COVER SHEET

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

S,E.C Registration Number

J O L L I V I L L E H O L D I N G S

C O R P O R A T I O N

(Company's Full Name)

4 T H F L O O R L A N S B E R G H P L A C E

1 7 0 T O M A S M O R A T O A V E . C O R .

S C O U T C A S T O R S T . , Q U E Z O N C I T Y

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

ORTRUD T. YAO

Contact Person

373-3038

Company Telephone Number

1 2	3 1	1 7 - A **2013**	0 6	
Month	Day	FORM TYPE	Month	Day

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total amount of borrowings

Total No. of Stockholders

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the calendar year ended **December 31, 2013**

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. **4/F 20 Lansbergh Place**
170 Tomas Morato Ave., corner Scout Castor St.
Quezon City **1103**
Address of principal office Postal Code

8. **(632) 373-3038**
Issuer's telephone number, including area code

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

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, ₱1 par value	**281,500,000 shares**

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

Yes [**X**] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:
PHILIPPINE STOCK EXCHANGE **COMMON STOCK**

12. Check whether the issuer:

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

Yes [**X**] No [ ]

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

Yes [ ] No [**X**]

13. Aggregate market value of the voting stock held by non-affiliates is: ₱556,292,529 as of December 31, 2013 and ₱432,565,398 as of March 31, 2014.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

(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 (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"), 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. To date, 50,000 common shares 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. 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. As of December 31, 2013, the subscribed and issued capital stock consisted of 2,206,723 shares with paid-in capital of ₱1,269,223. On January 31, 2011, the SEC approved the Articles of Merger between Servwell and Uptrend Concepts Management Corporation (“UCMC”). Servwell was the surviving entity.

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. Finally 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.

Calapan Water became Calapan Ventures, Inc.'s (“CVI”) wholly-owned subsidiary on 31 March 2009 following the settlement of subscription payable with JOH wherein, in exchange for the assignment of eighty six million four hundred thousand seven hundred seventy (86,400,770), Calapan Water shares of JOH, (i) the unpaid subscription in the Company of JOH as of 30 January 2009 was fully paid; and (ii) JOH subscribed to an additional seventy million (70,000,000) shares out of the unissued share capital of the Company.

CVI 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 CVI 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, CVI 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 2011, the issued and outstanding capital stock of CVI consisted of 162,161,000 common shares.

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

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, 2013, OPI's authorized capital stood at ₱466.0 million consisting of 466 million shares with a par value of ₱1 per share. Subscribed shares amounted to ₱166.5 million and paid-up capital is ₱102.0 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.

(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 2013 averaged 25.81% as against 26.38% in 2012 and 35.10% in 2011. Prior to 2003, NRW was in the range of 50%-52%.

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:

Consumption Bracket	**Water Rates**	
	1st Stage Implementation (first three years) *30% increase of the existing rate (12% ROI)*	2nd Stage Implementation (succeeding two years) *Full implementation of the modified rates*
Residential		
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.
Commercial		
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 would utilize 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 effective this year. By using this device, the distribution system water losses will be minimized and water will be conserved.

The NRW for the years 2013, 2012 and 2011 averaged 30.64%, 34.78% and 32.50%, 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:

Consumption Bracket	Water Rates
Residential	
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.
Commercial A	
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.
Commercial B	
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 accountancy 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.

There has been no new significant customer and the Company does not spend material amounts for business development activities or to research new products or services.

Since the Company and its subsidiaries are largely involved in the service industries, its product lines and services are non-pollutive and need no special government approvals. Its only products/service lines needing special government approval are its waterworks business through Calapan Water and its power generation business through OPI. Calapan Water and OPI is currently up-to-date with all the required approvals from different regulatory agencies.

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 206 full-time employees. This is broken down into 6 executive officers, 22 managers, 25 supervisors and 153 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.

Item 2. Properties

The Company's real properties, owned directly and indirectly, through its consolidated subsidiaries, are summarized in the following table. These properties are covered with the titles (TCTs and CCTs) in the name of the Company itself or its subsidiaries.

Type/Location		Area (sq.m.)	Nature of Property
LAND IN METRO MANILA:			
Quezon Ave. Q.C.		757.65	Commercial (on lease out)
Quezon Ave. Q.C.		757.65	”
Diliman, Q.C.		473.30	Residential
Malate, Manila		281.60	Commercial
West Ave., Q.C.		1,250.00	“
McArthur Highway, Caloocan City		1,400.00	“
PROVINCIAL LAND:			
Brgy Bayanan, Calapan City		3,203.00	Industrial
“	“	20,000.00	”
“	“	50,000.00	”
Brgy Calero, Calapan City		574.00	Institutional/Commercial
“	“	812.00	”
Pulong Gitna, Calapan City		60,496.00	Nature reserve island/agric.
Pulong Malaki, Calapan City		6,666.00	”
“	“	6,874.00	“
“	“	6,874.00	“
“	“	33,865.00	”
“	“	7,481.00	“
“	“	39,273.00	“
Puerto Galera, Oriental Mindoro		16,393.00	Agri./Commercial
“	“	7,122.00	“
“	“	66,096.00	“
“	“	6,185.00	Commercial
“	“	47,911.00	Agri./Commercial
“	“	176,511.00	Agricultural (exempt)
Brgy Tawiran, Calapan City		301.00	Well site
“	“	500.00	“
Brgy Sta Maria,	“	377.00	“
Brgy Pachoca,	“	210.00	“
Brgy Lalud,	“	200.00	Well site/residential
Brgy Pachoca	“	182.00	Well site
Brgy Ilaya	“	205.00	“
“	“	286.00	“
Brgy Sta. Isabel	“	2,090.00	Commercial
“	“	1,237.00	“
“	“	200.00	Residential
“	“	200.00	“
“	“	353.00	“
“	“	1,148.00	“
Pola, Oriental Mindoro		40,000.00	Agricultural
“	“	60,000.00	“
“	“	18,786.00	“
Brgy. Bayanan II, Calapan City*		10,000.00	Commercial
BUILDING:			
Heartbeat Bldg, Quezon Ave.		3,200.00	Commercial structure
Loveboat Bldg., McArthur Highway, Caloocan City		1,831.26	“
Prince Plaza, West Ave.		2,406.00	“

Type/Location	Area (sq.m.)	Nature of Property
CONDOMINIUM UNITS:		
Goldland Tower, Greenhills		
3-BR Unit	160.45	Residential Condo
Parking Slot	12.50	Owner's parking slot
Chateau de Baie, Roxas, Pñque		
2-BR Unit	157.02	Residential Condo
Parking Slot	12.50	Owner's parking slot
3-BR Unit	185.87	Residential Condo
Parking Slot	12.50	Owner's parking slot
Maple Tower, Binondo, Mla		
3-BR Unit	96.00	Residential Condo
Parking Slot	12.50	Owner's parking slot
Nobel Plaza, Valero St., Makati		
2-BR Unit	110.00	Residential Condo
Lansbergh Place, T. Morato, Q.C.		
4th Floor Commercial Space	922.04	Commercial (office use)
15 Parking Slots	187.50	Parking slots
EGI Rufino Plaza, Pasay City		
11th Floor Commercial Space	1,653.49	Commercial

**New acquisition during the year.*

Item 3. Legal Proceedings

1. JGMI and Show Syndicate Corp. vs. Felicito a.k.a. Chito D. Garcia, doing business under the name and style Foxchit Software Solution; Civil Case No. 01101977

On 02 October 2001, Jolliville Group Management Inc. ("JGMI") and Show Syndicate Corp. ("SSC") filed a complaint for breach of contract and damages resulting from the delay in the completion of the software POS Project and violation of the Exclusivity Clause against defendant. This stemmed from plaintiffs' engagement of defendant for the development of software to aid in its operations. The complaint specifically prayed that defendant be made to pay One Hundred Thousand Pesos (PhP100,000.00) as reimbursement for the service fees paid initially; Five Hundred Thousand Pesos (PhP500,000.00) as business losses; Five Hundred Thousand Pesos (PhP500,000.00) representing the service fees paid to the new programmer to complete the installation and customization of the software; Five Hundred Thousand Pesos (PhP500,000.00) as moral damages; Five Hundred Thousand Pesos (PhP500,000.00) as exemplary damages; One Hundred Thousand Pesos (PhP100,000.00) attorney's fees plus Two Thousand Five Hundred Pesos (PhP2,500.00) for every court appearance; and costs of suit.

In his defense, defendant claims that it was JGMI that breached the contract and claims damages in the amount of ₱10,240,800.00, the supposed price for the installation on the six other sites and branches, as actual damages, in addition to the moral damages, exemplary damages and attorney's fees.

The main issue in the case is whether or not defendant committed breach of contract. On January 7, 2011, the Court issued its Decision finding that defendant breached the contract by failing to fix reported problems in the system and for violating the exclusivity clause in the contract. The Court then required defendant to refund plaintiffs the sum of One Hundred Thousand Pesos (PhP100,000.00) representing service fees initially paid by plaintiff and to reimburse plaintiffs the sum of Five Hundred Thousand Pesos (PhP500,000.00) representing service fees paid to the new programmer hired to complete the computerization. The counterclaim and all other claims were dismissed. As of this writing, the Decision has not yet attained finality and may be subject to appeal.

Foxchit filed Notice of Appeal on June 3, 2011 and the Regional Trial Court issued an order on June 22, 2011 giving due course to appeal and ordered the transmittal of the records to the Court of Appeals.

The case is now with the Court of Appeals. On June 5, 2012, Foxchit filed its Appellant's Brief. On August 9, 2012, JGMI, et. al. filed their Appellees' Brief. We are waiting for the Decision from the Court of Appeals in relation to the appeal of Foxchit.

2. Jolliville Holdings Corporation vs. Philippine British Assurance Co., Inc.; Civil Case No. 04-1051, Regional Trial Court, National Capital Judicial Region, Branch 143, Makati City

On 10 September 2004, Jolliville Holdings Corporation ("Corporation") filed a *Complaint [With Application For The Issuance Of A Writ of Preliminary Attachment]* dated 08 September 2004 (the "Complaint") with the Regional Trial Court ("RTC") of Makati City seeking to recover insurance claims against defendant Philippine British Assurance Co., Inc. ("PBAC") amounting to at least Thirty Four Million Eight Hundred Sixty Thousand Seven Hundred Forty One and 41/100 Pesos (₱34,860,741.41), exclusive of interest. In addition, the Corporation prayed for the payment of Two Million Pesos (₱2,000,000.00) by way of exemplary damages and One Million Pesos (₱1,000,000.00) as attorney's fees and litigation expenses.

The Corporation is claiming fraud based on defendant's act of soliciting premium payments but failing to honor its obligation under the insurance policies. Defendant raised the defense that the Corporation was late in paying the insurance premium, hence, no insurance contract was in force when the damage occurred.

On 20 April 2005, the Corporation received a copy of the *Order* dated 06 April 2005 denying the Corporation's application for the issuance of a *Writ of Preliminary Attachment.*

When the case proceeded to pre-trial and mediation, the parties failed to arrive at a compromise agreement. Trial thereafter commenced and as of 10 February 2012, the Corporation has presented five (5) witnesses, namely: (1) Mr. Roger T. Ong; (2) Mr. Robert D. Sia; (3) Mr. Vinson Sherman A. Ko; (4) Atty. Malou F. Santiago; and (5) Mr. Alejandro Tan-Gatue.

The Corporation has concluded the presentation of its evidence and filed its Formal Offer of Evidence on 04 October 2012. In an Order dated 03 January 2013, the RTC of Makati City resolved to admit the evidence offered by the corporation. The initial presentation of evidence for defendant PBAC has been re-scheduled on 07 June 2013.

On 28 February 2014 and on 28 March 2014, a witness of PBAC was cross examined. Thereafter, PBAC's counsel requested to conduct a re-direct examination of their witness. The trial court granted the request and scheduled it for 23 May 2014.

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

NOT APPLICABLE

Item 5. Business Risk

Business risk is defined as threats to the organization's capability to achieve its objectives and execute its business strategies successfully. The organization's value creation objectives define the context for management's determination of risk management goals and objectives which, in turn, drive and focus the process of managing business risk.

The major risks facing the Group's businesses are briefly described below. Since the Group caters to a niche market (KTV operators) for its leasing and technical services businesses, our risk sourcing is ultimately tied-in to the risks facing our clients.

Economic Circumstances

Economic circumstances are the characteristics and condition of the general business within which commerce is conducted. Due to the difficult business climate and reduced business activity, companies have become prudent spenders and are continuously trying to identify expenditures it could reduce or completely do without. One of the areas most affected are its budgets for leisure and recreation.

Human Caused Disasters

Human caused disasters pertain to major events that cause significant damage, destruction, and/or human casualties arising from human caused events such as acts of terrorism. Peace and order remains a concern and densely populated establishments such as malls, entertainment centers, cinemas and the like are the most likely targets. As a result, people tend to avoid these places.

Government Activities

Government activities are the functions undertaken to operate a political unit, including adopting and enforcing laws and regulations, supplying goods and services, and contracting for goods and services from private businesses. Calapan Water is moderately regulated and the actions of government agencies such as the NWRB hold with respect to rate increases and the operation of new water sources.

Human Behavior

Human behavior is defined as a broad range of positive and negative human activity that may affect a business' ability to reach its goals. The habits of consumers with regard to water usage and spending for leisure and entertainment may adversely affect the Group's businesses.

Through an integrated business risk management process, senior management determines how much risk they are willing to accept when balancing risks and rewards, and allocating resources. They communicate to operating managers, risk managers and process/activity owners the level of acceptable risk.

Our business risk management is a continuous process of:

- **Establishing** risk management objectives, tolerances and limits for all of the Group's significant risks

- **Assessing** risks within the context of established tolerances

- **Developing** cost-effective risk management strategies and processes consistent with the overall goals and objectives

- **Implementing** risk management processes

- **Monitoring** and reporting upon the performance of risk management processes
- **Improving** risk management processes continuously
- **Ensuring** adequate communication and information for decision making

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PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 6. Market for Issuer's Common Equity and Related Stockholder Matters

(1) Market Information

JOH only has unclassified common shares that is traded at the Philippine Stock Exchange ("PSE").

The high and low sales prices for each quarter are presented below:

Quarter	High	Low
1st quarter 2014	5.50	3.58
4th quarter 2013	6.00	4.50
3rd quarter 2013	7.85	5.45
2nd quarter 2013	8.90	5.60
1st quarter 2013	7.50	5.71

Last transaction date was on April 11, 2014 and the closing price was at ₱5.15 per share.

The market capitalization of JOH as of March 31, 2013 based on the closing price on March 25, 2014 of ₱4.51 per share is ₱1,269,565,000.

As of December 31, 2013, JOH's market capitalization stood at ₱1,632,700,000 based on the closing price of ₱5.80 on December 18, 2013.

(2) Holders

The following table sets forth the Company's top twenty shareholders and their corresponding number of shares held as of December 31, 2013:

Shareholder	Shares Held	Percentage
Elgeete Holdings, Inc.	125,783,791	44.68
IGC Securities Inc.	56,270,239	19.99
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.	5,899,000	2.10
Accord Capital Equities Corporation	3,278,779	1.16
Genmaco Corp.	2,709,500	0.96
Papa Securities Corporation	2,502,000	0.89
Tower Securities, Inc.	1,392,000	0.49
Ting, Catalina O.	1,076,000	0.38
Phyvita Enterprises Corporation	1,047,200	0.37
Nieves Securities, Inc.	1,069,000	0.38
Phyvita Enterprises Corporation	1,047,200	0.37
Yao, Ortrud T.	1,000,001	0.36

Ultimate beneficial owners under securities brokers not included.

(3) Dividends

There were no dividends declared 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.

(4) Recent Sales of Unregistered or Exempt Securities, including recent issuance of Securities constituting an exempt transaction

NONE

Item 7. Management's Discussion and Analysis

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.

Results of Operations

2013 compared with 2012

Power sales pertain to the electricity generation activity of OPI. 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 energy output. For 2013, OPI 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. In addition, production and billed volume increased as another water source was commissioned early part of this year. Furthermore, we were able to implement the additional 20% rate increase for the Calapan operation starting October 2013. Revenues grew by ₱19,645,667 or 15.06% from ₱130,447,382 to ₱150,093,049.

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 technical fees 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 increase by 123.52% compared to ₱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. In addition, the increase 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 to ₱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 fees paid by OPI during the year.

Increase in other expenses such as professional fees and taxes can be directly attributed to the increase in revenues.

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, represent the movements in the deferred tax assets and liabilities.

Noncontrolling interest represents minority 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 ₱669,678,594, 56.45% higher compared with 291,621,137 in 2011 due to improvement in the revenues of power sales and water services. Revenue from power generation which comprised 65.75% of total consolidated revenue, increased by 641.6% from ₱59,373,921 2011 to ₱440,317,360 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 ₱7,785,819 or 6.35% from ₱122,661,563 to ₱130,447,382.

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% (₱1,259,367) whilst technical services decreased by 13.91% (₱2,438,532).

Sales represent the trading activity of CVI which declined by 23.11% or ₱5,733,794 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 as in 2011, revenue was ₱24,811,853, a decrease of 9.24% from 2010's ₱27,338,217.

Equity share in net earnings of an associate of ₱1,494,811 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 ₱468,683,255. Fuel cost alone was at ₱330,530,786 as against the previous year's ₱48,124,784. 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 ₱11,124,035 from 2011. The training and allowance of ₱7,065,579 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 ₱20,429,681. 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 ₱19,520,543, 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

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.

Financial Risk

Please refer to Notes 26 and 27 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

				2013		2012	
Profitability							
Return on total assets (ROA)	=	{ni + [interest exp x (1 - tax rate)]}		130,878,408	0.0722	112,104,491	0.0637
- measures how well assets have been employed by management		average total assets		1,813,548,096		1,759,193,078	
Return on equity (ROE)	=	net income		111,894,116	0.1087	87,119,768	0.0934
- when compared to the ROA, measures the extent to which financial leverage is working for or against shareholders		average stockholders' equity		1,029,829,693		932,813,912	
Water revenue per subscriber	=	water revenues		150,093,049	11,306	130,447,382	10,769
- measures how well service and facilities improvements have influenced consumer's usage		average no. of water subscribers		13,276		12,113	
Financial leverage							
Debt ratio	=	total liabilities		918,585,439	0.4571	831,115,477	0.4618
- measures the share of company's liabilities to total assets		total assets		2,009,599,846		1,799,760,455	
Liabilities to equity	=	total liabilities		918,585,439	0.8420	831,115,477	0.8580
- measures the amount of assets being provided by creditors for each peso of assets being provided by the stockholders		stockholders' equity		1,091,014,407		968,644,978	
Market valuation							
Market to book ratio	=	market value per share		5.80	1.50	5.70	1.66
- relates the Company's stock price to its book value per share		book value per share		3.88		3.44	

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-2012 of ₱196.66 million to ₱227.79 million as of December 31, 2013. During the year, the Company was able to minimize its interest expense which contributes to its higher cash balance at the end of 2013.

Meanwhile, liability to equity ratios improved to 0.80:1.00 from 0.81:1.00 as of end-2012 as the results of operations increased during 2013.

Item 8. Financial Statements

Please refer to the attached consolidated financial statements audited by Constantino Guadalquiver & Co. (CGCo).

Item 9. Information on Independent Accountant and Other Related Matters

CGCo, independent certified public accountants, audited the Company's consolidated financial statements without qualification as of and for the years ended December 31, 2013, 2012, and 2011, included in this report.

Edwin F. Ramos is the current audit partner for the Company and its subsidiaries. Pursuant to SEC Memorandum Circular No. 8, Series of 2003, the Company will either change its External Auditor or rotate the engagement partner every five (5) years.

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.

CGCo has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. CGCo will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants, or rights thereto). The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

In connection with the audit of the Company's financial statements, the Audit Committee had, among other activities, (a) evaluated significant issues reported by the external auditor in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company; (b) ensured that no other work is provided by the external auditor that would impair its independence and conflict with its function as independent accountants; and (c) ensured the compliance of the Company with acceptable auditing and accounting standards and regulations.

The aggregate fees paid to CGCo for services rendered are ₱926,000 in 2013, ₱800,000 in 2012 and ₱790,000 in 2011. The services are those normally provided by the external auditor in connection with statutory and regulatory filings or engagements. There had been no consulting or tax engagements with CGCo.

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PART III - CONTROL AND COMPENSATION INFORMATION

Item 10. Directors and Executive Officers of the Issuer

Presently, the Directors and Senior Officers of the Company are:

Name	*Positions Held*	*Company/Organization*
JOLLY L. TING 68, Filipino Bachelor of Science in Business Administration, University of the East	**Present:** ○ Chairman (since March 21, 2011) ○ Chairman (since January 2009) ○ Founder, Chairman, Chief Executive Officer (since April 3, 1999) ○ Chairman (since April 26, 2002) ○ Chairman (since April 26, 2002) ○ Chairman (since May 19, 2009) ○ Chairman (since July 19, 1992) ○ Chairman (since June 17, 2010) ○ Chairman (since 1997) ○ Member (since 1978) **Previous:** ○ President (January 2009 to April 2010) ○ President (1991-1992) ○ Director, Treasurer (1994-1997) ○ Chairman (since April 26, 2002)	Ormin Power, Inc. Calapan Ventures, Inc. 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 and Dimsum chains) Rotary Club, University District, Manila Calapan Ventures, Inc. Rotary Club, University District, Manila Mirage Resources & Holdings Corp. Uptrend Concepts Management Corp.
NANETTE T. ONGCARRANCEJA 40, Filipino Fine Arts Advertising Studies, College of the Holy Spirit Advanced Courses, Columbia College, Vancouver Community College, Kwantlen University	**Present:** ○ President (since April 2010) ○ President (since September 15, 2004) ○ Director (since April 19, 1999) ○ President, Director (since October 26, 2000) ○ Vice President (since April 5, 2008) ○ Director (since November 6, 2000) ○ Director (since August 17, 1999) ○ Vice President, Director (since October 9, 2002) ○ Director, Treasurer (since November 15, 2002) ○ Director, Secretary, Treasurer (since January 6, 2005) **Previous:** ○ Secretary and Director (January 2009 to April 2010) ○ Vice President (July 2001 to	Calapan Ventures, Inc. Jolliville Holdings Corporation - do - Jolliville 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. Jolliville Holdings Corporation

	September 2004) ○ Secretary/Treasurer (April 1999 to July 2001)	- do -
Name	***Positions Held***	***Company/Organization***
	○ Assistant Secretary (March-April 1999) ○ Treasurer (November 6, 2000 to April 4, 2008) ○ Treasurer (since August 2010) ○ Chairman (since January 2013)	- do - Jollideal Marketing Corporation Ormin Power, Inc. Rural Bank of Roxas (Or.Min.), Inc.
ORTRUD T. YAO 36, Filipino Honors, Bachelor of Commerce, major in Finance, University of British Columbia	**Present:** ○ Director, Treasurer and Chief Finance Officer (since January 2009) ○ Secretary (since April 2010) ○ Secretary/Treasurer, Chief Finance Officer (since July 20, 2001) ○ Chief Compliance Officer (since June 17, 2002) ○ President, Director (since September 28, 2005) ○ President, Director (since August 15, 2005) ○ Secretary, Director (since January 12, 2004) ○ President, Director (since March 30, 1999) ○ Vice President, Director (since March 26, 1999) ○ Treasurer, Director (since March 19, 2001) ○ Secretary/Treasurer, Director (since October 9, 2002) ○ President, Director (since November 15, 2002) ○ President, Director (since January 6, 2005) ○ Vice-President for Finance & Secretary (since August 2010) President (since October 2012)	Calapan Ventures, Inc. - do – Jolliville Holdings Corporation - 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 Ormin Power, Inc. Rural Bank of Roxas (Or. Min.), Inc.
LOURDES G. TING 65, Filipino Bachelor of Science in Business Administration, Far Eastern University	Present: ○ Director (since January 2009) ○ Vice President (January 2009 to April 2010 and June 2010 onwards) ○ Director (since September 3, 1986) ○ President, Director (since March 30, 1999) ○ Vice President, Director (since March 26, 1999) ○ Vice President, Director (since March 30, 1999) ○ Vice President, Director (since March 26, 1999) ○ Secretary, Director (since March 26, 1999) Previous: ○ President (April 1999 to July 2001)	Calapan Ventures, Inc. - do - Jolliville Holdings Corporation Elgeete Holdings, Inc. Febra Resources Corp. Oltru Holdings Corp. Kenly Resources, Inc. A-Net Resources Corp. Jolliville Holdings Corporation

Name	*Positions Held*	*Company/Organization*
RODOLFO L. SEE 72, Filipino Bachelor of Science in Business Administration, Far Eastern University	**Present:** o Director (since January 2009) o Director (since August 18, 2004) o Chairman, President (since 1980) o Chairman, President (since 1974) o Owner (since 1982)	Calapan Ventures, Inc. Jolliville Holdings Corporation Gold Prize Food Manufacturing Corp. Gold Medal Food Manufacturing Corp. International Food Snack Corp. (exporter of locally produced dried fruit products)
DEXTER E. QUINTANA 62, Filipino Masters in Business Administration, Graduate School of Business, University of the Philippines	**Present:** o Independent Director (since January 2009) o Independent Director (since July 20, 2001) o President (since 1984) o President (since 1987) o Managing Director (since 2008)	Calapan Ventures, Inc. 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)
ERNESTO S. ISLA 63, Filipino Bachelor of Science in Architecture, University of Sto. Tomas	**Present:** o Independent Director (since January 2009) o Independent Director (since July 16, 2008) o President & CEO (since 1996) o President & CEO (since 1973) o Director (since 2006) o Member (since 1980) **Previous:** o President (September 1999 to March 2001) o President & CEO (1994 to 1997) o Director (May 2003 to March 2007)	Calapan Ventures, Inc. Jolliville Holdings Corporation Bitech Systems (Phils.) Inc. Business Information Technology Systems (BITS) E.I. Construction Co. Inc. Quezon City Red Cross Rotary International District 3780 Rotary Club of Kamuning APO Production Unit, Inc. Troikapital Management, Inc. Timpla Corporation (a new style of Filipino restaurant)

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. Mr. Ting is the closest there is to a significant employee in the Group. There are no other such persons.

Mr. Jolly L. Ting and Ms. Lourdes G. Ting are spouses. Ms. Ortrud T. Yao and Ms. Nanette T. Ongcarranceja are siblings and they are both children of Mr. and Mrs. Jolly L. Ting.

None of the members of the Board is involved in any legal proceeding, pending or otherwise, for the past 5 years and up to the date of this report.

Item 11. Executive Compensation

SUMMARY COMPENSATION TABLE

Annual Compensation

	(a) Name and Principal Position	(b) Year	(c) Salary	(d) Bonus	(e) 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	Lourdes G. Ting, Vice President				
	TOTAL	2014*	6,939,785	531,655	48,000
		2013	6,609,319	506,338	48,000
		2012	6,000,000	490,000	-
		2011	6,020,000	490,000	-
E	All other officers and directors as a group unnamed	2014*	6,244,127	493,567	12,000
		2013	5,946,788	470,064	12,000
		2012	5,958,197	497,050	-
		2011	5,648,437	462,727	-

**estimated amounts*

There are no existing arrangements/agreements in which said directors and officers are to be compensated during the last and ensuing year. Neither are there any employment contracts and termination of employment and change-in-control arrangements.

Item 12. Security Ownership of Certain Record and Beneficial Owners

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

Title of Class	*Name and Address of Record and relationship with Issuer*	*Beneficial Owner and relationship with record owner*	*Citizenship*	*Number of Shares*	*Percent of Record Owner*
Common	Elgeete Holdings, Inc. (4//F 20 Lansbergh Place, 170 Tomas Morato Ave., cor. Sct. Castor St., Quezon City)	Ting Family	Filipino	125,783,791	44.68
Common	A-Net Resources Corp. (-ditto-)	- ditto -	Filipino	12,503,925	4.44
Common	Febra Resources Corp. (4/F 20 Lansbergh Place, 170 Tomas Morato Ave., cor. Sct. Castor St., Quezon City)	- ditto -	Filipino	12,503,925	4.44

Common	Kenly Resources, Inc. (-ditto-)	- ditto -	Filipino	12,503,925	4.44
Title of Class	*Name and Address of Record and relationship with Issuer*	*Beneficial Owner and relationship with record owner*	*Citizenship*	*Number of Shares*	*Percent of Record Owner*
Common	Oltru Holdings Corp. (-ditto-)	- ditto -	Filipino	12,503,925	4.44
Common	Jolly L. Ting (-ditto-)	- ditto -	Filipino	959,999	0.34
Common	Lourdes G. Ting (-ditto-)	- ditto -	Filipino	480,000	0.17
Common	Melody T. Lancaster (-ditto-)	- ditto -	Filipino	1	-
Common	Nanette T. Ongcarranceja (-ditto-)	- ditto -	Filipino	500,001	0.18
Common	Kenrick G. Ting (-ditto-)	- ditto -	Filipino	500,001	0.18
Common	Ortrud T. Yao (-ditto-)	- ditto -	Filipino	1,000,001	0.36
				179,239,494	63.67
Common	IGC Securities Inc. (Suite 1006, Tower I & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City)		Filipino	56,270,239	19.99
Common	Myron Ventures Corporation ______________	__________	________	18,000,000	6.39
Common	Lucky Securities, Inc. (1402-B West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City)		Filipino	14,170,000	5.03

The major shareholders of the Company, namely: Elgeete Holdings, Inc., Febra Resources Corp., A-Net Resources Corp., Kenly Resources, Inc., and Oltru Holdings Corp., are all private holding companies, substantially owned and controlled by members of the Ting Family, Filipinos. Mr. Jolly L. Ting holds 60% each of the shares held by these private holding companies. Mr. Jolly L. Ting exercises the voting power over the shares of Elgeete Holdings, while Mrs. Nanette T. Ongcarranceja exercises the voting power over the shares owned by Febra Resources, A-Net Resources, and Kenly Resources. For Oltru Holdings, Ms. Ortrud T. Yao exercises the voting power of its shares.

Lucky Securities, Inc. and IGC Securities Inc. are participants in the Philippine Central Depository, Inc., a private company organized to implement an automated book entry system of handling securities transactions in the Philippines. None of their clients own more than five percent of the Company’s total outstanding common shares of stock.

Item 13. Security Ownership of Management

The shares owned of record or beneficially by the directors and each of the named executive officers previously named are as follows:

Title of Class	*Name of Beneficial Owner*	*Amount and Nature of Beneficial Ownership*	*Citizenship*	*Percent of Class*
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	Lourdes G. Ting	480,000 (direct)	Filipino	0.17
Common	Lourdes G. Ting	21,726,172 (indirect)	Filipino	7.72
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	854,001 (direct)	Filipino	0.30
Common	Ernesto S. Isla	2 (direct)	Filipino	-

Directors and officers as a group hold a total of 119,231,727 shares equivalent to 42.36% of Jolliville Holdings Corporation's issued and outstanding capital stock.

Item 14. Certain Relationships and Related Transactions

Please refer to Note 18 of the attached Audited Financial Statements.

****

PART IV - EXHIBITS AND SCHEDULES

Item 15. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

The only exhibit applicable is the "Subsidiaries of the Registrant". The required information has already been discussed in Part I, Item I of this Report.

(b) Reports on SEC Form 17-C

Date	***Excerpts***
January 30, 2013	Certification of Director attendance and Certification on compliance with SEC Memorandum Circular No. 2 dated April 4, 2002 (Corporate Governance) for the year 2012.
July 2, 2013	Signing of a loan agreement of JOH's subsidiary, Ormin Power Inc., with the Development Bank of the Philippines.
July 3, 2013	Results of Annual Stockholders' Meeting and election of Directors to serve under the Audit and Risk, Nomination, Executive, and Compensation and Remuneration Committees.
July 11, 2013	Certification of Independent Directors.
September 10, 2013	Resignation of Atty. Maria Cecilia V. Soria as Corporate Secretary and appointment of Atty. Paula Danica B. Landayan as her successor.
March 24, 2014	Acquisition of Shares of Bia Ventures, Inc.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Quezon City on ___________, 20__.

By:

Jolly L. Ting Chairman	Ortrud T. Yao Chief Finance Officer
Nanette T. Ongcarranceja President	Princess O. Montecir Principal Accounting Officer

SUBSCRIBED AND SWORN to before me this 11 day of APR 2014 20__ affiant(s) exhibiting to me their Residence Certificates, as follows:

NAMES	RES. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Jolly L. Ting	07813949	January 16, 2014	Quezon City
Nanette T. Ongcarranceja	07813928	January 15, 2014	Quezon City
Ortrud T. Yao	07813946	January 16, 2014	Quezon City
Princess O. Montecir	07813923	January 15, 2014	Quezon City

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PAGE NO. 64
BOOK NO. VIII
SERIES OF 2014

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. 2452176 / 12-16-13 / Manila
G/F Fedman Suites, 199 Salcedo St,
Legaspi Village, Makati City

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A, Item 7

December 31, 2013
For the Year Ended December 31, 2013

* *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, 2014

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Jolliville Holdings Corporation** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended December 31, 2013 and 2012, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of 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 or Trustees reviews and approves the consolidated financial statements including the schedules attached therein and submit the same to the stockholders or members.

Constantino Guadalquiver & 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. 07813949
Issued on 01-16-14 at Quezon City

NANETTE T. ONGCARRANCEJA
President
CTC No. 07813928
Issued on 01-15-14 at Quezon City

ORTRUD T. YAO
Treasurer
CTC No. 07813946
Issued on 01-16-14 at Quezon City

SUBSCRIBED AND SWORN to before me this 11 day of APR 2014, 2014 in the city of MAKATI CITY, Philippines. Affiant exhibiting to me their Community Tax Number as above stated.

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. 2452176 / 12-16-13 / Manila
G/F Fedman Suites, 199 Salcedo St,
Legaspi Village, Makati City

Doc No. 300;
Page No. 61;
Book No. VIII;
Series of 2014

CG&Co

an independent member of
BAKER TILLY
INTERNATIONAL

Constantino Guadalquiver & Co
Certified Public Accountant

15th Floor Citibank Towe
8741 Paseo de Roxas Stree
Salcedo Village, Makati City, Philippine
Telephone (+632) 848-105
Fax (+632) 728-101
E-mail address:mail@cgco.com.p

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Jolliville Holdings Corporation and subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, 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, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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, 2013 and 2012 and their financial performance and cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

CONSTANTINO GUADALQUIVER & CO.
BOA Registration No. 0213, valid until December 31, 2016
SEC Accreditation No. (A.N.) 003-FR-2, valid until September 21, 2014 (Group A)
BIR A.N. 08-001507-0-2012, valid until January 4, 2015

By :

EFRamos

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. 08-001507-8-2012, valid until January 4, 2015
PTR No 4245662, issued on January 22, 2014, Makati City

Makati City, Philippines
April 8, 2014

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012 AND JANUARY 1, 2012

(Amounts in Philippine Pesos)

	Note		December 31 2013		December 31 2012 As restated		January 1 2012 As restated
ASSETS							
Current Assets							
Cash and cash equivalents	7	₱	**227,792,017**	₱	196,658,024	₱	228,934,898
Receivables – net	8		**115,404,883**		95,893,298		85,447,417
Inventories - net	9		**24,309,768**		19,426,429		18,464,109
Due from related parties	18		**47,010,801**		57,127,473		23,667,808
Other current assets	10		**68,361,655**		45,401,685		43,194,267
Total Current Assets			**482,879,124**		414,506,909		399,708,499
Noncurrent Assets							
Available-for-sale (AFS) investments	11		**2,887,074**		2,736,221		2,507,477
Investment in an associate	12		**20,290,138**		19,996,168		19,864,648
Investment property	13		**680,963,882**		644,876,582		635,584,582
Property, plant and equipment – net	14		**778,236,638**		683,443,320		632,596,370
Deferred tax assets	23		**9,357,052**		8,681,294		8,753,092
Other noncurrent assets	15		**34,985,938**		25,519,962		19,611,032
Total Noncurrent Assets			**1,526,720,722**		1,385,253,547		1,318,917,201
		₱	**2,009,599,846**	₱	1,799,760,456	₱	1,718,625,700
LIABILITIES AND EQUITY							
Current Liabilities							
Current portion of loans payable	16	₱	**269,374,572**	₱	125,690,059	₱	88,092,385
Accounts payable and accrued expenses	17		**150,469,043**		145,222,436		131,033,978
Due to related parties	18		**73,691,552**		70,516,062		84,615,130
Dividend payable	2		**302,279**		302,279		–
Income tax payable			**10,778,625**		8,712,397		12,064,178
Total Current Liabilities			**504,616,071**		350,443,233		315,805,671
Noncurrent Liabilities							
Noncurrent portion of loans payable	16		**248,787,572**		324,709,065		352,317,695
Retirement benefit obligation	19		**24,371,606**		23,207,973		20,937,783
Deferred tax liabilities	23		**26,714,516**		25,531,152		25,783,152
Deposit for future stock subscription			**95,000,000**		95,000,000		95,000,000
Customers' deposits			**19,095,674**		12,224,054		11,798,554
Total Noncurrent Liabilities			**413,969,368**		480,672,244		505,837,184
Total Liabilities			**918,585,439**		831,115,477		821,642,855

(Forward)

(Carryforward)

	Notes		December 31 2013		December 31 2012 As restated		January 1 2012 As restated
Equity							
Attributable to Equity Holders of Parent Company							
Capital stock		₱	**281,500,000**	₱	281,500,000	₱	281,500,000
Additional paid-in capital			**812,108**		812,108		812,108
Revaluation surplus – net of deferred taxes	13, 14		**205,654,298**		204,103,821		204,097,899
Revaluation reserves on AFS investments	11		**727,298**		612,728		384,236
Retained earnings			**355,521,854**		262,502,826		202,915,050
Reserve for actuarial gain (loss)			**735,471**		(2,028,102)		(2,028,102)
			844,951,029		747,503,381		687,681,191
Noncontrolling Interests			**246,063,378**		221,141,598		209,301,654
Total Equity			**1,091,014,407**		968,644,979		896,982,845
		₱	**2,009,599,846**	₱	1,799,760,456	₱	1,718,625,700

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(Amounts in Philippine Pesos)

	Note	**December 31 2013**	December 31 2012	January 1 2012 As restated
REVENUES				
Services				
Power sales		**₱ 457,863,336**	₱ 440,317,360	₱ 59,373,921
Water services		**150,093,049**	130,447,382	122,661,563
Rental	24	**65,574,395**	64,181,778	65,441,145
Technical services	24	**25,742,601**	15,093,540	17,532,072
Sale of goods		**15,403,475**	19,078,059	24,811,853
Equity share in net earnings of an associate	12	**293,970**	131,520	1,494,811
Others		**364,372**	428,955	305,772
		715,335,198	669,678,594	291,621,137
COSTS OF SALES AND SERVICES	20	**496,464,416**	468,683,255	160,622,060
GROSS INCOME		**218,870,782**	200,995,339	130,999,077
OPERATING EXPENSES	21	**97,412,178**	72,008,391	56,110,512
INCOME FROM OPERATIONS		**121,458,604**	128,986,948	74,888,565
OTHER INCOME (CHARGES) – Net	22	**10,319,424**	(22,526,838)	17,768,625
INCOME BEFORE INCOME TAX		**131,778,028**	106,460,110	92,657,190
INCOME TAX EXPENSE (BENEFIT)	23			
Current		**21,404,883**	19,520,543	20,429,681
Deferred		**(1,520,971)**	(180,201)	(777,595)
		19,883,912	19,340,342	19,652,086
NET INCOME		**₱ 111,894,116**	₱ 87,119,768	₱ 73,005,104
OTHER COMPREHENSIVE INCOME (LOSS)				
Not reclassifiable to profit or loss				
Actuarial gain (loss)		**₱ 2,579,505**	₱ –	₱ (2,897,289)
Deferred tax effect		**(746,518)**	–	869,187
		1,832,987	–	(2,028,102)

(Forward)

(Carryforward)

	Note		**December 31 2013**		December 31 2012		January 1 2012 As restated
Reclassifiable to profit or loss							
Increase in:							
Revaluation surplus - net of tax		**₱**	**2,981,383**	₱	–	₱	–
Fair value of AFS investments	11		**150,853**		228,744		179,134
			3,132,236		228,744		179,134
			4,965,223		228,744		(1,848,968)
TOTAL COMPREHENSIVE INCOME		**₱**	**116,859,339**	₱	87,348,512	₱	71,156,136
NET INCOME ATTRIBUTABLE TO:							
Equity holders of the parent company		**₱**	**93,019,028**	₱	59,738,323	₱	55,517,118
Noncontrolling interests			**18,875,088**		27,381,445		17,487,986
		₱	**111,894,116**	₱	87,119,768	₱	73,005,104
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:							
Equity holders of the parent company		**₱**	**98,878,554**	₱	59,967,067	₱	52,548,328
Noncontrolling interests			**17,980,785**		27,381,445		18,607,808
		₱	**116,859,339**	₱	87,348,512	₱	71,156,136
EARNINGS PER SHARE	25	**₱**	**0.3304**	₱	0.2122	₱	0.1972

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(Amounts in Philippine Pesos)

	Notes	**December 31 2013**	December 31 2012 As restated	January 1 2012 As restated
ATTRIBUTABLE TO EQUITY HOLDERS □ OF PARENT COMPANY				
CAPITAL STOCK – ₱1 par value				
Authorized – 1,000,000,000 shares				
Subscribed and fully paid				
– 281,500,000 shares		**₱ 281,500,000**	₱ 281,500,000	₱ 281,500,000
ADDITIONAL PAID-IN CAPITAL		**812,108**	812,108	812,108
REVALUATION SURPLUS IN INVESTMENT PROPERTY AND PROPERTY AND EQUIPMENT - Net				
Balance at beginning of year	13, 14	**204,103,821**	204,097,899	204,774,621
Appraisal increase		**1,550,477**	–	–
Change in ownership interest		–	5,922	(676,722)
Balance at end of year		**205,654,298**	204,103,821	204,097,899
REVALUATION RESERVES ON AFS INVESTMENTS	11			
Balance at beginning of year		**612,728**	384,236	(1,222,135)
Increase in fair value		**114,570**	228,356	106,371
Change in ownership interest		–	136	–
Realized loss on AFS investments		–	–	1,500,000
Balance at end of year		**727,298**	612,728	384,236
RETAINED EARNINGS				
Balance at beginning of year as previously reported		**259,428,264**	199,840,488	152,622,572
Adjustment		**3,074,562**	3,074,562	–
Balance at beginning of year as restated		**262,502,826**	202,915,050	152,622,572
Net income as previously reported		**93,019,028**	59,738,323	52,442,556
Adjustment		–	–	3,074,562
Net income during the year as restated		**93,019,028**	59,738,323	55,517,118

(Forward)

(Carryforward)

	Note		**December 31 2013**		December 31 2012 As restated		January 1 2012 As restated
Change in ownership interest		₱	–	₱	(234,445)	₱	–
Increase (decrease) due to a deconsolidated subsidiary			–		83,898		(261,613)
Disposal of noncontrolling interests			–		–		(4,963,027)
Balance at end of year as restated			**355,521,854**		262,502,826		202,915,050
RESERVE FOR ACTUARIAL GAIN (LOSS)							
Adjustment at beginning of year			**(2,028,102)**		(2,028,102)		–
Actuarial gain (loss) during the year			**2,763,573**		–		(2,028,102)
Balance at end of year	3		**735,471**		(2,028,102)		(2,028,102)
			844,951,029		747,503,381		687,681,191
NONCONTROLLING INTERESTS							
Balance at beginning of year as previously reported			**222,188,058**		210,348,114		65,865,941
Adjustment			**(1,046,460)**		(1,046,460)		–
Balance at beginning of year as restated			**221,141,598**		209,301,654		65,865,941
Share in total comprehensive income as previously reported			**17,980,785**		27,381,445		18,607,809
Adjustment			–		–		(1,046,460)
Share in total comprehensive income as restated			**17,980,785**		27,381,445		17,561,349
Increase (decrease) in noncontrolling interests			**6,940,995**		(15,541,501)		125,874,364
Balance at end of year			**246,063,378**		221,141,598		209,301,654
		₱	**1,091,014,407**	₱	968,644,979	₱	896,982,845

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(Amounts in Philippine Pesos)

	Notes		**December 31 2013**		December 31 2012		January 1 2012 As restated
CASH FLOWS FROM OPERATING ACTIVITIES							
Income before income tax		₱	**131,778,028**	₱	106,460,110	₱	92,657,190
Adjustments for:							
Depreciation and amortization	14		**54,600,126**		43,800,874		38,576,959
Increase in fair value of investment property through profit or loss	13, 22		**(36,087,300)**		(9,292,000)		(27,760,857)
Finance charges	16		**27,120,417**		35,692,461		2,118,007
Interest income	7, 22		**(2,989,472)**		(4,808,947)		(2,707,310)
Provisions for:							
Retirement expense	19		**3,142,403**		2,270,190		3,999,155
Impairment loss	8		**936,290**		310,418		–
Unrealized foreign exchange loss	7		**360,805**		11,024		900
Equity share in net earnings of the associate	12		**(293,970)**		(131,520)		(1,494,811)
Accounts written-off	8, 22		–		–		8,777,697
Realized loss on AFS investments	22		–		–		1,500,000
Operating income before working capital changes			**178,567,327**		174,312,610		115,666,930
Changes in operating assets and liabilities:							
Increase in:							
Receivables	8		**(20,446,685)**		(10,756,299)		(57,414,820)
Inventories	9		**(4,883,339)**		(1,003,671)		(18,464,109)
Other current assets	10		**(17,997,083)**		(2,201,213)		(36,475,209)
Increase (decrease) in:							
Accounts payable and accrued expenses	17		**(33,392,457)**		(34,064,318)		49,580,489
Customers' deposits			**6,871,620**		425,500		1,407,324
Cash generated from operations			**108,719,383**		126,712,609		54,300,605
Interest paid			**(28,181,353)**		(37,435,980)		(25,260,463)
Income tax paid			**(24,301,542)**		(22,872,324)		(18,441,146)
Interest received			**2,988,282**		4,808,947		2,707,310
Net cash provided by operating activities			**59,224,770**		71,213,252		13,306,306

(Forward)

(Carryforward)

	Notes		December 31 2013		December 31 2012		January 1 2012 As restated
CASH FLOWS FROM INVESTING ACTIVITIES							
Additions to:							
Property and equipment	14, 29	₱	**(109,693,444)**	₱	(54,278,593)	₱	(297,776,736)
Investment property	13		–		–		(189,630)
Decrease (increase) in:							
Due from related parties	18		**10,116,672**		(33,601,318)		17,364,421
Other noncurrent assets	15		**(9,465,976)**		(5,928,930)		(3,436,859)
Cash and cash equivalents due to a deconsolidated subsidiary			–		(2,242,333)		–
Increase in dividend payable			–		302,279		–
Net cash used in investing activities			**(109,042,748)**		(95,748,895)		(284,038,804)
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from loan availment	16		**369,124,997**		131,037,900		313,990,300
Payments of loans	16		**(301,361,977)**		(121,048,856)		(14,809,877)
Increase (decrease) in:							
Noncontrolling interests			**10,374,265**		(15,770,278)		119,973,002
Due to related parties	18		**3,175,490**		(1,948,973)		(45,979,059)
Net cash provided by (used in) financing activities			**81,312,776**		(7,730,207)		373,174,366
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			**(360,805)**		(11,024)		(900)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			**31,133,993**		(32,276,874)		102,440,968
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			**196,658,024**		228,934,898		126,493,930
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	₱	**227,792,017**	₱	196,658,024	₱	228,934,898

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			
		2013		2012
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
Ibayo Island Resort Corp. (IIRC)*		**100.00**		100.00
NGTO Resources Corp. (NGTO)*		**100.00**		100.00
Ormin Power, Inc. (OPI)		**60.00**		60.00
Calapan Ventures, Inc. (CVI) and Subsidiaries				
Direct ownership of the Parent Company	**27.34**		27.34	
Parent Company's ownership through OHC Subsidiaries	**24.67**	**52.01**	24.67	52.01
Tabuk Water Corp. (Tabuk Water)*		**52.01**		52.01
Calapan Waterworks Corporation (CWC)		**51.83**		51.83
Kristal Water Source Corp. (Kristal Water)* (see Note 2)		–		–
Metro Agoo Waterworks Inc. (MAWI)* (see Note 2)				
Parent Company's ownership through CWC		**44.12**		44.12

**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
CVI	Operates, conducts and maintains the business of trading, processing, assembling, manufacturing, and/or fabricating and exporting, importing, buying, acquiring, holding, or otherwise disposing of and dealing in goods, wares, supplies, materials, articles, merchandise, commodities, equipment, hardware, appliances, minerals, metals, timber, lumber and real and personal properties of every kind, class and description, whether natural or artificial which may become articles of commerce.
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.
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.
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.

(Forward)

(Carryforward)

Name of subsidiary	Principal activity
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 accompanying 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, 2014.

2. **Basis of Preparation**

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 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.

<u>Statement of Compliance</u>
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.

<u>Basis of Consolidation</u>
The consolidated financial statements include the accounts of the Parent Company and the aforementioned subsidiaries (see Note 1) held directly or indirectly through wholly and majority-owned subsidiaries. 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.

In 2009, the Parent Company invested in CVI and Servwell with 100% ownership. Part of the payment for the subscription to CVI was the assignment of the Parent Company's ownership in CWC, equivalent to 99.61%.

Stockholders of JOH approved the declaration of property dividends in 2009. Subsequently on December 22, 2009, a stockholder of JOH executed a deed of assignment of shares of stocks of CVI equivalent to 40 million shares in favor of certain subsidiaries of JOH. In 2010, certain affiliates of JOH assigned part of its investment in CVI to JOH. This assignment resulted to JOH's increase in investment in CVI by ₱19.2 million and increasing its percentage of direct ownership from 25.85% to 36.94%. However, on November 24, 2011, CVI sold 42,161,000 new common shares through Initial Public Offering (IPO) which resulted to a decrease in the percentage of direct ownership to 27.34% and the percentage of total ownership of the Parent Company from 70.27% to 52.01%.

In 2010, the Parent Company invested in OPI, a newly organized corporation, by acquiring 60% of OPI's outstanding capital stock from its stockholders.

On January 31, 2011, the SEC approved the merger of UCMC and Servwell with Servwell as the surviving entity. JOH recognized a gain from investment in shares of stock due to merger amounting to ₱62,211 (see Note 22).

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.

3. **Changes in Accounting and Financial Reporting Policies**

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

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

  This is not applicable to the Group.

- Amendments to PFRS 7, *"Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities"*
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set-off in accordance with PAS 32, "Financial Instruments: Presentation". These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  a. The gross amounts of those recognized financial assets and recognized financial liabilities;
  b. The amounts that are set-off in accordance with the criteria in PAS 32 when determining the net amounts presented in the consolidated statements of financial position;
  c. The net amounts presented in the consolidated statements of financial position;
  d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

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

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

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

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

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

  This is not applicable to the Group.

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

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

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

  As a result of the guidance in PFRS 13, the Group reassessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The application of PFRS 13 did not have a material impact on the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values where determined. The fair value hierarchy is provided in Note 27 to the financial statements.

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

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

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

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

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

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

  The opening consolidated statement of financial position of the earliest comparative period presented (January 1, 2012) and the comparative figures have been restated accordingly resulting to a retroactive adjustment of ₱3,074,562. The effects of the application on the consolidated financial statements are as follows:

  Reconciliation of Retained Earnings

	December 31, 2012	January 1, 2012
Retained earnings as previously reported	₱199,840,488	₱152,622,572
Decrease in retirement benefit cost	3,074,562	–
Retained earnings as restated	₱202,915,050	₱152,622,572

  Reconciliation of Reserve on Actuarial Loss

	December 31, 2012	January 1, 2012
Reserve on actuarial loss as previously reported	₱–	₱–
Recognition of reserve on actuarial loss	2,028,102	2,028,102
Reserve on actuarial loss as restated	₱2,028,102	₱2,028,102

The transition did not have a significant impact on the statements of cash flows for the years ended December 31, 2012 and 2011.

Remeasurement loss on retirement benefits liability was closed to retained earnings at transition date. Subsequent to January 1, 2012, remeasurement loss on retirement benefits liability is separately presented in equity. Net interest cost is still included in Salaries and employee benefits account under cost of services.

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

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

  This is not applicable to the Group.

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

  The Group has no joint venture arrangement.

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

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

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

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

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

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

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

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

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

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

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

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

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

Effective 2015

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

  i. At initial recognition, all financial assets are measured at fair value.
  ii. Debt instruments may (if the Fair Value Option is not invoked) be subsequently measured at amortized cost if: (a) the asset is held within a business model whose objective is to hold the assets to collect contractual cash flows and (b) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value.
  iii. All equity investment financial assets are measured at fair value either through other comprehensive income or profit or loss. Entities must make an irrevocable choice for each instrument, unless they are held for trading, in which case they must be measured at fair value through profit or loss.
  iv. For financial liabilities to which the Fair Value Option is invoked, the amount of change in the fair value of a liability attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

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

Standards issued but not yet Effective

Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*

The implementation of the Philippine Interpretation is deferred until the final *Review Standard* is issued by IASB and after an evaluation on the requirements and guidance in the standard vis-à-vis the practices and regulations in the Philippine real estate industry is completed. This Philippine Interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Philippine Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

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

4. **Summary of Accounting and Financial Reporting Policies**

The principal accounting policies applied in the preparation of the 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 December 31, 2013 and 2012, 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.

Segment Reporting
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 6. 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.

5. 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 2013, 2012 and 2011 are shown in Notes 20 and 21.

- *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.

  The Group's allowance for decline and impairment in value of available-for-sale investments as of December 31, 2010 amounted to ₱1.5 million which were realized in the consolidated statements of comprehensive income in 2011 (see Note 22).

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

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

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

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

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

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

The Group's allowance for impairment losses amounted to ₱1.8 million and ₱1.1 million as of December 31, 2013 and 2012, respectively. The carrying value of the Group's receivables amounted to ₱115.4 million and ₱95.9 million as of December 31, 2013 and 2012, respectively (see Note 8).

- *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.

  The Group's inventories as of December 31, 2013 and 2012 amounted to ₱24.3 million and ₱19.4 million, respectively (see Note 9).

- *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.

  No allowance for inventory obsolescence recognized in the consolidated financial statements as of December 31, 2013 and 2012.

- *Estimation of Fair Value of Investment Property*
  The Group's investment property composed of parcels of land and buildings and improvements are carried at revalued amount at the end of the reporting period. In determining the fair value of these assets, the Group engages the services of professional and independent appraisers. The fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date. Such amount is influenced by different factors including the location and specific characteristics of the property (e.g., size, features, and capacity), quantity of comparable properties available in the market, and economic condition and behavior of the buying parties. A significant change in these elements may affect prices and the value of the assets. The amounts of revaluation and fair value gains recognized on investment property are disclosed in Note 13.

  The carrying value of the Group's investment property amounted to ₱681.0 million and ₱644.9 million as of December 31, 2013 and 2012, respectively (see Note 13).

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

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

The Group's property, plant and equipment as of December 31, 2013 and 2012 amounted to ₱778.2 million and ₱683.4 million, respectively (see note 14).

- *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.

  Retirement expense amounted to ₱3.7 million in 2013, ₱2.3 million in 2012 and ₱4.0 million in 2011. The Group's retirement benefit obligation amounted to ₱24.4 million and ₱23.2 million as of December 31, 2013 and 2012, respectively (see Note 19).

- *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.

  The carrying amounts of investment property, property, plant and equipment and other noncurrent assets are disclosed in Notes 13, 14 and 15.

- *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.

  The Group's deferred tax assets amounted to ₱9.4 million and ₱8.7 million as of December 31, 2013 and 2012, respectively (see Note 23). The Group's deferred tax liabilities amounted to ₱26.7 million and ₱25.5 million as of December 31, 2013 and 2012, respectively (see Note 23).

- *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 (see Note 27).

- *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.

  No provisions were recognized in 2013 and 2012.

6. 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 City of Calapan.
- 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 business are still in their preoperating stages.

Segment accounting policies are the same as the policies described in Note 2.

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, 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, 2013, 2012 and 2011 and certain assets and liability information regarding industry segments as of December 31, 2013, 2012 and 2011:

	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 14)	₱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

	2012							
	Rental	Water	Power	Trading	Management services	Unallocated	Elimination	Consolidated
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 14)	₱17,038,704	₱70,124,124	₱23,748,324	₱–	₱731,871	₱–		₱111,643,023

	2011							
	Rental	Water	Power	Trading	Management services	Unallocated	Elimination	Consolidated
Segment revenues	₱72,598,295	₱122,661,563	₱59,373,921	₱24,811,853	₱38,743,272	₱32,761,009	(₱28,368,350)	₱322,581,563
Segment cost and expenses	31,404,176	67,697,473	57,676,853	27,101,159	24,520,857	11,315,246	(28,368,350)	191,347,414
Earnings before depreciation and income tax	41,194,119	54,964,090	1,697,068	(2,289,306)	14,222,415	21,445,763	–	131,234,149
Depreciation and amortization	20,227,161	14,380,682	3,452,868	–	516,248	–	–	38,576,959
Income tax expense (benefit)	5,426,671	14,892,173	–	(1,125,997)	459,239	–	–	19,652,086
Net income (loss)	₱15,540,287	₱25,691,235	(₱1,755,800)	(₱1,163,309)	₱13,246,928	₱21,445,763	₱–	₱73,005,104
Segment assets	₱464,506,154	₱411,946,409	₱439,132,220	₱5,129,069	₱54,812,023	₱358,938,729	(₱15,838,904)	₱1,718,625,700
Segment liabilities	₱123,093,504	₱161,370,058	₱309,560,184	₱4,812,105	₱11,702,864	₱226,943,044	(₱15,838,904)	₱821,642,855
Additions to property, plant and equipment (Note 14)	₱19,016,846	₱12,879,391	₱292,800,720	₱–	₱566,305	₱–		₱325,263,262

7. Cash and Cash Equivalents

This account consists of:

	Note	**2013**	2012
Short-term time deposits	27	**₱103,061,247**	₱139,620,145
Cash in banks	27	**124,412,248**	56,713,842
Cash on hand		**318,522**	324,037
		₱227,792,017	₱196,658,024

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 4.0% to 5.0% gross. Interest income earned amounted to ₱3.0 million in 2013, ₱4.8 million in 2012 and ₱2.7 million in 2011 (see Note 22).

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, 2013 and US$886 with peso equivalent of ₱36,487 as of December 31, 2012. This balance was restated using the closing rate as of December 31, 2013 and 2012 of ₱44.414/US$1 and ₱41.192 /US$1, respectively. The Group's net foreign exchange gain (loss) amounted to ₱452,312 loss in 2013, ₱379 gain in 2012 and ₱27,726 loss in 2011 are reported under "Other income (charges)" account in the consolidated statements of comprehensive income (see Note 22).

8. Receivables

This account consists of:

	Note	**2013**	2012
Trade		**₱84,675,375**	₱81,181,605
Advances to contractor		**15,000,000**	–
Advances to officers and employees		**9,814,076**	7,737,080
Advances to supplier		**3,975,650**	791,621
Interest receivable		**1,190**	–
Others		**3,722,588**	7,268,883
		117,188,879	96,979,189
Less allowance for impairment losses		**1,783,996**	1,085,891
	27	**₱115,404,883**	₱95,893,298

The noncurrent portion of the receivables pertains to the insurance claims on indemnification of fire loss incurred in November 2001. Lawsuits filed against the insurance company are currently on-going as of December 31, 2010. In 2011, the noncurrent portion of receivables amounting to ₱8.8 million was written-off as the Group did not expect the settlement to be possible (see Note 22).

OPI's trade receivables as of December 31, 2013 and 2012 amounting to ₱25.3 million and ₱8.0 million, respectively, were assigned in favor of a creditor bank (see Note 16).

The rollforward analysis of allowance for impairment losses follows:

	Note	**2013**	2012
Balance at beginning of year		**₱1,085,891**	₱775,473
Provision for impairment losses	21	**936,290**	310,418
Accounts written-off		**(238,185)**	–
Balance at end of year		**₱1,783,996**	₱1,085,891

9. Inventories

This account consists of:

	2013	2012
Bunker C and low sulfur fuel oil, lube and diesel oil	**₱19,810,750**	₱16,698,563
Spare parts	**4,499,018**	2,727,866
	₱24,309,768	₱19,426,429

The Group does not maintain merchandise inventory for its trading sales as of December 31, 2013 and 2012.

10. Other Current Assets

This account consists of:

	2013	2012
Input VAT	**₱33,481,158**	₱26,892,623
Creditable withholding VAT	**18,495,985**	8,527,252
Creditable withholding taxes	**12,348,607**	7,385,721
Deposits	**2,156,930**	1,845,999
Prepaid insurance	**856,098**	563,724
Others	**1,022,877**	186,366
	₱68,361,655	₱45,401,685

11. Available-for-Sale Investments

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

	Note	**2013**	2012
Cost:			
Balance at beginning and end of year		**₱2,000,000**	₱2,000,000
Valuation adjustment:			
Balance at beginning of year		**736,221**	507,477
Increase value		**150,853**	228,744
Balance at end of year		**887,074**	736,221
Net carrying value	27	**₱2,887,074**	₱2,736,221

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 intended to hold the fund on a long term basis.

Impairment of available-for-sale investment amounting to ₱1.5 million was fully realized in 2011 (see Note 22).

12. Investment in an Associate

This account consists of:

	2013	2012
Cost:		
Balance at beginning and end of year	**₱18,369,837**	₱18,369,837
Accumulated equity share in net earnings of an associate:		
Balance at beginning of year	**₱1,626,331**	1,494,811
Share in net earnings during the year	**293,970**	131,520
Balance at end of year	**1,920,301**	1,626,331
Net carrying value	**₱20,290,138**	₱19,996,168

In 2011, advances made to an associate were converted into equity which increased the Group's ownership to 37.6%.

The undistributed earnings of the associate included in the Group's unappropriated retained earnings amounted to ₱1,920,301 and ₱1,626,331 as of December 31, 2013 and 2012, respectively. These amounts are not currently available for distribution as dividends until these are actually received.

Summarized financial information of the associate follows:

	2013	2012
Total assets	**₱69,551,884**	₱68,718,576
Total liabilities	**20,876,892**	20,825,420
Equity	**48,674,992**	47,893,156
Net income during the year	**781,836**	349,786

13. **Investment Property**

The rollforward analysis of this account follows:

			2013	
	Note	Land	Buildings and condominium units	Total
Cost:				
Balance at beginning and end of year		₱164,900,992	₱149,677,368	₱314,578,360
Valuation adjustment				
Balance at beginning of year		275,053,338	55,244,884	330,298,222
Increase	22	36,087,300	–	36,087,300
Balance at end of year		311,140,638	55,244,884	366,385,522
Net carrying value		₱476,041,630	₱204,922,252	₱680,963,882

			2012	
	Note	Land	Buildings and condominium units	Total
Cost:				
Balance at beginning and end of year		₱164,900,992	₱149,677,368	₱314,578,360
Valuation adjustment				
Balance at beginning of year		265,761,338	55,244,884	321,006,222
Increase	22	9,292,000	–	9,292,000
Balance at end of year		275,053,338	55,244,884	330,298,222
Net carrying value		₱439,954,330	₱204,922,252	₱644,876,582

The fair values of investment property were determined by an independent appraiser. The valuation of investment property was based on market values. The fair value represents the amount at which the assets can be exchanged between a knowledgeable, willing seller and a knowledgeable, willing buyer in an arm's-length transaction at the date of valuation, in accordance with International Valuation Standards.

Appraisal increase recognized in the consolidated statements of comprehensive income amounted to ₱36.1 million in 2013, ₱9.3 million in 2012 and ₱27.8 million in 2011 (see Note 22).

The Group leases out some of its investment property generally for a period of one (1) year, renewable annually. Rental income earned by the Group from its investment property under operating leases amounted to ₱20.5 million in 2013, ₱20.0 million in 2012 and ₱18.1 million in 2011.

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

	2013	2012	2011
Insurance	**₱198,942**	₱198,961	₱59,232
Repairs and maintenance	**176,781**	312,735	102,576
Real property tax	**7,236**	8,178	7,588
	₱382,959	₱519,874	₱169,396

14. **Property, Plant and Equipment**

The rollforward analysis of this account follows:

	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	₱1,347,598	₱19,674,107	₱110,267,157	₱258,433,055	₱272,170,649	₱325,366,843	₱25,631,292	₱27,262,467	₱6,796,045	₱1,046,949,213
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
Reclassification	–	–	–	–	–	–	–	–	(280,000)	(280,000)
Disposal	–	–	–	–	–	–	(14,000)	–		(14,000)
At December 31	41,347,598	21,197,002	119,137,675	268,060,303	275,485,705	398,566,161	30,875,325	30,883,312	6,516,045	1,192,069,126
Accumulated depreciation and amortization:										
At January 1	340,820	765,104	37,157,512	246,068,623	46,191,967	14,084,490	17,797,710	17,133,737		379,539,963
Depreciation and amortization	6,082	1,715,341	15,039,871	9,137,801	10,924,502	12,670,294	2,365,372	2,740,863		54,600,126
At December 31	346,902	2,480,445	52,197,383	255,206,424	57,116,469	26,754,784	20,163,082	19,874,600		434,140,089
Revaluation increment in land										
At January 1 and at December 31	16,034,070									16,034,070
Additions	3,021,961		1,251,570							4,273,531
Total	19,056,031		1,251,570							20,307,601
Net carrying value	₱60,056,727	₱18,716,557	₱68,191,862	₱12,853,879	₱218,369,236	₱371,811,377	₱10,712,243	₱11,008,712	₱6,516,045	₱778,236,638

	2012									
	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	₱1,347,598	₱19,674,107	₱52,902,727	₱250,218,983	₱262,558,676	₱301,876,688	₱20,568,758	₱19,362,608	₱ 23,791,244	₱952,301,389
Additions	–	–	57,364,430	8,214,072	9,611,973	23,490,155	5,062,534	7,899,859	–	111,643,023
Disposal	–	–	–	–	–	–	–	–	(16,995,199)	(16,995,199)
At December 31	1,347,598	19,674,107	110,267,157	258,433,055	272,170,649	325,366,843	25,631,292	27,262,467	6,796,045	1,046,949,213
Accumulated depreciation and amortization:										
At January 1	330,177	218,601	25,429,241	241,107,241	33,688,157	3,074,946	16,098,047	15,792,679		335,739,089
Depreciation and amortization	10,643	546,503	11,728,271	4,961,382	12,503,810	11,009,544	1,699,663	1,341,058		43,800,874
At December 31	340,820	765,104	37,157,512	246,068,623	46,191,967	14,084,490	17,797,710	17,133,737		379,539,963
Revaluation increment in land										
At January 1 and at December 31	16,034,070									16,034,070
Net carrying value	₱17,040,848	₱18,909,003	₱73,109,645	₱12,364,432	₱225,978,682	₱311,282,353	₱7,833,582	₱10,128,730	₱6,796,045	₱683,443,320

Certain property, plant and equipment under “Land and improvements”, “Water utilities and distribution system” and “Power plant” accounts with a total carrying value of ₱508.2 million and ₱523.4 million as of December 31, 2013 and 2012, respectively, were mortgaged in favor of a creditor bank in connection with the Group’s loan availment (see Note 16).

In 2012, “Equipment for installation” owned by CVI’s former subsidiary was derecognized at its carrying amount in the consolidated financial statements of the Group (see Note 2).

JGMI’s transportation equipment with a net carrying value of ₱0.3 million and ₱0.5 million as of December 31, 2013 and 2012, respectively was mortgaged as security for payment of loan obtained. Upon full payment of last monthly installment, the collateral documents will be released (see Note 16).

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

	Note	**2013**	2012	2011
Costs of sales and services	20	**₱36,524,811**	₱36,552,737	₱32,185,716
Operating expenses	21	**18,075,315**	7,248,137	6,391,243
		₱54,600,126	₱43,800,874	₱38,576,959

Furniture, furnishings and equipment for lease are generally for a period of one (1) year, renewable annually. Rental income generated on lease of furniture, furnishings and equipment amounted to ₱46.2 million in 2013, ₱44.2 million in 2012 and ₱47.3 million in 2011.

The Group's management had reviewed the carrying values of the property, plant and equipment as of December 31, 2013 and 2012 for any impairment. Based on the evaluation, there are no indications that the property and equipment might be impaired.

15. **Other Noncurrent Assets**

This account consists of:

	Note	**2013**	2012
Special bank deposit	24	**₱9,303,354**	₱9,000,000
Reserve fund	16	**7,338,606**	7,281,028
Development cost		**12,679,230**	2,869,633
Utilities and other deposits		**5,664,748**	6,369,301
		₱34,985,938	₱25,519,962

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 24).

Reserve fund pertains to hold-out requirement of the local bank creditors of OPI and CWC as security for their respective loans (see Note 16).

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

16. **Loans Payable**

The maturity profile of the loans payable follows:

	Note	**2013**	2012
Due within 1 year		**₱269,374,572**	₱125,690,059
Due beyond 1 year, not later than 5 years		**156,931,895**	171,871,209
Due beyond 5 years		**91,855,677**	152,837,856
	27	**₱518,162,144**	₱450,399,124

Details of loans availed from local banks as follow:

a. On April 8, 2011, OPI entered into a loan agreement with a local bank for the establishment of a power plant for ₱275.9 million payable in ten (10) years with six months grace period. Interest is fixed at 9% per annum but subject to re-pricing. As of December 31, 2013, interest rate decreased to 6% per annum. As of December 31, 2013, the total amount of loan has been released. Outstanding balance of the loan amounted to ₱213,130,965 and ₱242,194,278 as of December 31, 2013 and 2012, respectively.

   Interest recognized as expense in 2013 and 2012 amounted to ₱15.7 million and ₱23.6 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 ₱25.3 million and ₱4.5 million, respectively as of December 31, 2013 and ₱8.0 million and ₱4.4 million, respectively as of December 31, 2012 (see Notes 8 and 15).

   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, 2013 and 2012 amounted to ₱260.3 million and ₱269.7 million and is included under "Power plant" account under Property, Plant and Equipment (see Note 14).

   As of December 31, 2013 and 2012, OPI is in compliance with the said covenants.

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

   Interest expense incurred for these loans in 2013 and 2012 amounted to ₱2.8 million and ₱1.0 million, respectively (see Note 22).

   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. As of December 31, 2013, no draw has been made by OPI for this loan.

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

   Interest recognized as expense amounted to ₱5.1 million in 2013 and ₱6.1 million in 2012 and interest capitalized in 2011 amounted to ₱7.2 million (see Notes 14 and 22).

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, 2013 and 2012 (see Note 15).

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, 2013 and 2012 amounted to ₱247.9 million and ₱253.7 million, respectively (see Note 14). The titles of the mortgaged property have already been delivered to the bank.

As of December 31, 2013 and 2012, CWC is in compliance with the said covenants.

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

Interest expense related to this loan amounted to ₱40,000 in 2013.

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

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

   Interest expense related to the above loans amounted to ₱0.7 million in 2013.

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

   Interest expense paid in 2012 and 2011 amounted to ₱1.7 million and ₱0.7 million, respectively (see Note 22).

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.

   Interest charged to operations amounted to ₱3.0 million in 2013, ₱3.3 million in 2012 and ₱3.5 million in 2011 (see Note 22).

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

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

   In relation to this loan agreement, the above property with a net carrying value of ₱0.3 million and ₱0.5 million as of December 31, 2013 and 2012, respectively reported under "Transportation equipment" account was mortgaged as security for the payment of the loan. Upon full payment of last monthly installment, the collateral documents will be released.

17. Accounts Payable and Accrued Expenses

This account consists of:

	Note	**2013**	2012
Trade		**₱110,148,046**	₱116,868,793
Accrued expenses		**17,818,601**	14,805,275
Government payables		**14,487,285**	4,959,268
Payable to contractors	24	**4,955,178**	4,955,178
Retention payable	24	**1,674,851**	1,378,125
Others		**1,385,082**	2,255,797
	27	**₱150,469,043**	₱145,222,436

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.

18. 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.

c. Details of related party balances follow:

	Note	2013	2012
Due from:			
Stockholders		**₱–**	₱8,127,170
Affiliates		**47,010,801**	49,000,303
	27	**₱47,010,801**	₱57,127,473
Due to:			
Stockholders		**₱70,170,187**	₱64,447,642
Affiliates		**3,521,365**	6,068,420
	27	**₱73,691,552**	₱70,516,062

d. The rollforward analysis of related party accounts follow:

	2013	2012
Due from related parties		
Balance at beginning of year	**₱57,127,473**	₱23,667,808
Advances made during the year	**4,298,249**	33,495,713
Collection during the year	**(14,414,921)**	(36,048)
Balance at end of year	**₱47,010,801**	₱57,127,473
Due to related parties		
Balance at beginning of year	**₱70,516,062**	₱84,615,130
Advances received during the year	**14,754,692**	6,963,299
Payments made during the year	**(11,579,202)**	(21,062,367)
Balance at end of year	**₱73,691,552**	₱70,516,062

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

	2013			
Category	Amount/Volume	Outstanding balance	Terms and condition	Guaranty/Settlement/ Provision
Affiliates				
1. Due from Affiliates	Advances: ₱4,298,249 Collections: 6,287,751	₱47,010,801	No definite repayment dates and collectible in cash on demand; no significant warranties and covenants	Unsecured; no impairment
2. Due to Affiliates	Receipts: 3,228,891 Payments: 5,775,946	3,521,365	No definite repayment dates and payable in cash on demand; no significant warranties and covenants	No guarantees
Stockholders				
3. Due from stockholders	Collections: 8,127,170	–	No definite repayment dates and payable in cash on demand; no significant warranties and covenants	Unsecured; no impairment
4. Due to stockholders	Receipts: ₱11,525,801 Payments: 5,803,256	₱70,170,187	No definite repayment dates and payable in cash on demand; no significant warranties and covenants	No guarantees

	2012			
Category	Amount/Volume	Outstanding balance	Terms and condition	Guaranty/Settlement/ Provision
Affiliates				
1. Due from Affiliates	Advances: ₱25,368,543 Collections: 36,048	₱49,000,303	No definite repayment dates and collectible in cash on demand; no significant warranties and covenants	Unsecured; no impairment
2. Due to Affiliates	Receipt: 126,122	6,068,420	No definite repayment dates and payable in cash on demand; no significant warranties and covenants	No guarantees
Stockholders				
3. Due from stockholder	Advances: 8,127,170	8,127,170	No definite repayment dates and payable in cash on demand; no significant warranties and covenants	Unsecured; no impairment
4. Due to stockholder	Receipts: 6,837,177 Payments: 21,062,367	64,447,642	No definite repayment dates and payable in cash on demand; no significant warranties and covenants	No guarantees

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

Nature	Total
Rental	₱8,541,969
Management fee	20,567,661
	₱29,109,630

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 ₱109.1 million.

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

	2013	2012	2011
Salaries	**₱12,556,107**	₱11,958,197	₱11,668,437
Bonuses	**1,036,402**	987,050	952,727
	₱13,592,509	₱12,945,247	₱12,621,164

19. **Retirement Benefit Costs**

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, 2013, the plan has not been funded.

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

	2013	2012	2011
Discount rate	**6.6%**	6.6%	10.0%
Expected rate of salary increase	**5.0%**	5.0%	5.0%

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

	2013	2012	2011
Current service cost	**₱1,650,267**	₱958,523	₱2,628,623
Interest cost	**1,492,136**	1,311,667	1,370,532
Transitional liability recognized	**600,735**	–	–
	₱3,743,138	₱2,270,190	₱3,999,155

The rollforward of retirement benefit obligation follows:

	Note	**2013**	2012
Balance at beginning of year		**₱23,207,973**	₱20,937,783
Retirement expense		**3,743,138**	2,270,190
Actuarial gain	22	**(2,579,505)**	–
Balance at end of year		**₱24,371,606**	₱23,207,973

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

20. **Cost of Sales and Services**

This account consists of:

	Notes	**2013**	2012	2011
Cost of services				
Fuel cost		**₱338,147,807**	₱330,530,786	₱48,124,784
Depreciation and amortization	14	**36,524,811**	36,552,737	32,185,716
Salaries and employee benefits	18, 19	**32,497,470**	31,301,404	27,849,659

(Forward)

(Carryforward)

	Notes	**2013**	2012	2011
Repairs and maintenance		**₱26,537,257**	₱22,773,600	₱7,871,387
Rental	24	**21,832,395**	8,870,383	3,680,000
Utilities		**17,084,066**	13,855,048	14,090,142
Transportation and travel		**1,777,342**	2,185,175	1,276,495
Supervision and regulatory fees	24	**1,617,997**	1,335,243	553,082
Insurance		**1,276,523**	1,239,103	647,105
Materials		**691,348**	947,081	632,089
Communication		**596,283**	339,386	375,844
Office supplies		**489,059**	510,283	601,001
Security services		**326,116**	315,225	–
Professional fees		**185,837**	–	–
Others		**2,876,945**	380,531	154,167
		482,461,256	451,135,985	138,041,471
Cost of sales		**14,003,160**	17,547,270	22,580,589
		₱496,464,416	₱468,683,255	₱160,622,060

Others include parking fees, toll, and training.

21. Operating Expenses

This account consists of:

	Notes	**2013**	2012	2011
Salaries and employee benefits	18, 19	**₱24,541,825**	₱20,679,318	₱16,641,460
Depreciation and amortization	14	**18,075,315**	7,248,137	6,391,243
Professional services		**12,917,115**	6,223,375	5,785,466
Taxes and licenses		**10,954,743**	9,626,899	8,393,512
Training and allowance		**5,827,495**	7,065,579	–
Representation		**3,090,083**	1,981,253	1,766,258
Outside services		**2,565,086**	–	–
Office supplies		**2,260,384**	1,070,388	1,437,621
Communication		**2,211,955**	1,686,620	1,236,105
Association dues		**1,948,867**	2,115,305	1,420,429
Repairs and maintenance		**1,923,518**	2,603,744	1,381,621
Utilities		**1,813,550**	1,945,018	2,220,778
Transportation and travel		**1,680,337**	1,352,456	2,202,309
Security services		**1,676,877**	1,664,852	1,672,287
Rental	24	**1,040,148**	1,801,999	1,002,989
Provision for impairment losses	8	**936,290**	310,418	–
Donation		**492,318**	1,250,510	377,270
Insurance		**233,974**	162,141	172,415
Guarantee fee		**171,923**	230,521	142,217
IPO expenses		–	–	500,000
Others		**3,050,375**	2,989,858	3,366,532
		₱97,412,178	₱72,008,391	₱56,110,512

Others include advertisement, allowances, parking and toll fees.

22. **Other Income (Charges)**

This account consists of:

	Notes	**2013**	2012	2011
Increase in fair value of investment property through profit or loss	13	**₱36,087,300**	₱9,292,000	₱27,760,857
Interest expense	16	**(27,120,417)**	(35,692,461)	(2,118,007)
Interest income	7	**2,989,472**	4,808,947	2,707,310
Bank charges		**(1,056,800)**	(664,719)	(779,492)
Net foreign exchange gain (loss)	7	**(452,312)**	379	(27,726)
Financial host expense	24	**(432,977)**	(398,588)	(51,090)
Accounts written-off	8	**–**	–	(8,777,697)
Loss on investment in shares of stocks – net	2, 11	**–**	–	(1,437,789)
Others		**305,158**	127,603	492,259
		₱10,319,424	(₱22,526,839)	₱17,768,625

23. **Income Taxes**

a. The Group's deferred tax assets consist of the following:

	2013	2012
Tax effect of:		
Accrued retirement expense	**₱7,311,482**	₱6,962,392
NOLCO	**1,280,481**	1,191,251
Allowance for impairment losses of receivables	**706,466**	497,035
Carryforward benefit of MCIT	**58,623**	30,616
	₱9,357,052	₱8,681,294

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

	2013	2012
Tax effect of:		
Capitalized borrowing costs	**₱6,804,000**	₱20,720,931
Fair value adjustments and appraisal increase in investment property and property and equipment	**19,910,516**	4,810,221
	₱26,714,516	₱25,531,152

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 amounting to ₱1.6 million since management believes this could not be realized prior to its expiration.

NOLCO amounting to ₱8.5 million as of December 31, 2013, 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, 2013	₱1,395,022	₱–	₱1,395,022	December 31, 2016
December 31, 2012	1,563,132	–	1,563,132	December 31, 2015
December 31, 2011	5,563,819	–	5,563,819	December 31, 2014
December 31, 2010	291,189	291,189	–	December 31, 2013
	₱8,813,162	₱291,189	₱8,521,973	

The carryforward benefit of MCIT that can be claimed as deduction from regular corporate income tax due amounting to ₱58,623 incurred in 2013 will expire in 2016. MCIT incurred in 2011 amounting to ₱385,596 was applied in 2012.

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

	2013	2012	2011
Statutory income tax rate	**30.00%**	30.00%	30.00%
Additions to (reductions in) income tax resulting from:			
Income tax holiday incentives	**(6.55)**	(8.38)	–
Effect of change in fair value of investment property	**(8.22)**	(2.62)	(9.15)
Interest income taxed at lower rate	**(0.63)**	(1.34)	(0.85)
Applied NOLCO	**0.02**	0.31	–
Other unallowable expenses	**0.41**	0.19	0.29
Change in deferred tax assets not recognized	–	–	0.64
Others – net	–	–	–
Effective income tax rate	**15.03%**	18.16%	20.93%

c. RA No. 9504 that was enacted in 2008 amended various provisions in the existing 1997 National Internal Revenue Code. Among the reforms introduced by the said RA was the option granted to corporations to avail the optional standard deduction at 40% of gross income in lieu of the itemized deduction scheme.

The Parent Company and its subsidiaries opted for the itemized deduction scheme for its income tax reporting in 2013, 2012 and 2011.

24. 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 15 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. 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.

The Group 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 15). Special bank deposit amounts to ₱9.3 million and ₱9.0 million as of December 31, 2013 and 2012, respectively.

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:

	2013	2012	2011
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	**24,288,000**	33,120,000	41,952,000
	₱68,448,000	₱77,280,000	₱86,112,000

Lease and supervision fees accrued amounted to ₱14.0 million and ₱1.6 million in 2013, respectively, ₱8.9 million and ₱1.3 million in 2012, respectively, and ₱3.7 million and ₱0.6 million in 2011, respectively (see Note 20).

The Group's water revenue from operating the water utilities in Tabuk amounted to ₱24.7 million in 2013, ₱20.5 million in 2012 and ₱19.6 million in 2011.

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, OPI entered into a PSA with ORMECO wherein OPI agreed to supply the power needs of ORMECO and to construct, operate and maintain the needed power generation plant on a Build-Own-Operate (BOO) basis.

The period of the agreement shall take effect upon the declaration of the Power Plant's commercial operation and shall be effective for a period of fifteen (15) years, subject to renewal and for another fifteen (15) years by mutual agreement of the parties.

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 is hereby 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 initial amount of the bond or any other guarantee shall not be less than the budgetary estimate for the first year based on the Work Program. This performance bond shall be secured from a DOE-accredited insurance or surety company.

f. 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 17). This has been paid during 2013.

g. 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 ₱432,977 in 2013, ₱398,588 in 2012 and ₱51,090 in 2011 is included in "Other income (charges)" account in the consolidated statements of comprehensive income (see Note 22).

h. 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, 2013, the Company already paid a total amount of ₱69.0 million with a retention payable of ₱1.7 million included in "Accounts payable and accrued expenses" account in the consolidated statements of financial position (see Note 17).

i. 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 management services amounted to in ₱25.7 million in 2013, ₱15.1 million in 2012 and ₱17.5 million in 2011.

j. 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 ₱65.6 million in 2013, ₱64.2 million in 2012 and ₱65.4 million in 2011.

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 ₱1.0 million in 2013, ₱1.8 million in 2012 and ₱1.0 million 2011 (see Note 21).

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, 2013 and 2012 follow:

	2013	2012
Within one year	**₱10,000**	₱10,000
Over 1 year but not more than 5 years	**40,000**	40,000
More than five years	**70,000**	80,000
	₱120,000	₱130,000

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

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

	2013	2012	2011
Net income	**₱93,019,028**	₱59,738,323	₱55,517,118
Divided by weighted average number of common shares	**281,500,000**	281,500,000	281,500,000
	₱0.3304	₱0.2122	₱0.1972

There were no potential dilutive shares in 2013, 2012 and 2011.

26. **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:

	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
Dividend payable	302,279	–	–	–	302,279
Due to related parties	73,691,552	–	–	–	73,691,552
Customers' deposits	19,095,674	–	–	–	19,095,674
	₱229,071,263	₱269,374,572	₱156,931,895	₱91,855,677	₱747,233,407

	2012				
	On demand	Within 1 year	Over 1 to 5 years	Over 5 years	Total
Loans payable	₱–	₱125,690,059	₱171,871,209	₱152,837,856	₱450,399,124
Accounts payable and accrued expenses*	140,263,168	–	–	–	140,263,168
Due to related parties	70,516,062	–	–	–	70,516,062
Customers' deposits	12,224,054	–	–	–	12,224,054
	₱223,003,284	₱125,690,059	₱171,871,209	₱152,837,856	₱673,402,408

**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 2013 and 2012, the Group was able to negotiate the interest rate at an average of 7.75% 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, 2013 and 2012:

	Reasonably possible changes in interest rates	Effect on income before tax	Effect on equity
2013	+7.75%	(₱40,157,566)	(₱28,110,296)
	-7.75%	40,157,566	28,110,296
2012	+7.25%	(₱32,653,936)	(₱22,857,755)
	-7.25%	32,653,936	22,857,755

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, 2013 and 2012, without considering the effects of credit risk mitigation techniques.

	2013	2012
Cash in banks and short-term time deposits	**₱227,473,495**	₱196,333,987
Receivables – gross of allowance	**117,188,879**	96,979,189
Available-for-sale investments	**2,887,074**	2,736,221
Due from related parties	**47,010,801**	57,127,473
Other noncurrent assets:		
Special bank deposit	**9,303,354**	9,000,000
Reserve fund	**7,338,606**	7,281,028
Utilities and other deposits	**5,664,748**	6,369,301
	₱416,866,957	₱375,827,199

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:

	2013					
	Neither past due nor impaired					
	High grade	Standard grade	Substandard grade	Past due but not impaired	Impaired	Total
Cash in banks and short-term time deposits	₱227,473,495	₱–	₱–	₱–	₱–	₱227,473,495
Receivables	77,863,915	9,041	–	37,531,927	1,783,996	117,188,879
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
Total	₱377,541,993	₱9,041	₱–	₱37,531,927	₱1,783,996	₱416,866,957

	2012					
	Neither past due nor impaired					
	High grade	Standard grade	Substandard grade	Past due but not impaired	Impaired	Total
Cash in banks and short-term time deposits	₱196,333,987	₱–	₱–	₱–	₱–	₱196,333,987
Receivables	51,162,045	3,376,350	3,147,371	38,207,532	1,085,891	96,979,189
Available-for-sale investments	2,736,221	–	–	–	–	2,736,221
Due from related parties	57,127,473	–	–	–	–	57,127,473

	2012					
	Neither past due nor impaired					
	High grade	Standard grade	Substandard grade	Past due but not impaired	Impaired	Total
Other noncurrent assets:						
Special bank deposit	₱9,000,000	₱–	₱–	₱–	₱–	₱9,000,000
Reserve fund	7,281,028	–	–	–	–	7,281,028
Utilities and other deposits	6,369,301	–	–	–	–	6,369,301
Total	₱330,010,055	₱3,376,350	₱3,147,371	₱38,207,532	₱1,085,891	₱375,827,199

High grade cash in banks and short-term time deposits areplaced, 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:

	2013	2012
Less than 30 days	**₱18,196,652**	₱1,465,491
30 to 60 days	**642,199**	4,078,486
61 to 90 days	**2,402,748**	8,448,608
More than 90 days	**16,290,328**	24,214,947
	₱37,531,927	₱38,207,532

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 2013 and 2012:

	USD Appreciate (Depreciate)	Effect on income before tax	Effect on equity
2013	+8%	₱62,918	₱44,043
	-8%	(62,918)	(44,043)

	USD Appreciate (Depreciate)	Effect on income before tax	Effect on equity
2012	+1%	₱365	₱255
	-1%	(365)	(255)

27. **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, 2013 and 2012:

	2013		2012	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Cash deposits	₱227,473,495	₱227,473,495	₱196,333,987	₱196,333,987
Receivables	115,404,883	115,404,883	95,893,298	95,893,298
Available-for-sale investments	2,887,074	2,887,074	2,736,221	2,736,221
Due from related parties	47,010,801	47,010,801	57,127,473	57,127,473
Other noncurrent assets:				
Special bank deposit	9,303,354	9,303,354	9,000,000	9,000,000
Reserve fund	7,338,606	7,338,606	7,281,028	7,281,028
Utilities and other deposits	5,664,748	5,664,748	6,369,301	6,369,301
	₱415,082,961	₱415,082,961	₱374,741,308	₱374,741,308
Financial liabilities:				
Loans payable	₱518,162,144	₱518,162,144	₱450,399,124	₱450,399,124
Accounts payable and accrued expenses*	135,981,758	135,981,758	140,263,168	140,263,168
Due to related parties	73,691,552	73,691,552	70,516,062	70,516,062
Dividend payable	302,279	302,279	302,279	302,279
Customers' deposits	19,095,674	19,095,674	12,224,054	12,224,054
	₱747,233,407	₱747,233,407	₱673,704,687	₱673,704,687

**exclusive of government payables*

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 determined since the time of their refunds or applications could not be reasonably estimated.

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.

Fair Value Hierarchy
The Group uses the following hierarchy for determining fair value of financial instruments:

Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities that the Company can access at the measurement date
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 – Unobservable inputs for the asset or liability

As of December 31, 2013 and 2012, the Group has available-for-sale investments valued under Level 1 amounting to ₱2.9 million and ₱2.7 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 2013, 2012 and 2011. Price of the investment is posted on a daily basis in the insurance company's website.

There has been no reclassification from Level 1 to Level 2 or 3 categories.

28. **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:

	2013	2012
Capital stock	**₱281,500,000**	₱281,500,000
Additional paid-in capital	**812,108**	812,108
Retained earnings	**355,521,854**	262,502,826
Loans payable	**518,162,144**	450,399,124
	₱1,155,996,106	₱995,214,058

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, 2013 and 2012 follow:

	2013	2012
Total debt (excluding retirement benefit obligation and deferred tax liabilities)	**₱867,499,317**	₱782,376,352
Total equity	**1,091,014,407**	968,644,979
Debt-to-equity ratio	**0.80:1.00**	0.81:1.00

29. Supplemental Disclosure on Non-Cash Financing Activity

Non-cash financing activity pertains to the following:

- Additions to property and equipment in 2013 and 2012 which are still unpaid amounting to ₱39,700,000 and ₱57,364,430, respectively(see Note 14); and

- In 2011, advances made to an associate converted to equity amounting to ₱11,619,837 (see Note 12).

30. Contingencies

The Group is a party to certain 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.

31. Other Matters

Acquisition of Bia Ventures, Inc.

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

Inabasan River Mini-Hydro Power Plant Project

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

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

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

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SUPPLEMENTAL STATEMENT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
Jolliville Holdings Corporation
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 and for the year ended December 31, 2013 and have issued our report thereon dated April 8, 2013. 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.) 003-FR-2, valid until September 21, 2014 (Group A)
BIR A.N. 08-001507-0-2012, valid until January 4, 2015

By :

Edwin F. Ramos
Partner
CPA License No. 0091293
SEC A.N. 0432-AR-2, valid until February 13, 2016 (Group A)
TIN 134-885-074-000
BIR A. N. 08-001507-8-2012, valid until January 4, 2015
PTR No. 4245662, issued on January 22, 2014, Makati City

Makati City, Philippines
April 8, 2014

JOLLIVILLE HOLDINGS CORPORATION
SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2013

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	₱	30,645,212
Net income during the period closed to Retained Earnings		45,102,540
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)		–
Net income actually earned during the period		45,102,540
Add (Less):		
Dividend declarations during the period		–
Appropriations of Retained Earnings during the period		–
Reversals of appropriations		–
Effects of prior period adjustments		–
Treasury shares		–
		–
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND	₱	75,747,752

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SUPPLEMENTAL STATEMENT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
Jolliville Holdings Corporation
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, 2013 and 2012 and have issued our report thereon dated April 8, 2014. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Summary of PAS, PFRS and Interpretations 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.) 003-FR-2, valid until September 21, 2014 (Group A)
BIR A.N. 08-001507-0-2012, valid until January 4, 2015

By :

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CPA License No. 0091293
SEC A.N. 0432-AR-2, valid until February 13, 2016 (Group A)
TIN 134-885-074-000
BIR A. N. 08-001507-8-2012, valid until January 4, 2015
PTR No. 4245662, issued on January 22, 2014, Makati City

Makati City, Philippines
April 8, 2014

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

SUMMARY OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

DECEMBER 31, 2013

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): - Borrowing Cost			✓
	Annual Improvements (2011-2013 Cycle): 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*		✓	

*****These are effective subsequent to December 31, 2013
******Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 3 (Revised)	Business Combinations	✓		
	Annual Improvements (2010-2012 Cycle): Accounting for Contingent Consideration inn a Business Combination*		✓	
	Annual Improvements (2011-2013 Cycle): Scope 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*		✓	

*****These are effective subsequent to December 31, 2013
******Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements (2010-2012 Cycle): Short-term Receivables and Payables*		✓	
	Annual Improvements (2011-2013 Cycle): Portfolio Exception*		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓**
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements (2009-2011 Cycle): Clarification of the Requirements for Comparative Information	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvement (2009-2011 Cycle): Classification of Servicing Equipment			✓**
	Annual Improvements (2010-2012 Cycle): Revaluation Method – Proportionate Restatement of Accumulated Depreciation*		✓	
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		

*****These are effective subsequent to December 31, 2013
******Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19 – Defined Benefit Plans: Employee Contributions*		✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓**
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓**
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvement (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			✓**
	Annual Improvements (2009-2011 Cycle): Presentation – Tax effect of Distribution to Holders of Equity Instruments			✓**
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities*		✓	
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	✓		

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 36	Impairment of Assets	✓		
	Amendments arising from Recoverabe 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 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: Recognition and Measurement – 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	✓		

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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			✓**

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

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******Adopted but no significant impact.

CG&Co

an independent member of
BAKER TILLY
INTERNATIONAL

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INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and Board of Directors
Jolliville Holdings Corporation
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, 2013 and 2012, and for each of the three years in the period ended December 31, 2013, included in this Form 17-A and have issued our report thereon dated April 8, 2014. 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.) 003-FR-2, valid until September 21, 2014 (Group A)
BIR A.N. 08-001507-0-2012, valid until January 4, 2015

By :

ERamos

Edwin F. Ramos
Partner
CPA License No. 0091293
SEC A.N. 0432-AR-2, valid until February 13, 2016 (Group A)
TIN 134-885-074-000
BIR A. N. 08-001507-8-2012, valid until January 4, 2015
PTR No. 4245662, issued on January 22, 2014, Makati City

Makati City, Philippines
April 8, 2014

Jolliville Holdings Corporation
Subsidiaries/Affiliates
As of December 31, 2013