bunker fuel. For the year ended December 31, 2013 power sales of ₱457,863,336 made up 64.01% of the total consolidated revenues and improved by 3.98% from 440,317,360 in 2012. The increase in power sales was on the account of the 5.94% growth in volume of energy produced and sold. For 2013, it generated 43,297,716 kilowatt hour (kWh) as against 40,869,318 kilowatt hour (kWh) in 2012.

Water service revenues continue to surge and this is attributed to additional billed volume from the increase in the number of subscribers which stood at an average of Thirteen Thousand Two Hundred Seventy-Six (13,276) this year as against Twelve Thousand One Hundred Thirteen (12,113) last year. Volume had been augmented as another water source was commissioned early part of this year. Furthermore, we were able to implement the additional 20% rate hike for the Calapan operation starting October 2013. Revenues grew by ₱19,645,667 or 15.06% from ₱130,447,382 to ₱150,093,049.

The current rates in effect for the Tabuk City operation have not changed since Calapan Water started managing the water system in October 2006.

In 2013, rental and technical services increased as we have contracted additional client especially for our technical services. Rental increased by 2.17% (₱1,392,617) whilst management fee increased by 70.55% (₱10,649,061).

Sales represent the trading activity of CVI which declined by 19.26% or ₱3,674,584 in 2013. The Company's trading activity ceased to operate last October 9, 2013.

Equity share in net earnings of an associate amounted to 293,970 as of December 31, 2013 increased by 123.52% compare with ₱131,520 in 2012.

Consolidated costs of sales and services for the year ended December 31, 2013 amounted to ₱496,464,416, 5.93% higher compared with ₱468,683,255 in 2012. OPI's fuel cost is the biggest component of the Group's costs of sales and services. The increased in cost of sales and services was due to higher fuel cost, repairs and maintenance of CWC's wells and preventive maintenance of OPI's bunker fuel, accrual of lease fee and utilities due to higher rates and additional boosters of CWC.

Consolidated operating expenses for the year ended December 31, 2013 amounted to ₱97,412,178, 35.38% higher compared with ₱72,008,391 in 2012.

Depreciation and amortization increased by 149.38% from ₱7,248,137 in 2012 to ₱18,075,315 in 2013. This is mainly due to additional depreciation from completed buildings and newly acquired assets.

The outside services amounting to ₱2,565,086 pertain to plant supervision paid by OPI during the year.

Increase in other expenses such as professional fees and taxes to which can be directly attributed to the increase in revenues as management fees (aside from a fixed monthly

amount) and franchise tax payments are based on it, the year) and additional provision for impairment loss.

Net other income (charges) comprises mainly the gain on investment property valuation from its adjustment to fair value. In 2012 and 2013, an adjustment of ₱9,292,000 and ₱36,087,300 were recognized based on the appraisals made by Royal Asia Appraisal Corporation.

In 2013 and 2012, as OPI is under an income tax holiday, there was a slight decrease in the current provision for income tax despite the considerably stronger operating results. The current provision for the year stood at ₱21,404,883 an increase of 9.65% from 2012 and ₱19,520,543, a decrease of 4.45% from 2011.

The deferred provision in 2013 and 2012 of (₱1,520,971) and (₱180,201), respectively, represents the movements in the deferred tax assets and liabilities.

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

### **2012 Compared with 2011**

For the year ended December 31, 2012, the Group generated consolidated revenue of ₱669.68 million, 56.45% higher compared with 291.62 in 2011 due to improvement in the revenues of power sales and water services. Revenue from power generation which comprised of 65.75% of total consolidated revenue, increased by 641.6% from ₱59.37 million in 2011 to ₱440.32 in 2012 brought about by the full operation in 2012 compared to the two months operation in 2011.

The continuing increase in the number of subscribers from an average of 11,393 last year to the current year's 12,113 is the primary reason for the increase in water service revenues by ₱7.79 million or 6.35% from ₱122.66 million to ₱130.45 million.

Rental and technical services declined in 2012 as we lost a client and it was mutually agreed with our remaining clients to retain 2011 rates. Rental decreased by 1.92% (₱1.26 million) whilst technical services decreased by 13.91% (₱2.44 million).

Sales represent the trading activity of CVI which declined by 23.11% or ₱5.73 million in 2012. This decrease is explained by the loss of a client and reduced orders from the remaining clients. This activity is on a downward slump in 2011. Revenue was ₱24.81 million, a decrease of 9.24% from 2010's ₱27.34 million.

Equity share in net earnings of an associate of ₱1.49 million was recognized in 2011 to recognize the Group's participation in the net income of the said associate. As the net income of the said associate declined in 2012, the related equity share likewise declined to only ₱131,520, a decrease of 91.20%. Said equity share represents the increase in the related investment in an associate account shown under the consolidated statements of financial position.

In 2012, following OPI's full year operation, cost of sales and services ballooned by 191.79% to ₱468.68 million. Fuel cost alone was at ₱330.53 million as against the previous year's ₱48.12 million. The other major components of this item, namely depreciation and amortization, personnel and power costs, experienced reasonable increases as a result of conscious efforts to keep them contained. Repairs and maintenance, however, increased considerably which is also attributed to OPI.

OPI's full year operation was also felt for operating expenses in 2012 as this increased by 18.27% or ₱11.12 million from 2011. The training and allowance of ₱7.05 million this year as against none last year came from OPI. The other cost elements have experienced reasonable growth or decline resulting from the conscious efforts to control costs and expenditures mentioned earlier.

In 2012, other charges increased significantly from OPI's interest on its loans for its operations and asset acquisitions (notably its power plant), and interest charges on CWWC's loan with DBP charged to expense this year following completion of CWWC's development plan. The interest on OPI and CWWC's loans were capitalized as part of property and equipment in prior years. 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 said increase was mitigated by the lower gain on investment property valuation.

The increasing profit for operations caused the current provision for 2011 by 26.37% to ₱20.43 million. In 2012, as OPI is under an income tax holiday, there was a slight decrease in the current provision for income tax despite the considerably stronger operating results. The current provision for the year stood at ₱19.52 million, a decrease of 4.45% from 2011.

In 2011, following the initial public offering of CVI, ownership was reduced to 52.01% from the previous 70.27%. The Company owns 60% of OPI.

## **Financial Position**

### **2014 versus 2013**

Total assets increased by 30.76% or ₱618,092,300 from ₱2,009,599,846 as of December 31, 2013 to ₱2,627,692,146 as of December 31, 2014.

The biggest contributor to the increase came from receivables account. It increased by 105.15% or ₱121,353,853 from ₱115,404,883 to ₱236,758,736 as of December 31, 2014. This represents mainly of the increase in advances made to contractors as part of the contractual agreement of both parties. Another contributing factors are the timing differences on collections from several customers and the proceeds from the sale of investment property which is still uncollected as of year-end.

Cash and cash equivalents account increased by 38.42% or ₱87,518,899 from ₱227,792,017 to ₱315,310,916 as of December 31, 2014. This increase came from loan availed during the period. Expansion such as construction of new power plant suggests for a higher cash requirements of the Company.

Inventories of ₱16,027,707 are OPI's, composed mainly of fuel and oil. There was a decrease of 34.07% from last year's end-2013 balance of ₱24,309,768, respectively.

Due from related parties increased by 18.72% from ₱47,010,801 as of December 31, 2013 to ₱55,811,669 as of December 31, 2014. The increase in the related party transactions is dependent upon the liquidity and financial status of the concerned parties at any given point in time. None of the parties involved is in financial distress and there is no reason to believe that any accounts may be impaired in the immediate or near future. Also, these accounts have no definite call dates and do not bear interest. The purpose of these advances is for operating and investing activities.

Other current assets decreased by 1.45% from ₱68,361,655 as of December 31, 2013 to ₱67,371,213 as of December 31, 2014. The decrease pertains mainly to the application of input value added tax as payment against output value added tax during the period and creditable withholding tax as payment against income tax expense for the year 2014.

The available-for-sale investment amounting to ₱3,005,410 pertains to a single payment managed trust fund deposit in an insurance company made in the last quarter of 2009. This fund invests in fixed income securities, money market instruments, and shares listed in the PSE. Although the amount can be withdrawn anytime, management intends to hold it long-term for a specific purpose. The increase of ₱118,336 or 4.10% represents unrealized income on this investment credited to equity portion of the consolidated statements of financial position for the same amount.

In 2014, CWC sold its investment property to Baliland Enterprises Inc. which resulted to a decrease of 9.71% or ₱66,113,881, net of depreciation expense incurred during the year. The sale proceeds is still uncollected as of December 31, 2014 which contributed to the increase of receivables account.

Property, plant and equipment increased by 59.02% or ₱459,279,200 during the period. This represents progress billings for the construction of Inabasan Hydro Power Plant of OPI located at Inabasan Mindoro. This development in our power generation unit suggests. This construction also caused the noncurrent assets to increase by 40.90% or ₱14,310,557 which represents additional development costs of the power plant.

The deferred tax effects of NOLCO, accrued retirement benefit obligation and allowance for impairment losses for the year caused the deferred tax asset account to increase by 14.52% from ₱9,357,052 in 2013 to ₱10,715,814 in 2014.

As the Group has currently a strong cash position, obligations to creditors and related parties were settled. However, accounts payable and accrued expenses significantly increased by 108.43% from ₱150,469,043 as of December 31, 2013 to ₱ 313,621,126 as of December 31, 2014. This is tied-in to the increase in the property, plant and equipment account specifically to CWC's additional purchases and construction of property and equipment and OPI's construction of Inabasan power plant in which it is not funded entirely by DBP and our share as owner was recognized as a liability.

Loans payable increased by 62.18% to ₱840,369,344 as of December 31, 2014. The increase of ₱322,207,200 represents additional release from the loan facility with DBP intended for the construction of Inabasan power plant and CWC's additional loans availed from DBP during the latter part of 2014.

In 2014, CWC declared dividend out of its 2014 accumulated retained earnings. Dividends payable of ₱126,557 is to stockholders of CWC that remain unclaimed.

Income tax payable has increased by 57.63% or ₱6,211,978 as the related current income tax expense also increased.

The miniscule decrease in the deferred tax liability account by ₱645,813 represents the tax effect which includes interest capitalized in previous years.

The customers' deposits account increased by 29.49% from ₱19,095,674 as of end-2013 to ₱24,726,795 at end-2014 from the increase in the subscriber base of Calapan Water. The subscriber base stood at 14,174 at end-2014.

Noncontrolling interest pertains to Philippine H2O Ventures, Corp. and Philippine Hydro Electric Ventures, Inc. 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.

## 2013 versus 2012

Total assets increased by 11.66% or ₱209.84 million from ₱1.8 billion as of December 31, 2012 to ₱2.0 billion as of December 31, 2013. The biggest contributor to the increase came from property and equipment with carrying value of ₱778 million at year-end. It increased by 13.87% from the previous year's balance of ₱683 million. A major addition for the year was the new power plant of OPI amounting to ₱73.2 million and the land acquired by CWWC worth around ₱40 million located in Barangay Bayanan, Calapan City.

Receivables increased by 20.22% from ₱95.9 million from the last year-end to ₱115.4 million as of December 31, 2013. This represents mainly receivables of OPI from the National Power Corporation, timing differences on collections from several customers from leasing and services businesses, and the increase in revenues specifically from the water business.

Inventories of ₱24.4 million are OPI's, composed mainly of fuel and oil. There was an increase of 25.12% from last year's end-2012 balance of ₱19,467,780 from additional inventory required to support the higher power generation.

Other current assets increased by 50.60% from ₱45.4 million as of December 31, 2012 to ₱68.3 million at year-end. The increase represents mainly creditable withholding tax credits of OPI with balance of ₱7,469,174 as of year-end. These remain unapplied as OPI is under an income tax holiday.

The available-for-sale investment amount includes a couple of ₱1 million single payment managed trust fund deposit in an insurance company made in 2009. This fund invests in fixed income securities, money market instruments, and shares listed in the Philippine Stock Exchange. Although the amount can be withdrawn anytime, management intends to hold it long-term for a specific purpose. The increase in this account of ₱150,853 and ₱228,744 for 2013 and 2012, respectively, represents the fair value gain on these deposits.

The investment property account increased by ₱36.09 million from ₱644,876,582 as of December 31, 2012 to ₱680,963,882 at December 31, 2013 basically from the adjustment to fair value based on the latest appraisal done by Royal Asia Appraisal Corporation.

The deferred tax effects of NOLCO, accrued retirement benefit obligation and allowance for impairment losses for the year caused the deferred tax asset account to increase by 7.78% from ₱8.7 million in 2012 to ₱9.4 million in 2013.

Other noncurrent assets increased by ₱9.5 million or 37.09%. The balance as of December 31, 2013 stands at ₱35.0 million as against ₱25.5 million as of December 31, 2012. This account includes the reserve fund which is part of the conditions of OPI and CWWC's DBP loan. There was an increase in the reserve fund balance as the related loan balance also increased. The account also includes development costs of ₱12,679,230 on subsidiary OPI's Inabasan hydro power plant project.

Loan payable amounted to ₱518,162,144 as of December 31, 2013 increased by 15.05% compared with ₱450,399,124 as of December 31, 2012. Several loan agreements with local banks were made to meet the Group's cash requirements.

Dividends payable of ₱302,279 are to stockholders of Calapan Water that remain unclaimed.

Income tax payable has increased by 23.72% or ₱2,066,228 as the related current income tax expense also decreased. Further, NOLCO and MCIT from prior years were utilized this year.

Accounts and transactions with related parties are discussed in Note 18 to the consolidated financial statements. The increases and decreases in the receivable and payable accounts for the periods and the ending balances as of the end of each period thereon is dependent upon the liquidity and financial status of the concerned parties at any given point in time. None of the parties involved is in financial distress and there is no reason to believe that any accounts

may be impaired in the immediate or near future. Also, these accounts have no definite call dates and do not bear interest. In 2011, ₱95 million advances were converted into deposits for future stock subscriptions.

The noncurrent loan payable of ₱248,787,572 pertains to the noncurrent portion of the loans enumerated earlier. The decrease in this account by 23.38% or ₱75.9 million pertains to principal payments for the year and reclassification as current maturing obligations.

The retirement benefit obligation in 2012 increased from ₱20,937,783 in 2011 to ₱23,207,973 in 2012 (₱2,270,190 or 11%) which represents the retirement expense for the year which is considerably less than last year's figure as there was no actuarial loss recognized this year.

The miniscule decrease in the deferred tax liability account by ₱252,000 represents the tax effects of the interest capitalized in previous years.

The customers' deposits account increased by 3.61% from ₱12,224,054 as of end-2012 to ₱11,798,554 at end-2011 from the increase in the subscriber base of Calapan Water. The subscriber base stood at 12,659 at end-2012.

Noncontrolling interest pertains to CVI and OPI. This represents the share of its minority 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 statement of comprehensive income discussed earlier.

## **2012 versus 2011**

Total assets increased by 4.72% or ₱81.13 million from ₱1.72 billion as of December 31, 2011 to ₱1.80 billion as of December 31, 2012. The biggest contributor to the increase came from property and equipment with carrying value of ₱683 million at year-end. It increased by 8.04% from the previous year's balance of ₱633 million. A major addition for the year was a new office building acquired by CWWC worth around ₱57.36 million located in Barangay Bayanan, Calapan City. CWWC has already moved its offices to this new building in the last quarter of 2012. As the purchase price of said building was not yet paid in full as of year-end, this contributed to the increase in the accounts payable and accrued expenses balance from ₱131 million to ₱145 million or 10.83%. If weren't for this transaction, accounts payable and accrued expenses would have decreased as OPI settled amounts due to its fuel and oil supplier and contractor who built its power plant.

Receivables increased by 12.22% from ₱85.4 million from the last year-end to ₱95.9 million as of December 31, 2012. This represents mainly receivables of OPI from the National Power Corporation, timing differences on collections from several customers from leasing and services businesses, and the increase in revenues specifically from the water business.

Inventories of ₱19,467,780 are OPI's, composed mainly of fuel and oil. There was an increase of 5.44% from last year's end-2011 balance of ₱18,464,109 as prices have been relatively stable thereby reducing the need to maintain a high level of stock.

Other current assets increased by 5.01% from ₱43,194,267 as of December 31, 2011 to ₱45,360,334 at year-end. The increase represents mainly creditable withholding tax credits of OPI with balance of ₱3,414,293 as of year-end. These remain unapplied as OPI is under an income tax holiday.

The available-for-sale investment amount includes a couple of ₱1 million single payment managed trust fund deposit in an insurance company made in 2009. This fund invests in fixed income securities, money market instruments, and shares listed in the Philippine Stock Exchange. Although the amount can be withdrawn anytime, management intends to hold it long-term for a specific purpose. The increase in this account of ₱228,744 for 2012 represents the fair value gain on these deposits.

The investment property account increased by ₱9.29 million from ₱635,584,582 as of December 31, 2011 to ₱644,876,582 at December 31, 2012 basically from the adjustment to fair value based on the latest appraisal done by Royal Asia Appraisal Corporation.

The deferred tax asset account decreased by a mere 0.82% mainly from utilization of NOLCO and MCIT offset by the tax effects of additional accruals for retirement expenses. The balance of this account now stands at ₱8,681,293.

Other noncurrent assets increased by ₱5.91 million or 30.13%. The balance as of December 31, 2012 stands at ₱25.52 million as against ₱19.61 million as of December 31, 2011. This account includes the reserve fund which is part of the conditions of OPI and CWWC's DBP loan. There was an increase in the reserve fund balance as the related loan balance also increased. The account also includes development costs of ₱2,869,633 on subsidiary OPI's Inabasan hydro power plant project.

The balance of current portion of loan payable as of December 31, 2011 of ₱88,092,385 is the amount due in 2011 for the DBP loans of CWWC and OPI, the loan from Bank of Commerce to acquire the condominium units in Pasay City, and JGMI's loan to acquire transportation equipment. The loans for OPI are additions for the year and are for the construction of its power plant. In 2012, current loans payable increased to ₱125,690,059 (42.68%) from OPI's additional loans for its working capital requirements.

Dividends payable of ₱302,279 are to stockholders of Calapan Water that remain unclaimed.

Income tax payable has decreased by 27.78% or ₱3,351,781 as the related current income tax expense also decreased. Further, NOLCO and MCIT from prior years were utilized this year.

Accounts and transactions with related parties are discussed in Note 18 to the consolidated financial statements. The increases and decreases in the receivable and payable accounts for 20 the periods and the ending balances as of the end of each period thereon is dependent upon the liquidity and financial status of the concerned parties at any given point in time. None of the parties involved is in financial distress and there is no reason to believe that any accounts may be impaired in the immediate or near future. Also, these accounts have no definite call dates and do not bear interest. In 2011, ₱95 million advances were converted into deposits for future stock subscriptions.

The noncurrent loan payable of ₱324,709,065 pertains to the noncurrent portion of the loans enumerated earlier. The decrease in this account by 7.84% or ₱27.61 million pertains to principal payments for the year and reclassification as current maturing obligations.

The retirement benefit obligation in 2012 increased from ₱20,937,783 in 2011 to ₱23,207,973 in 2012 (₱2,270,190 or 11%) which represents the retirement expense for the year which is considerably less than last year's figure as there was no actuarial loss recognized this year.

The miniscule decrease in the deferred tax liability account by ₱252,000 represents the tax effects of the interest capitalized in previous years.

The customers' deposits account increased by 3.61% from ₱12,224,054 as of end-2011 to ₱11,798,554 at end-2012 from the increase in the subscriber base of Calapan Water. The subscriber base stood at 12,659 at end-2012.

Noncontrolling interest pertains to CVI and OPI. 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 statement of comprehensive income discussed earlier.

## Financial Risk

Please refer to Notes 25 and 26 to the Consolidated Financial Statements for the description, classification and measurements applied for financial instruments and the financial risk management objectives and policies of the Group.

### Key Performance Indicators

		DECEMBER	
		2014	2013
<b>PROFITABILITY</b>			
<b>Return on Total Assets</b> It measures efficiency of the Company in using its assets to generate net income.	<b>ROA=</b>	$\frac{NI + \{(interest\ exp \times (1 - tax\ rate)\}}{Ave.\ Total\ Assets}$	
		147,749,435	130,878,408
		2,318,645,996	1,813,548,096
		0.0637	0.0722
<b>Return on Equity</b> It is a measure of profitability of stockholders' investments. It shows net income as percentage of shareholder equity.	<b>ROE=</b>	$\frac{Annual\ Net\ Income}{Ave.\ Stockholders'\ Equity}$	
		129,755,828	111,894,116
		1,155,742,431	1,029,829,693
		0.1123	0.1087
<b>Water Revenue per Subscriber</b> Measures how well service and facilities improvements have influence consumer's usage	<b>WRS=</b>	$\frac{Water\ Revenue}{Ave.\ No.\ of\ Water\ Subscribers}$	
		188,329,549	150,093,049
		14,174	13,276
		13,287	11,306
<b>FINANCIAL LEVERAGE</b>			
<b>Debt Ratio</b> It is a solvency ratio and it measures the portion of the assets of a business which are financed through debt.	<b>Debt Ratio=</b>	$\frac{Total\ Liabilities}{Total\ Assets}$	
		1,407,221,691	918,585,439
		2,627,692,146	2,009,599,846
		0.5355	0.4571
<b>Debt to Equity Ratio</b> It measures the degree to which the assets of the business are financed by the debts and the shareholders' equity of a business.	<b>Debt to Equity=</b>	$\frac{Total\ Liabilities}{Shareholder's\ Equity}$	
		1,407,221,691	918,585,439
		1,220,470,455	1,091,014,407
		1.1530	0.8420



## MARKET VALUATION

		Market value/share	3.80	5.80
<b>Price to Book Ratio</b>	<b>PB ratio=</b>	Book value/share	3.35	3.00
Relates the Company's stock to its book value per share			1.1276	1.9323

The reason for the dramatic increase in the Group's profitability is discussed in the results of operations. From the point of view of its water business, which the Group considers to be its major growth driver, water revenues has shown steady improvement, more so beginning 2010 as increased water rates took effect, and is expected to improve even further in the succeeding years as the Company already has in line the addition of new wells and expansion of its coverage area and identification of new target markets such as Agoo, La Union. The power generation activity also shows much promise as in such a short period of time it has already become the Group's top revenue generator.

Following the positive developments in the local stock market, activity in the Company's stock has picked up recently and the prices have gone up to reflect trends in the market.

## Liquidity and Solvency

The Company's cash balance increased from end-2013 of ₱227,792,017 to ₱315,310,916 as of December 31, 2014. During the year, the Company's able to minimize its interest expense which contributed to its higher cash balance at the end of 2014.

Meanwhile, liability to equity ratios increased to 1.15:1.00 from 0.84:1.00 as of end-2013. Ratio was maintained at this very low level

## 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, Events or Uncertainties that has a Material Impact on Sales

None

## Cause for any Material Changes from period to period of the Financial Statements

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

The Company is currently undertaking Phase II of its expansion program in Calapan City. Phase II involves development of new water production facilities, installation of storage facilities for the water system, and pipe laying of additional distribution lines. Phase II is estimated to cost about ₱162 million, about ₱118 million will be financed through bank borrowing while the balance will be funded through internally generated funds.

## Market Information

JOH's common equity is traded at the Philippine Stock Exchange ("PSE").

The high and low sales prices for each quarter are indicated in the table below:

Quarter	High	Low
1 <sup>st</sup> quarter 2015	4.40	4.32
4 <sup>th</sup> quarter 2014	3.98	3.94
3 <sup>rd</sup> quarter 2014	4.85	4.65
2 <sup>nd</sup> quarter 2014	4.98	4.87
1 <sup>st</sup> quarter 2014	4.99	4.84

As of today, 29 May, 2015, prior to the release of this statement, the opening, high, low, and closing prices are ₱3.68, ₱3.69, ₱3.68, and ₱3.69 a share, respectively.

## Holders

The following table sets forth the Company's top twenty shareholders and their corresponding number of shares held as of May 15, 2014:

Shareholder	Shares Held	Percentage
Elgeete Holdings, Inc.	125,783,791	44.68
IGC Securities Inc.	56,360,239	20.02
Myron Ventures Corp.	18,000,000	6.39
Lucky Securities, Inc.	14,170,000	5.03
Dopero Corporation	13,000,000	4.62
Febra Resources Corporation	12,503,925	4.44
A-Net Resources Corporation	12,503,925	4.44
Kenly Resources Corporation	12,503,925	4.44
Oltru Holdings Corporation	12,503,925	4.44
Belson Securities Inc.	8,160,000	2.90
See, Rodolfo Lim	5,994,000	2.13
Unicapital Securities, Inc	5,697,500	2.02
Accord Capital Equities Corporation	3,283,300	1.17
Genmaco Corp.	2,709,500	0.96
Papa Securities Corporation	2,502,000	.089
Tower Securities, Inc.	1,392,000	0.49
Ting, Catalina O.	1,076,000	0.38
Phyvita Enterprises Corporation	1,047,000	0.37
Yao, Ortrud T.	1,000,001	0.36
Ting, Jolly L.	959,999	0.34

## **Dividends**

There were no dividends declared by JOH for the periods involved. Dividends may be declared from retained earnings at such time and percentage or amount as the Board of Directors deem proper. No dividends shall be declared that would impair the capital of the Company. There are no other restrictions that limit the payment of dividends on common shares.

## **Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction**

None.

## **External Audit Fees**

The aggregate fees billed for professional services rendered by the Company's external auditors for the audit of its financial statements or for services that are normally provided in connection with statutory and regulatory filings are ₱1,074,500 in 2014, ₱926,000 in 2013, and ₱800,000 in 2012.

There are no: (1) other assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements; (2) tax accounting, compliance, advice, planning and any other form of tax services; and (3) other services provided by the external auditor.

There have been no disagreements between the Company and CGCo over the length of their relationship with regard to any matter involving accounting principles or practices, financial statement disclosures, and auditing scope and procedures.

The Audit Committee has the final say on the acceptance of proposals for professional services related to attest, tax and others. It solicits proposals from at least two (2) known firms including the present auditor and reviews these on a grading system with weights emphasizing on quality of service, meeting of deadlines and reasonableness of fees. A presentation may be required of each proponent to present their merits and to clarify other issues.

## **Corporate Governance**

The Company has adopted the SEC's Corporate Governance Self-Rating Form as the basis for measuring the level of compliance with its Manual on Corporate Governance.

The Company has also complied with the SEC's recent mandate for all listed companies, *i.e.*, the submission of Annual Corporate Governance Report. The submission of the Certifications of Attendance of Directors in Board Meetings and Certification of Compliance with the Manual of Corporate Governance was discontinued as advised by the SEC in its Memorandum Circular No. 5 Series of 2013.

2014 Corporate Governance Scorecard for Publicly-Listed Companies undertaken by the Institute of Corporate Directors in collaboration with the SEC & PSE was accomplished. This tool was used to find out where the Company is in its corporate governance practices relative to the practices of others in the economy, in the region, as well as "globally-regarded" good practices. Based on the results of its assessment, the Company will gradually improve its corporate governance practices initially focusing on the areas where it scored a poor rating.

The Company has undertaken the measures below, among others, to fully comply with the adopted leading practices on good corporate governance:

- a.Appointment of Compliance Officer to monitor compliance with the Manual on Corporate Governance
- b.Adoption of Code of Conduct and Decorum for all directors, officers and employees
- c.Sworn Statement on compliance with policies on selective disclosure of material non-public information required annually from each director and officer
- d.Sworn Statement on attendance of each director in Board Meetings for the year
- e.Sworn Statement that the Company substantially adopted all the provisions of its Manual on Corporate Governance
- f. Attendance in seminars on Corporate Governance
- g.Recorded minutes of the meetings of the Board of Directors and committees, i.e. Nomination, Audit, and Compensation and Remuneration

There are no known material deviations to the Company's Corporate Governance Manual.

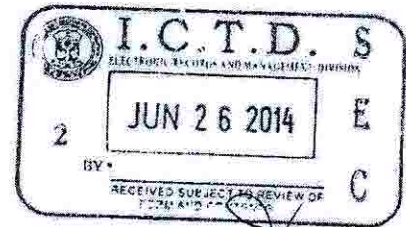
The Company plans to continue adopting the SEC and other reputable organization's recommendations for improved corporate governance.

# ANNEX C

## SECURITIES AND EXCHANGE COMMISSION

### SEC FORM 17-C

#### CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.2(c) THEREUNDER



1. Date of Report (Date of earliest event reported) **June 25, 2014**
2. SEC Identification Number **134800**
3. BIR Tax Identification No. **000-590-608-000**
4. Exact name of issuer as specified in its charter **JOLLIVILLE HOLDINGS CORPORATION**
5. **PHILIPPINES**  
Province, Country or other jurisdiction of  
incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code:
7. **4th Floor 20 Lansbergh Place**  
**Tomas Morato Ave. cor. Sgt. Castor St.**  
**Quezon City**  
Address of principal office **1103**  
Postal Code
8. **(632) 373-30-38**  
Issuer's telephone number, including area code
9. **NOT APPLICABLE**  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA  

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<b>Common Stock, P1 par value</b>	<b>281,500,000 shares</b>
12. Indicate the item numbers reported herein:  
**Item 9 – Others (Results of Annual Stockholders' Meeting Dated June 25, 2014.  
See attached.)**

## SIGNATURES

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

Jolliville Holdings Corporation

.....  
Issuer



.....  
**ORTRUD T. YAO**  
Chief Compliance Officer

June 25, 2014  
Date .....



JOLLIVILLE HOLDINGS CORPORATION

25 June 2014

**PHILIPPINE STOCK EXCHANGE, INC.**

3rd Floor, Philippine Stock Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

**Attention: Ms. Janet A. Encarnacion**  
Head, Disclosure Department

Gentlemen:

Please be advised that, during the annual stockholders' meeting of Jolliville Holdings Corporation ("Corporation") held today, the following were elected as members of the Board of Directors of the Corporation for the year 2014-2015 to hold office as such until their successors shall have been duly elected and qualified:

Jolly L. Ting	- Director
Melody T. Lancaster	- Director
Nanette T. Ongcarranceja	- Director
Ortrud T. Yao	- Director
Rodolfo L. See	- Director
Dexter E. Quintana	- Independent Director
Sergio Ortiz-Luis Jr.	- Independent Director

Further, during the same meeting, the stockholders approved the audited financial statements of the Corporation as of year-end 2013, as well as the re-appointment of Constantino Guadalquiver and Co. as the Corporation's external auditor for the year 2014.

In the organizational meeting of the Board of Directors held after the stockholders' meeting, the following persons were elected officers of the Corporation for the year 2014-2015 to serve as such until their successors shall have been duly elected and qualified:

Jolly L. Ting	- Chairman and Chief Executive Officer
Nanette T. Ongcarranceja	- President and Chief Operating Officer
Melody T. Lancaster	- Vice President
Ortrud T. Yao	- Treasurer, Chief Finance Officer, Assistant Corporate Secretary and Compliance Officer
Anna Francesca C. Respicio	- Corporate Secretary



JOLLYVILLE HOLDINGS CORPORATION

Also, during the aforesaid organizational meeting of the Board, the following directors were elected as members of the various Committees for the year 2014-2015 to serve as such until their successors shall have been duly elected and qualified:

Executive Committee

1. Jolly L. Ting (Chairman)
2. Nanette T. Ongcarranceja
3. Ortrud T. Yao

Audit and Risk Committee

1. Dexter E. Quintana (Chairman)
2. Rodolfo L. See
3. Ortrud T. Yao

Nomination Committee

1. Melody T. Lancaster (Chairman)
2. Dexter E. Quintana
3. Nanette T. Ongcarranceja

Compensation and Remuneration Committee

1. Nanette T. Ongcarranceja (Chairman)
2. Ortrud T. Yao
3. Sergio R. Ortiz-Luis Jr.

Thank you for your kind attention.

Very truly yours,

**ORTRUD T. YAO**

Asst. Corporate Secretary



## **Annex D**

### RELEVANT RESOLUTIONS APPROVED BY THE BOARD OF DIRECTORS

(May 2014 to April 2015)

### FOR RATIFICATION BY THE STOCKHOLDERS

**May 28, 2014**

**"RESOLVED, AS IT IS HEREBY RESOLVED**, that the Board of Directors had unanimously approved to purchase Shares of Stocks subscribed from BIA VENTURES INC. from the following stockholders to wit:

Stockholders:	Subscription:
Marcial Ronald T. Asturias	9 shares
Jocelyn U. Ting	9 shares
<b>TOTAL SUBSCRIPTION</b>	<b>18 shares</b>

**RESOLVED, FURTHER**, that the President Ms. NANETEE T. ONGCARRANCEJA, is hereby authorized to negotiate and sign the Deed of Assignments.

**RESOLVED FURTHERMORE**, that the Declaration of the Deed of Assignment be, reported accordingly to all concerned government agencies for reportorial purposes."

**June 25, 2014 (Annual Stockholders Meeting)**

**"RESOLVED, AS IT IS HEREBY RESOLVED**, that the Board of Directors had unanimously agreed to renew its Supply and Service Agreement with INK BRIGHT TRADING in relation to printer and printer consumables (ink cartridge # 704 black & colored) for Jollville Holdings Corporation for a period of one year from July 10, 2014 to July 10, 2015.

**RESOLVED FURTHER**, that Mr. RAY ANTHONY T. ONG, by virtue of the Technical Services Agreement between Servwell BPO International Inc. and Jollville Holdings Corporation, is hereby authorized to sign, and execute, for and in the name of the corporation, any and all documents in relation to the renewal of the said Agreement."

**August 27, 2014**

**"RESOLVED, AS IT IS HEREBY RESOLVED**, that the Board of Directors had unanimously agreed to renew the Contract of Lease with MEEKYUNG NOH for the lease of Nobel Plaza Condominium Unit (unit 1202) and one (1) Parking Unit (parking unit 54) located at 110 Valero St. Salcedo Village, Makati City.

**RESOLVED FURTHER**, that the Board of Directors authorized its President, Ms. NANETTE T. ONGCARRANCEJA to enter, transact, negotiate, represent and sign all pertinent papers relative to the renewal of the Contract of Lease for the said leased premises of the corporation."

January 7, 2015

**CREDIT LINE WITH RIZAL COMMERCIAL BANKING CORPORATION (RCBC)**

**"RESOLVED, AS IT IS HEREBY RESOLVED** that the CORPORATION be authorized to guaranty/act as co-borrower to the loans/obligations of CALAPAN WATERWORKS CORPORATION (CWWC) and ORMIN POWER, INC. (OPI) with RIZAL COMMERCIAL BANKING CORPORATION.

**RESOLVED, FURTHER THAT** Mr. Jolly L. Ting, be authorized to execute, sign and deliver the documents and papers needed and necessary to effect completely the above-cited transaction."

**LEGAL PROCEEDING - Jolliville Holdings Corporation vs. Jollibee Foods Corporation; IPC No. 14-2013-00076, Office of the Director General, Intellectual Property Office, Makati City**

**"RESOLVED,** That the Corporation names, appoints, makes and constitutes, VILLARAZA & ANGANGCO and/or any of its lawyers, with office address at V&A LAW CENTER, 11<sup>th</sup> Avenue corner 39<sup>th</sup> Street, Bonifacio Triangle, Bonifacio Global City, 1634 Metro Manila, Philippines, and/or Maria Joy A. Ting, Legal Officer, to represent the Corporation at the mediation proceedings and/or preliminary conference and at any stage of the proceedings of the case **JOLLIVILLE HOLDINGS CORPORATION, VS. JOLLIBEE FOODS CORPORATION**, (Appeal No. 14-2014-0035, [Inter Partes Case No. 14-2013-00076]) before the Philippine Intellectual Property Office Director General on such date or dates as may be agreed upon by the parties or directed by the IPO, with full and special power and authority to offer, negotiate, accept, decide and enter into a compromise agreement.

**"RESOLVED, FINALLY,** That said Attorneys-in-Fact be, as they are hereby given and granted, full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises, and that the Company ratifies and confirms all that said Attorney-in-Fact shall have lawfully done, do or cause to be done by virtue of and in relation to the powers mentioned herein."

January 28, 2015

**"RESOLVED, AS IT IS HEREBY RESOLVED,** that the corporation authorizes any of the following officers to transact business with the Home Development Mutual Fund (PAG-IBG FUND) including the signing of any and all documents relating to loan applications of its employees with the Fund, namely:

Name of Officer	Position
ORTRUD T. YAO	Treasurer

**RESOLVED, FURTHER,** that the corporation authorizes its President, Ms. NANETTE T. ONGCARRANCEJA, to designate the corporation's Fund Coordinator or Liaison Officer who will act as the representative of the Company and the employees in all activities of the PAG-IBG FUND; and who shall also act as the employee's representative duly authorized by them to file short term loan applications and receive the proceeds of the loan on their behalf."

**March 25, 2015**

**"RESOLVED, AS IT IS HEREBY RESOLVED** that the CORPORATION to grant access road based on the approved Site Development Plan for Wind Energy power system project in Puerto Galera, Province of Oriental Mindoro with Philippine Hybrid Energy System Inc.

**RESOLVED, FURTHER** that the CORPORATION authorize the Chairman, Mr. JOLLY L. TING, to sign the Site Development Plan and Memorandum of Agreement involving its title with TCT No. 109714 with Lot No. 370, and any other documents in a relation to the said access road."

**April 8, 2015**

**"RESOLVED, AS IT IS HEREBY RESOLVED**, that the Board of Directors has unanimously agreed to update the current signatories for its Current Account with Account No. 0051-2800367-8 and Savings Account with Account No. 0051-2005086-8 in the name of *JOLLIVILLE HOLDINGS CORPORATION* with BANCO DE ORO UNIVERSAL BANK ("BDO"), Roxas Blvd. - R. Salas branch, in connection with the operation of the Corporation.

**RESOLVED FURTHER**, that effective immediately, all checks or drafts drawn against the said depository, BDO Roxas Blvd. - R. Salas branch, must bear the personal signature of **Mr. JOLLY L. TING**, as the Primary Signatory. In his absence, the personal signatures of **Ms. Nanette T. Ongcarranceja**, and **Ms. Ortrud T. Yao or Ms. Melody T. Lancaster** as the secondary signatories."



**CERTIFICATION OF INDEPENDENT DIRECTOR**

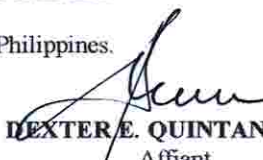
I, **DEXTER E. QUINTANA**, Filipino, of legal age and a resident of 38 Daisy Road, Pilar Village, Las Pinas City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of Jolliville Holdings Corporation, having been duly elected as such during its Annual Meeting of Stockholders held on June 25, 2014.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Bamboo Network of the Philippines	Chairman-Board of Trustees	2011 – Present
Strategic Partners Alliance Inc.	President	2008 – Present
Makati Sports Club	President/Director	2013 - Present
Rotary Club University District/Makati Central	Past President/Member	-
Financial Executives Institute of the Phil.	Life Member/Past Director	1987 - Present
Palms Country Club	Member	2004 - Present
Club Punta Fuego	Member	2000 - Present
Jolliville Holdings Corporation	Independent Director	June 25, 2014 - Present


3. I am not a securities broker-dealer, i.e., I do not hold any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Philippine Stock Exchange, associated person or salesman, and an authorized clerk of the broker or dealer.
4. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Jolliville Holdings Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
5. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.
6. I shall inform the Corporate Secretary of Jolliville Holdings Corporation of any changes in the above-mentioned information within five days from its occurrence.

Done, this 20th day of May 2015, at Quezon City, Philippines.

  
**DEXTER E. QUINTANA**  
Affiant

SUBSCRIBED AND SWORN to before me this 20 day of MAY 2015 at MAKATI CITY, affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 25294717 issued at Quezon City on February 17, 2015.

Doc. No. 339 ;  
Page No. 69 ;  
Book No. XVII ;  
Series of 2015.

  
**JOSHUA M. LAPUZ**  
Notary Public for Makati  
Appointment No. M-41  
Until December 31, 2015  
Roll No. 45790  
IBP Lifetime Roll No. 04897  
PTR No. 4748511 / 1-5-15 / Makati City  
G/F Fedman Suites, 199 Salcedo St.  
Legaspi Village Makati City

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **SERGIO R. ORTIZ-LUIS JR.**, Filipino, of legal age and a resident of 3<sup>RD</sup> Flr. Commerce and Industry Plaza, 1030 Campus Avenue cor. Park Avenue, Mckinley Hills, Fort Bonifacio, Taguig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of Jollville Holdings Corporation having been duly elected as such during its Annual Meeting of Stockholders held on June 25, 2014.
2. I am affiliated with the following companies or organizations:

<b>Company/Organization</b>	<b>Position/Relationship</b>	<b>Period of Service</b>
Philippine Exporters Confederation Inc.	President	1991- present
Philippine Chamber of Commerce & Industry	Honorary Chairman/Treas.	2013- present
Employers Confederation of the Philippines	Honorary Chairman/Governor	1991- present
Philippine Trade Foundation, Inc. (Team Phil.)	Member, Council of Advisers	2013- present
International Chamber of Commerce of the Phil	Founding Director	2001- present
Philippine Small & Medium Enterprises Devt.	Vice Chairman	2005- present
Alliance Global, Inc.	Vice Chairman	2008- present
Waterfront Philippines, Inc.	Director	2008- present
Manila Exposition Complex, Inc (World Trade Ctr.)	Director	1997- present
Lasaltech Academy	Director	2000- present
Philippine Estate Corporation	Director	2012- present
Rural Bank of Baguio	Director	2012- present
Integrated Concepts & Solutions, Inc.	Honorary Chairman	2008- present
Southville International School and Colleges	Board of Advisers	2009- present
GSI (Formerly Philippine Article Numbering Council)	Founding Director	1995- present
GSI (Formerly Philippine Article Numbering Council)	Founding Director	1995- present
Export Development Council (EDC)	Vice Chairman	2012- present
Patrol 117 (Foundation for Crime Prevention	Commissioner/Auditor	1992- present
BA Securities	Independent Director	2012- present
Export Development Council (EDC)	Independent Director	June 25, 2014-present
Philippine H2O Ventures Corp.	Independent Director	July 2, 2014-present
Jollville Holdings Corporation	Independent Director	June 25, 2014-present

3. I am not a securities broker-dealer, i.e., I do not hold any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Philippine Stock Exchange, associated person or salesman, and an authorized clerk of the broker or dealer.
4. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Jolliville Holdings Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
5. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.
6. I shall inform the Corporate Secretary of Jolliville Holdings Corporation of any changes in the above-mentioned information within five days from its occurrence.

Done, this 20th day of May 2015, at Quezon City, Philippines.

  
**SERGIO R. ORTIZ-LUIS JR.**  
Affiant

SUBSCRIBED AND SWORN to before me this 20 day of MAY 2015 at MAKATI CITY, affiant personally appeared before me and exhibited to me his/her Community Tax Certificate No. \_\_\_\_\_ issued at \_\_\_\_\_ on \_\_\_\_\_.

Doc. No. 341 ;  
Page No. 69 ;  
Book No. XVII ;  
Series of 2015.

  
**JOSHUA T. LAPUZ**  
Notary Public for Makati  
Appointment No. M-41  
Until December 31, 2015  
Roll No. 45790  
IBP Lifetime Roll No. 04897  
PTR No. 4748511 / 1-5-15 / Makati City  
G/F Fedman Suites, 199 Salcedo St.  
Lungsod ng Village Makati City



REPUBLIC OF THE PHILIPPINES)  
CITY OF MAKATI ) S.S.

**SECRETARY'S CERTIFICATE**

KNOW ALL MEN BY THESE PRESENTS:

I, **ORTRUD T. YAO**, Assistant Corporate Secretary of **JOLLIVILLE HOLDINGS CORPORATION ("JOH" or the "Corporation")**, after having been sworn in accordance with law, do hereby certify and attest that a meeting duly called for the purpose on May 13, 2015, at the principal office of the Corporation whereas a quorum was present, the resolutions of the following tenor were issued;

**"RESOLVED, AS IT IS HEREBY RESOLVED** that the incumbent members of the Board are also the nominees for the upcoming Annual Stockholders' Meeting (ASM) of the Corporation on June 24, 2015, and that, the Nominations Committee of the Corporation has carefully pre-screened the director nominees;


**"RESOLVED, AS IT IS HEREBY RESOLVED** that the Nominations Committee submitted to the Board the complete list of names of the directors and officers nominee for ASM, to wit:

1. Jolly L. Ting
2. Nanette T. Ongcarranceja
3. Melody T. Lancaster
4. Anna Francesca C. Respicio
5. Dexter E. Quintana
6. Sergio Ortiz-Luis Jr.
7. Rodolfo L. See
8. Ortrud T. Yao

**"RESOLVED, FURTHER** that no one from the above listed director nominees is related nor connected with any relevant government agencies or its instrumentalities.

The foregoing resolutions are in full force and effect and may be relied upon until a written notice to the contrary is given by the corporation.

IN WITNESS WHEREOF, I have hereunto signed this instrument this 13<sup>th</sup> day of May, 2015 at Quezon City.

  
**ORTRUD T. YAO**  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this **13 MAY 2015** day of **MAY**, 2015, in Makati City, Philippines. Affiant exhibited to me her Community Tax Certificate No. 25294734 issued on February 17, 2015 at Quezon City and Passport ID No. EB3870380 valid until October 13, 2016.

Doc. No. 448 ;  
Page No. 91 ;  
Book No. XVI ;  
Series of 2015.

**JOSHUA T. LAPUZ**  
Notary Public for Makati  
Appointment No. **M-41**  
Until December 31, 2015  
Roll No. **45790**

**IBP Lifetime Roll No. 04897**  
**PTR No. 4748511/1-5-15/Makati City**  
**C/F Fedman Suites, 199 Salcedo St.**  
**Legaspi Village Makati City**

**JOLLIVILLE HOLDINGS CORPORATION**  
**Unaudited Consolidated Financial Statements**  
**As of March 31, 2015**



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## **FINANCIAL INFORMATION**

### **Item 1. FINANCIAL STATEMENTS**

Please find attached herein the Unaudited Consolidated Financial Statements (as Exhibit I) for the first (1st) Quarter ending March 31, 2015.

### **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 March 31, 2015 resulted to a net income after tax of ₱27,589,619 compared to ₱26,384,955 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 decreased by 25.64% from ₱105.6 million to ₱78.6 million for this quarter as against the same period last year due to lower kWh generated during the period. For the first quarter of 2015, it generated 9,391,032 kilowatt hour (kWh) as against 9,862,776 kWh in 2014.

Water service revenues have been steadily increasing and this is attributable to the additional number of subscribers. Revenues grew by 1.54% from ₱44.11 million to ₱44.80 million for this quarter as against the same period last year.

For the technical services, we were able to gain new customers during the period. After a long negotiation, rates were finalized in the 3rd quarter of the year of 2014. The fees for the first two quarters of 2014 were reflected only in the 3rd quarter of 2014. Rental decreased by 0.47% or ₱69,400 resulting from one lapsed lease.

Cost of services decreased by 19.63% or ₱20,220,236 for the period. This is mainly due to the decrease of OPI's fuel cost as its power sales also decreased.

Operating expenses decreased by 3.94% or ₱980,965 for the period. Much of the decrease could be attributed to the decrease on depreciation and personnel cost.

Net other charges increase by 6.54% or ₱396,008 for the three months ended March 31, 2015. Finance charges increase resulting from the additional availment of loans. 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 Philippine H2O Ventures, Corp. and Philippine Hydro Electric Ventures, Inc. 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 decreased by 3.15% or ₱82,847,158 from ₱2,627,692,146 as of December 31, 2014 to ₱2,544,844,988 as of March 31, 2015.

The biggest contributors to the decrease came from cash and cash equivalents account. It decreased by 11.07% or ₱34,893,586 during the period. This represents payment of obligations which were due and paid during the first quarter of 2015. This was offset by the decrease in receivable account due to higher collections in the first quarter of 2015. Receivables decreased by 18.26% from ₱236,758,736 as of December 31, 2014 to ₱193,520,941 as of March 31, 2015.

Inventories of ₱16,322,885 pertain mainly to OPI's fuel and oil. There was a decrease of 1.84% from last year's balance of ₱16,027,707.

Due from related parties decreased by 11.49% from ₱55,811,669 as of December 31, 2014 to ₱49,400,235 as of March 31, 2015 as payments were received from affiliates.

Other current assets increased by 3.48% from ₱67,371,213 as of December 31, 2014 to ₱69,718,185 as of March 31, 2015. The increase mainly represents creditable withholding taxes and creditable withholding VAT of OPI with balance of ₱12,795,307 and ₱31,033,564 as of March 31, 2015, respectively.

The property and equipment account decreased by 0.3% or ₱3,661,813 which pertains to the depreciation during the quarter. This was offset by the additional purchases made amounting to ₱11,113,148 during the period.

The construction of Inabasan hydro power plant of OPI suggests a potential growth in market standing and of the Company as a whole. This construction also caused the noncurrent assets to increase by 5.51% or ₱2,715,320 which represents additional development costs of the power plant.

Available-for-sale investments, investment in associates, investment property and deferred tax assets were unchanged from their balances as of March 31, 2015.

Accounts payable and accrued expenses decreased by 35.36% from ₱313.62 million as of December 31, 2014 to ₱202.72 million as of March 31, 2015. Much of this could be attributed to CWC's and OPI's settlement of amount due to contractors.

Loans payable decreased by 0.99% to ₱832,066,140 as of March 31, 2015. The decrease of ₱8,303,204 is the net effect of payments made amounting to ₱24,303,204 and loan availment from a local bank for the construction of the Inabasan Power Plant which amounted to ₱16,000,000.

Due to related parties increased by 0.97% from ₱62,726,812 as of December 31, 2014 to ₱63,333,796 as of March 31, 2015 as additional availment of advances were received from affiliates.

The income tax liability as of December 31, 2014 was due for payment on April 2015. The income tax liability as of March 31, 2015 consists of the unpaid tax liability of 2014 and accrual for the 1st quarter of 2015 results. This explains why income tax payable increased by 38.88%.

The dividend payable, retirement benefit obligation, deferred tax liability and deposit for future stock subscription were unchanged from year-end whilst customers' deposits increased by 6.29% or ₱1,554,361 which mainly pertains to additional water meter maintenance collected by CWC.

Noncontrolling interest pertains to Philippine H2O Ventures, Corp. and Philippine Hydro Electric Ventures, Inc. 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 decreased from ₱315,310,916 as of end of 2014 to ₱280,417,330 as of March 31, 2015. The decrease was due to payments made to creditors. 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, have 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.

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

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P 280,417,330	P 315,310,916
Receivables – net	193,520,941	236,758,736
Inventories - net	16,322,885	16,027,707
Due from related parties	49,400,235	55,811,669
Other current assets	69,718,185	67,371,213
Total Current Assets	609,379,576	691,280,241
<b>Noncurrent Assets</b>		
Available-for-sale (AFS) investments	3,005,410	3,005,410
Investment in an associate	21,028,347	21,028,347
Investment property	614,850,001	614,850,001
Property, plant and equipment – net	1,233,854,025	1,237,515,838
Deferred tax assets	10,715,814	10,715,814
Other noncurrent assets	52,011,815	49,296,495
Total Noncurrent Assets	1,935,465,412	1,936,411,905
	P 2,544,844,988	P 2,627,692,146
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Current portion of loans payable	P 255,094,943	P 261,098,384
Accounts payable and accrued expenses	202,720,154	313,621,126
Due to related parties	63,333,796	62,726,812
Dividend payable	126,557	126,557
Income tax payable	23,596,657	16,990,603
Total Current Liabilities	544,872,107	654,563,482
<b>Noncurrent Liabilities</b>		
Noncurrent portion of loans payable	576,971,197	579,270,960
Retirement benefit obligation	27,591,751	27,591,751
Deferred tax liabilities	26,068,703	26,068,703
Deposit for future stock subscription	95,000,000	95,000,000
Customers' deposits	26,281,156	24,726,795
Total Noncurrent Liabilities	751,912,807	752,658,209
Total Liabilities	1,296,784,914	1,407,221,691

(Forward)

(Carryforward)

	<b>March 31, 2015 (Unaudited)</b>	<b>December 31, 2014 (Audited)</b>
<b>Equity</b>		
<b>Attributable to Equity Holders of Parent Company</b>		
Capital stock	<b>P 281,500,000</b>	P 281,500,000
Additional paid-in capital	<b>812,108</b>	812,108
Revaluation surplus		
– net of deferred taxes	<b>205,595,633</b>	205,595,633
Revaluation reserves on AFS investments	<b>820,821</b>	820,821
Retained earnings	<b>479,536,698</b>	459,172,754
Reserve for actuarial gain	<b>735,471</b>	735,471
	<b>969,000,731</b>	948,636,787
<b>Noncontrolling Interests</b>	<b>279,059,343</b>	271,833,668
<b>Total Equity</b>	<b>1,248,060,074</b>	1,220,470,455
	<b>P 2,544,844,988</b>	P 2,627,692,146

See accompanying Notes to Consolidated Financial Statements.



**JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**UNCONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
*(Amounts in Philippine Pesos)*

	Quarter Ended March	
	2015	2014
<b>REVENUES</b>		
Power sales	P 78,554,534	P 105,643,772
Water services	44,795,485	44,114,239
Rental	14,915,301	14,845,901
Technical services	9,989,466	3,773,385
	<b>148,254,786</b>	<b>168,377,297</b>
<b>COSTS OF SALES AND SERVICES</b>	<b>82,777,866</b>	<b>102,998,102</b>
<b>GROSS INCOME</b>	<b>65,476,920</b>	<b>65,379,195</b>
<b>OPERATING EXPENSES</b>	<b>23,918,316</b>	<b>24,899,281</b>
<b>INCOME FROM OPERATIONS</b>	<b>41,558,604</b>	<b>40,479,914</b>
<b>OTHER INCOME (CHARGES) – Net</b>	<b>(6,453,211)</b>	<b>(6,057,203)</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>35,105,393</b>	<b>34,422,711</b>
<b>INCOME TAX EXPENSE (BENEFIT)</b>		
Current	7,515,774	8,037,756
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P 27,589,619</b>	<b>P 26,384,955</b>
<b>NET INCOME ATTRIBUTABLE TO:</b>		
Equity holders of the parent company	P 20,363,944	P 16,036,433
Noncontrolling interests	7,225,675	10,348,522
	<b>P 27,589,619</b>	<b>P 26,384,955</b>
<b>EARNINGS PER SHARE</b>	<b>0.0723</b>	<b>0.0570</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		
<b>ATTRIBUTABLE TO:</b>		
Equity holders of the parent company	P 20,363,944	P 16,036,433
Noncontrolling interests	7,225,675	10,348,522
	<b>P 27,589,619</b>	<b>P 26,384,955</b>
<b>EARNINGS PER SHARE</b>	<b>P 0.0723</b>	<b>P 0.0570</b>

See accompanying Notes to Consolidated Financial Statements.

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

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
<b>ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY</b> □		
<b>CAPITAL STOCK</b> – P1 par value		
Authorized – 1,000,000,000 shares		
Subscribed and fully paid		
– 281,500,000 shares	P 281,500,000	P 281,500,000
<b>ADDITIONAL PAID-IN CAPITAL</b>	<b>812,108</b>	812,108
<b>REVALUATION SURPLUS IN INVESTMENT PROPERTY AND PROPERTY AND EQUIPMENT</b> - Net	<b>205,595,633</b>	205,654,298
<b>REVALUATION RESERVES ON AFS INVESTMENTS</b>	<b>820,821</b>	727,298
<b>RETAINED EARNINGS</b>		
Balance at beginning of year	<b>459,172,754</b>	355,521,854
Net income during the period	<b>20,363,944</b>	16,036,433
Balance at end of period	<b>479,536,698</b>	371,558,287
<b>RESERVE FOR ACTUARIAL GAIN (LOSS)</b>	<b>735,471</b>	735,471
	<b>969,000,731</b>	860,987,462
<b>NONCONTROLLING INTERESTS</b>		
Balance at beginning of year	<b>271,833,668</b>	246,063,378
Share in total comprehensive income	<b>7,225,675</b>	10,348,522
Balance at end of period	<b>279,059,343</b>	256,411,900
	<b>P 1,248,060,074</b>	P 1,117,399,362

*See accompanying Notes to Consolidated Financial Statements.*

**JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE UNAUDITED THREE MONTHS ENDED MARCH 31**  
*(Amounts in Philippine Pesos)*

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	P 35,105,393	P 34,422,711
Adjustments for:		
Depreciation and amortization	14,774,961	7,612,951
Interest expense	6,543,106	6,282,341
Interest income	(151,024)	(293,245)
Operating income before working capital changes	56,272,436	48,024,758
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	43,237,795	16,650,163
Inventories	(295,178)	1,883,754
Other current assets	(2,346,972)	(2,745,735)
Increase (decrease) in:		
Accounts payable and accrued expenses	(110,900,972)	(80,768,548)
Customers' deposits	1,554,361	1,500,910
Cash generated from operations	(12,478,530)	(15,454,698)
Interest paid	(6,543,106)	(6,282,341)
Income tax paid	(909,720)	(1,830,069)
Interest received	151,024	293,245
Net cash used in operating activities	(19,780,332)	(23,273,863)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	P (11,113,148)	P (13,860,394)
Decrease (increase) in:		
Due from related parties	6,411,434	5,205,050
Other noncurrent assets	(2,715,320)	(3,293,807)
Net cash used in investing activities	(7,417,034)	(11,949,151)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of loan	(24,303,204)	(9,764,184)
Proceeds from loan availment	16,000,000	18,500,000
Increase (decrease) in due to related parties	606,984	(6,768,334)
Net cash provided by financing activities	(7,696,220)	1,967,482
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(34,893,586)</b>	<b>(33,255,532)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>315,310,916</b>	<b>227,792,017</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>P 280,417,330</b>	<b>P 194,536,485</b>

*(Forward)*

(Carryforward)

	2015	2014
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		
<b>CONSISTS OF:</b>		
Cash in bank	<b>P 177,568,573</b>	P 59,987,289
Placements	<b>102,530,234</b>	134,230,674
Cash on hand	<b>318,523</b>	318,522
	<b>P 280,417,330</b>	P 194,536,485

*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.

<b>Subsidiaries</b>	<b>Percentage of Ownership</b>	
Ormina Realty and Development Corporation (ORDC)	<b>100.00</b>	
Jolliville Group Management, Inc. (JGMI)	<b>100.00</b>	
Servwell BPO International (Servwell)	<b>100.00</b>	
Granville Ventures Inc. (GVI)*	<b>100.00</b>	
Jollideal Marketing Corporation (JMC)*	<b>100.00</b>	
Jolliville Leisure and Resort Corporation (JLRC)*	<b>100.00</b>	
Ormin Holdings Corporation (OHC)* and Subsidiaries:	<b>100.00</b>	
OTY Development Corp. (OTY)*	<b>100.00</b>	
Melan Properties Corp. (MPC)*	<b>100.00</b>	
KGT Ventures, Inc. (KGT)*	<b>100.00</b>	
Ibayo Island Resort Corp. (IIRC)*	<b>100.00</b>	
NGTO Resources Corp. (NGTO)*	<b>100.00</b>	
Philippine Hydro Electric Ventures, Inc.	<b>100.00</b>	
Ormin Power, Inc. (OPI)	<b>60.00</b>	<b>60.00</b>
Philippine H2O Ventures, Corp. and Subsidiaries		
Direct ownership of the Parent Company	<b>33.51</b>	
Parent Company's ownership through OHC Subsidiaries	<b>24.67</b>	<b>58.18</b>
Tabuk Water Corp. (Tabuk Water)*		<b>58.18</b>
Calapan Waterworks Corporation (CWC)		<b>57.98</b>
Metro Agoo Waterworks Inc. (MAWI)*		
Parent Company's ownership through CWC		<b>49.19</b>
Nation Water Corporation (NWC) *		
Parent Company's ownership through CWC and TWC		<b>43.54</b>

*\*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.

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## 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 interpretations issued by IFRIC which became effective in 2014:

- Amendments to PFRS 10, *"Consolidated Financial Statements"*, PFRS 11, *"Joint Arrangements"* and PAS 27, *"Separate Financial Statements": Investment Entities*  
The amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL).

The amendments have no significant impact to the Group since none of the entities in the Group qualify as an investment entity under PFRS 10.

- Amendment to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*  
The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

The amendments affect presentation only and have no impact on the Group's financial position or performance since the Group does not offset financial assets against financial liabilities.

- 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.

The amendments affect disclosures only and have no impact on the Group's financial position or performance since there is no impairment on financial assets recognized in 2014.

- 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.

The Group has no derivatives during the current period. Thus, the amendment is not applicable.

- Philippine Interpretation IFRIC 21, "*Levies*"

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

The interpretation did not have material financial impact on the Group's consolidated financial statements.

#### 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 in 2015*

- Amendments to PAS 19, "*Employee Benefits - Defined Benefit Plans: Employee Contributions*"

The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the re-measurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans.

The amendments will not have any significant impact on the consolidated financial statements of the Group.

*Annual Improvements to PFRS (2010 to 2012 cycle)*

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

- PFRS 2, *"Share-based Payment - Definition of Vesting Condition"*  
The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it currently has no share-based payments.
- PFRS 3, *"Business Combinations - Accounting for Contingent Consideration in a Business Combination"*  
The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32, Contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted).  
  
The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.
- PFRS 8, *"Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets"*  
The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.  
  
The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments will affect disclosures only and will not have an impact on the Group's consolidated financial position or performance.
- PFRS 13, *"Fair Value Measurement - Short-term Receivables and Payables"*  
The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. This amendment is effective immediately.



- PAS 16, *"Property, Plant and Equipment: Revaluation Method - Proportionate Restatement of Accumulated Depreciation"*

The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

- a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and
- b. the carrying amount of the asset after taking into account any accumulated impairment losses.
- c. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment will have no impact on the Group's financial position or performance.

- PAS 24, *"Related Party Disclosures - Key Management Personnel"*

The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.

The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments will affect disclosures only and will have no impact on the Group's financial position or performance.

- PAS 38, *"Intangible Assets: Revaluation Method - Proportionate Restatement of Accumulated Amortization"*

The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

- a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
- b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. These amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments will have no impact on the Group's financial position or performance.

*Annual Improvements to PFRS (2011 to 2013 cycle)*

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

- PFRS 1, *"First-time Adoption of Philippine Financial Reporting Standards - Meaning of Effective PFRS"*  
The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.
- PFRS 3, *"Business Combinations - Scope Exceptions for Joint Arrangements"*  
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the consolidated financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.
- PFRS 13, *"Fair Value Measurement - Portfolio Exception"*  
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will have no impact on the Group's financial position or performance.
- PAS 40, *"Investment Property"*  
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

*Effective in 2018*

*PFRS 9, "Financial Instruments: Classification and Measurement"*

PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety.

PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at FVPL. For liabilities designated as at FVPL using the FVO, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI.

The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for nonfinancial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

#### *Deferred*

Philippine Interpretation IFRIC 15, *"Agreements for the Construction of Real Estate"*

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine SEC and the FRSC have deferred the affectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

The principal accounting policies applied in the preparation of the Group's consolidated financial statements are set out below:

#### 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, 2015 and December 31, 2014, 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.

#### Impairment of Financial Assets

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.

#### *Derecognition of Financial Assets and Liabilities*

##### *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.

#### *Offsetting Financial Instruments*

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.

#### Revenue, Cost and Expense Recognition

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.

#### Research and Development Costs

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.

#### Impairment of Nonfinancial Assets

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.

#### Bank Loans and Long-term Payables

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.

#### Employee benefits

##### *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.

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### **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.

Estimates

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.

- *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.

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#### **4. Loans 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 9.0% per annum but subject to re-pricing. As of December 31, 2014, interest rate is 6.5% per annum. As of December 31, 2013, the loan has been fully availed.

*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.

- b. In 2014 and 2013, OPI availed short-term loans from various local banks. Total loan proceeds amounted to ₱53.5 million in 2014 and ₱68.5 million in 2013 of which ₱4.0 million and ₱58.0 million has been paid on the respective years. Interest on loans ranges from 3% to 6.5% per annum. The loans are payable within 1 month 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. The total principal and interest released amounted to ₱279.5 million and ₱5.8, respectively, in 2014.

- c. In December 2005, CWC entered into loan agreement from a local bank for the rehabilitation, expansion and improvements of waterworks system of CWC for ₱137 million payable in fifteen (15) years. 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 2014 and 2013.

In 2014, CWC entered into another loan agreement with local bank for ₱118.25 million. Total proceeds during the year amounted to ₱92.3 million payable in ten (10) years with annual interest of 6%. The proceeds of the loan will be used exclusively to finance the water source development, acquisition of three (3) sets of electro-mechanical equipment, site and land development, construction of a high ground reservoir and expansion of its waterworks system.

*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.

In 2013, CWC availed a loan from a local bank amounting to ₱40.0 million for 180 days subject to renewal, for an annual interest rate of 3%. Out of ₱40.0 million, ₱30.0 million was paid as of March 31, 2015.

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

- 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. Total loan payments in 2014 and 2013 amounted to ₱0.27 million and ₱0.24 million, respectively.

- 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. The loan was fully paid on August 2014.

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## 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.

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## 6. 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.

## 7. Earnings Per Share (EPS)

Computation of EPS is as follows:

	Three months ended March 31	
	2015	2014
Net income	<b>₱20,363,944</b>	₱16,036,433
Divided by weighted average number of common shares	<b>281,500,000</b>	281,500,000
	<b>₱0.0723</b>	₱0.0570

## 8. Other Matters

### Change of Corporate Name and Amendment of Secondary Purpose

On August 18, 2014, the SEC approved the change of name of CVI from Calapan Ventures, Inc. to Philippine H2O Ventures Corp. as well as the amendment of the latter's primary and secondary purpose.

### 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.

On November 28, 2014, the SEC approved the change in name from Bia Ventures, Inc. to Philippine Hydro Electric Ventures, Inc.

### 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.

### Memorandum Agreement with Aquafino Water Corporation

In 2014, CWC and TWC entered into a Memorandum Agreement with Aquafino Water Corporation to form Nation Water Corporation. On November 13, 2014, the SEC approved the incorporation of the Associate, which has not yet started its commercial operations. CWC and TWC subscribed ₱999,800 and ₱874,800 representing 39.99% and 34.99% equity ownership interests in the Associate with unpaid subscription amounting to ₱749,900 and ₱656,200, respectively.

**Jollville Holdings Coporation**  
**Schedule of Financial Indicators**

**KEY PERFORMANCE INDICATORS**

**March**

2015

2014

**I PROFITABILITY**

**Return on Total Assets**

It measures efficiency of the Group in using its assets to generate net income.

ROA=	$\frac{NI + \{(interest\ exp \times (1 - tax\ rate)\}}{Ave.\ Total\ Assets}$	32,169,793	28,016,144
		2,586,268,567	1,987,775,525
		0.0124	0.0141

**Return on Equity**

It is a measure of profitability of stockholders' investments. It shows net income as percentage of shareholder equity.

ROE=	$\frac{Annual\ Net\ Income}{Ave.\ Stockholders\ Equity}$	27,589,619	26,384,955
		1,234,265,265	1,055,078,820
		0.0224	0.0250

**Water Revenue per Subscriber**

Measures how well service and facilities improvements have influence consumer's usage

WRS=	$\frac{Water\ Revenue}{Ave.\ No.\ of\ Water\ Subscribers}$	44,795,485	44,114,239
		14,684	13,084
		3,051	3,372

**II FINANCIAL LEVERAGE**

**Debt Ratio**

It is a solvency ratio and it measures the portion of the assets of a business which are financed through debt.

Debt Ratio=	$\frac{Total\ Liabilities}{Total\ Assets}$	1,296,784,914	847,492,970
		2,544,844,988	1,964,892,332
		0.5096	0.4313

**Debt to Equity Ratio**

It measures the degree to which the assets of the business are financed by the debts and the shareholders' equity of a business.

Debt to Equity=	$\frac{Total\ Liabilities}{Shareholder's\ Equity}$	1,296,784,914	847,492,970
		1,248,060,074	1,117,399,362
		1.0390	0.7585

**III MARKET VALUATION**

**Price to Book Ratio**

Relates the Group's stock to its book value per share

PB ratio=	$\frac{Market\ value/share}{Book\ value/share}$	4.71	4.51
		4.43	3.97
		1.0623	1.1360

**JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**AGING OF ACCOUNTS RECEIVABLE**  
**March 31, 2015**

	<b>Current</b>	<b>1-30 days</b>	<b>31-60 days</b>	<b>Over 60 days</b>	<b>Total</b>
Trade	43,602,273	647,714	141,528	7,716,973	52,108,488
Advances and nontrade	66,365	80,812,751	284,014	60,249,323	141,412,453
	<u>43,668,638</u>	<u>81,460,465</u>	<u>425,542</u>	<u>67,966,296</u>	<u>193,520,941</u>

**JOLLIVILLE HOLDINGS CORPORATION**  
**SCHEDULE OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**MARCH 31, 2015**

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<b>Beginning Unappropriated Retained Earnings, as adjusted</b>	P 175,764,084
<b>Add net income during the period</b>	<u>479,643</u>
<b>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION</b>	P <u><u>176,243,727</u></u>



**JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**SUMMARY OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER**  
**PHILIPPINE FINANCIAL REPORTING STANDARDS**  
**MARCH 31, 2015**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b>				
Conceptual Framework Phase A: Objectives and qualitative characteristics				
<b>PFRSs Practice Statement Management Commentary</b>				
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	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			✓
	Annual Improvements (2009-2011 Cycle): Repeated Application of PFRS 1			✓
	Annual Improvements (2009-2011 Cycle): First-time Adoption of PFRS – Borrowing Cost			✓
	Annual Improvements (2011-2013 Cycle): First-time Adoption of PFRS – Meaning of Effective PFRS		✓	
<b>PFRS 2</b>	Share-based Payment			✓**
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓**
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓**
	Annual Improvements (2010-2012 Cycle): Definition of Vesting Condition		✓	
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
	Annual Improvements (2010-2012 Cycle): Accounting for Contingent Consideration in a Business Combination		✓	
	Annual Improvements (2011-2013 Cycle): Scope Exceptions for joining Arrangements*		✓	

\*\*Adopted but no significant impact

**EXHIBIT V**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓**
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓**
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓**
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓**
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities			✓**
<b>PFRS 8</b>	Operating Segments	✓		
	Annual Improvements (2010-2012 Cycle): Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*		✓	
<b>PFRS 9</b>	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
	Amendments for Investment Entities		✓	
<b>PFRS 11</b>	Joint Arrangements			✓**
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
	Amendments for Investment Entities		✓	
<b>PFRS 13</b>	Fair Value Measurement	✓		
	Annual Improvements (2010-2012 Cycle): Short-term Receivables and Payables		✓	
	Annual Improvements (2011-2013 Cycle): Portfolio Exception		✓	

\*\*Adopted but no significant impact

**EXHIBIT V**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	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	✓		
	Annual Improvements (2009-2011 Cycle): Clarification of the Requirements for Comparative Information	✓		
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7</b>	Statement of Cash Flows	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts			✓
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
<b>PAS 16</b>	Property, Plant and Equipment	✓		
	Annual Improvements (2009-2011 Cycle): Classification of Servicing Equipment	✓		
	Annual Improvements (2010-2012 Cycle): Revaluation Method – Proportionate Restatement of Accumulated Depreciation*		✓	
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19</b>	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures*	✓		
<b>PAS 19 (Amended)</b>	Employee Benefits	✓		
	Amendments to PAS 19 – Defined Benefit Plans: Employee Contributions		✓	
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓**
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓**

\*\*Adopted but no significant impact

**EXHIBIT V**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<b>PAS 23 (Revised)</b>	Borrowing Costs	✓		
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
	Annual Improvements (2010-2012 Cycle): Key Management Personnel*		✓	
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans	✓		
<b>PAS 27</b>	Consolidated and Separate Financial Statements	✓		
<b>PAS 27 (Amended)</b>	Separate Financial Statements	✓		
	Amendments in Investment Entities		✓	
<b>PAS 28</b>	Investments in Associates	✓		
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures	✓		
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 31</b>	Interests in Joint Ventures			✓**
<b>PAS 32</b>	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		✓	
	Annual Improvements (2009-2011 Cycle): Presentation – Tax effect of Distribution to Holders of Equity Instruments			✓**
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting			✓**
	Annual Improvements (2009-2011 Cycle): Interim Financial Reporting and Segment Information for Total Assets and Liabilities	✓		
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendments arising from Recoverable Amount Disclosures for Non-Financial Assets		✓	
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets			✓**
	Annual Improvements (2010-2012 Cycle): Revaluation Method – Proportionate Restatement of Accumulated Amortization*		✓	

\*\*Adopted but no significant impact

**EXHIBIT V**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓**
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓**
	Amendments to PAS 39: The Fair Value Option			✓**
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓**
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓**
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓**
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓**
	Amendment to PAS 39: Eligible Hedged Items			✓**
	Amendment to PAS 39: Novations of Derivatives and Continuation of Hedge Accounting		✓	
<b>PAS 40</b>	Investment Property	✓		
	Annual Improvements (2011-2013 Cycle): Investment Property*		✓	
<b>PAS 41</b>	Agriculture			✓
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	✓		

\*\*Adopted but no significant impact

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓**
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓**
<b>IFRIC 8</b>	Scope of PFRS 2			✓**
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives			✓**
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓**
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment	✓		
<b>IFRIC 11</b>	PFRS 2- Group and Treasury Share Transactions			✓**
<b>IFRIC 12</b>	Service Concession Arrangements			✓**
<b>IFRIC 13</b>	Customer Loyalty Programmes			✓**
<b>IFRIC 14</b>	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			✓**
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓**
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			✓**
<b>IFRIC 18</b>	Transfers of Assets from Customers			✓**
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			✓**
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓
<b>IFRIC 21</b>	Levies		✓	
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-12</b>	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓**
<b>SIC-15</b>	Operating Leases - Incentives			✓**
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓**

\*\*Adopted but no significant impact

**EXHIBIT V**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓**
<b>SIC-29</b>	Service Concession Arrangements: Disclosures.			✓**
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓**
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓**

\*\*Adopted but no significant impact