SEDPI Development Finance, Inc.

Audited Financial Statements
December 31, 2014

ADDRESS Unit 303 Dela Rosa St., Loyola Heights, Quezon City 1108 Philippines
TELEFAX +63 (2) 433 7895 | E-MAIL info@sedpi.com

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 0 8 0 3 7 2 5

Company Name

SEDPI DEVELOPMENT FINANCE, INC.

Principal Office (No./Street/Barangay/City/Town/Province)

Unit 303 Loyola Heights Condominium, 23 Dela Rosa Street, Loyola Heights, Quezon City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CFD	1075

FOUNDATION INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
sedpi_sdfi@googlegroups.com	433-8795	0918-9367003

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
7	November 08	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mariel Vincent A. Rapisura	vincent.rapisura@sedpi.com	433-8795	0918-9367003

Contact Person's Address

Unit 303 Loyola Heights Condominium, 23 Dela Rosa Street, Loyola Heights, Quezon City

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SGVFS013472

SEDPI Development Finance, Inc.

Financial Statements
December 31, 2014 and 2013

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Board of Directors
SEDPI Development Finance, Inc.
Unit 303, Loyola Heights Condominium
23 Dela Rosa Street, Loyola Heights
Quezon City

Report on the Financial Statements

We have audited the accompanying financial statements of SEDPI Development Finance, Inc. which comprise the statements of financial position as at December 31, 2014 and 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SEDPI Development Finance, Inc. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 23 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of SEDPI Development Finance, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Josephine Adrienne A. Abarca
Partner
CPA Certificate No. 92126
SEC Accreditation No. 0466-AR-2 (Group A),
February 4, 2013, valid until February 3, 2016
Tax Identification No. 163-257-145
BIR Accreditation No. 08-001998-61-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751251, January 5, 2015, Makati City

June 15, 2015

SGVFS013472

INDEPENDENT AUDITORS' REPORT

The Board of Directors
SEDPI Development Finance, Inc.

Report on the Financial Statements

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November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT
TO ACCOMPANY INCOME TAX RETURN

The Board of Directors
SEDPI Development Finance, Inc.
Unit 303, Loyola Heights Condominium
23 Dela Rosa Street, Loyola Heights
Quezon City

We have audited the financial statements of SEDPI Development Finance, Inc. (the Company) for the year ended December 31, 2014, on which we have rendered the attached report dated June 15, 2015.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholder of the Company.

SYCIP GORRES VELAYO & CO.

Josephine Adrienne A. Abarca
Partner
CPA Certificate No. 92126
SEC Accreditation No. 0466-AR-2 (Group A),
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
SEDPI Development Finance, Inc.
Unit 303, Loyola Heights Condominium
23 Dela Rosa Street, Loyola Heights
Quezon City

We have audited the financial statements of SEDPI Development Finance, Inc. (the Company) as at and for the year ended December 31, 2014 on which we have rendered the attached report dated June 15, 2015.

In compliance with Securities Regulation Code Rule 68, we are stating that the Company has three (3) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Josephine Adrienne A. Abarca
Partner
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SEC Accreditation No. 0466-AR-2 (Group A),
February 4, 2013, valid until February 3, 2016
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June 15, 2015

SGVFS013472

SEDPI DEVELOPMENT FINANCE, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013 (As Restated - Note 11)
ASSETS		
Current Assets		
Cash in banks (Note 6)	**₱7,623,159**	₱6,665,133
Loans and receivables - current portion (Notes 7 and 19)	**128,423,220**	31,688,382
Prepayments (Note 8)	**720,715**	417,810
Other current asset (Note 12)	**10,000**	10,372,143
	136,777,094	49,143,468
Noncurrent Assets		
Loans and receivables - noncurrent portion (Note 7)	**71,079,092**	118,209,542
Property and equipment (Note 9)	**17,870,614**	187,248
Investment properties (Note 10)	**6,081,793**	21,331,049
Investment in an associate (Note 11)	**11,376,167**	10,199,533
Deferred tax asset - net (Note 18)	**1,225,423**	1,238,966
	107,633,089	151,166,338
	₱244,410,183	₱200,309,806
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable - current portion (Note 12)	**₱139,673,434**	₱100,804,545
Accrued expenses and other liabilities (Note 13)	**5,966,472**	4,524,018
Income tax payable	**16,052**	–
Other current liability (Note 12)	–	10,372,143
	145,655,958	115,700,706
Noncurrent Liability		
Loans payable - noncurrent portion (Note 12)	**35,643,939**	27,539,597
	181,299,897	143,240,303
Equity		
Common stock (Note 14)	**22,598,875**	22,598,875
Preferred stock (Note 14)	**27,654,400**	24,137,600
Additional paid-in capital (Note 14)	**8,651**	684
Retained earnings (Note 14)	**13,006,111**	10,403,989
Other comprehensive loss (Note 11)	**(157,751)**	(8,645)
Treasury shares (Note 14)	–	(63,000)
	63,110,286	57,069,503
	₱244,410,183	₱200,309,806

See accompanying Notes to Financial Statements.

SEDPI DEVELOPMENT FINANCE, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2014	2013 (As Restated - Note 11)
INTEREST INCOME (Note 7)	**₱19,077,668**	₱14,676,253
INTEREST EXPENSE (Note 12)	**9,451,867**	8,310,805
NET INTEREST INCOME	**9,625,801**	6,365,448
OTHER INCOME (Note 11)	**658,441**	5,116,118
TOTAL OPERATING INCOME	**10,284,242**	11,481,566
EXPENSES		
Provision for credit losses (Note 7)	**1,525,776**	681,586
Taxes and licenses	**1,445,909**	1,921,172
Representation and travel	**1,081,248**	172,441
Professional fees	**701,108**	1,663,338
Depreciation (Note 9)	**531,890**	50,085
Compensation and other benefits (Note 16)	**484,446**	540,382
Rental, light and power (Note 15)	**266,982**	225,062
Miscellaneous (Note 17)	**1,854,578**	950,937
	7,891,937	6,205,003
INCOME BEFORE SHARE IN NET INCOME OF AN ASSOCIATE	**2,392,305**	5,276,563
SHARE IN NET INCOME OF AN ASSOCIATE (Note 11)	**1,325,740**	156,399
INCOME BEFORE INCOME TAX	**3,718,045**	5,432,962
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 18)	**130,696**	(219,486)
NET INCOME	**3,587,349**	5,652,448
OTHER COMPREHENSIVE LOSS		
Item that will not be recycled to profit or loss in subsequent periods:		
Remeasurements of the net defined benefit liability (Note 11)	**(149,106)**	(8,645)
TOTAL COMPREHENSIVE INCOME	**₱3,438,243**	₱5,643,803

See accompanying Notes to Financial Statements.

SEDPI DEVELOPMENT FINANCE, INC.

STATEMENTS OF CHANGES IN EQUITY

	Common Stock (Note 14)	Preferred Stock (Note 14)	Additional Paid-in Capital (Note 14)	Retained Earnings (Notes 11 and 14)	Treasury Shares (Note 14)	Share in net other comprehensive loss of an associate (Note11)	Total Equity
Balance at January 1, 2014, as previously reported	**₱22,598,875**	**₱ 24,137,600**	**₱684**	**₱6,061,200**	**(₱63,000)**	**₱–**	**₱52,735,359**
Restatements (Note 11)	–	–	–	**4,342,789**	–	**(8,645)**	**4,334,144**
Balance at January 1, 2014, as restated	**22,598,875**	**24,137,600**	**684**	**10,403,989**	**(63,000)**	**(8,645)**	**57,069,503**
Issuance of shares	–	**3,516,800**	**7,967**	–	**63,000**	–	**3,587,767**
Total comprehensive income	–	–	–	**3,587,349**	–	**(149,106)**	**3,438,243**
Dividends declared	–	–	–	**(985,227)**	–	–	**(985,227)**
Balance at December 31, 2014	**₱22,598,875**	**₱27,654,400**	**₱8,651**	**₱13,006,111**	**₱–**	**(₱157,751)**	**₱63,110,286**
Balance at January 1, 2013	₱20,198,875	₱–	₱–	₱4,751,541	₱–	₱–	₱24,950,416
Acquisition of common shares	–	–	–	–	(63,000)	–	(63,000)
Conversion of deposit for future stock subscription	2,400,000	–	–	–	–	–	2,400,000
Issuance of shares	–	24,137,600	684	–	–	–	24,138,284
Total comprehensive income	–	–	–	5,652,448	–	(8,645)	5,643,803
Balance at December 31, 2013, as restated	₱22,598,875	₱24,137,600	₱684	₱10,403,989	(₱63,000)	(₱8,645)	₱57,069,503

See accompanying Notes to Financial Statements.

SEDPI DEVELOPMENT FINANCE, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2014	2013 (As Restated - Note 11)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱3,718,045**	₱5,432,962
Adjustments for:		
Interest income (Note 7)	**(19,077,668)**	(14,676,253)
Interest expense (Note 12)	**9,451,867**	7,826,529
Provision for credit losses (Note 7)	**1,525,776**	681,586
Share in net income of an associate (Note 11)	**(1,325,740)**	(156,399)
Depreciation (Note 9)	**531,890**	50,085
Unrealized foreign exchange gains	**(106,637)**	(36,506)
Gain on bargain purchase (Note 11)	**–**	(5,051,779)
Changes in operating assets and liabilities		
Increase in the amounts of:		
Loans and receivables	**(50,093,223)**	(32,935,876)
Prepayments	**(398,878)**	(10,027)
Other current assets	**(10,000)**	–
Increase in accrued expenses and other liabilities	**706,219**	1,097,467
Net cash used in operations	**(55,078,349)**	(37,778,211)
Interest received	**18,040,727**	15,836,239
Interest paid	**(8,715,633)**	(7,271,377)
Income taxes paid	**(5,128)**	(4,585)
Net cash used in operating activities	**(45,758,383)**	(29,217,934)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 9)	**(2,966,000)**	(219,929)
Acquisition of investment in an associate (Note 11)	**–**	(5,000,000)
Net cash used in investing activities	**(2,966,000)**	(5,219,929)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of loans payable	**129,333,333**	76,200,001
Settlement of loans payable	**(82,360,101)**	(62,155,705)
Issuance of preferred stock (Note 14)	**3,587,767**	19,792,893
Acquisition of common shares (Note14)	**–**	(63,000)
Dividends declared	**(985,227)**	–
Net cash provided by financing activities	**49,575,772**	33,774,189
NET EFFECT OF FOREIGN EXCHANGE DIFFERENCES	**106,637**	36,506
NET DECREASE IN CASH IN BANKS	**958,026**	(627,168)
CASH IN BANKS AT BEGINNING OF YEAR	**6,665,133**	7,292,301
CASH IN BANKS AT END OF YEAR (Note 6)	**₱7,623,159**	₱6,665,133

See accompanying Notes to Financial Statements.

1. General Information

SEDPI Development Finance, Inc. (the Company) is a domestic corporation incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on March 10, 2008. The Company is engaged in general financing business of extending credit facilities to consumers and to industrial commercial or agricultural enterprises, either by direct lending or by discounting, re-discounting or factoring commercial papers or accounts receivable or by buying and selling contracts, leases, chattel mortgages, or evidences of indebtedness, or by financial leasing of movable as well as immovable property.

The amendment in the Company's article of incorporation to change the name of the Company from SEDPI Capital Credit, Inc. to SEDPI Development Finance, Inc. was approved on November 7, 2012 by the Company's board of directors (BOD) and stockholders. The amended articles of incorporation was approved by the SEC on May 21, 2013.

On January 20, 2014, SEC approved the Company's application to operate as a financing company.

The Company's principal place of business is located at Unit 303, Loyola Heights Condominium, 23 Dela Rosa Street, Loyola Heights, Quezon City.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis and are presented in Philippine Peso, the Company's functional currency. All amounts are rounded to the nearest Peso unless otherwise indicated.

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

The Company avails of the exemption from the mandatory adoption of PFRS for Small and Medium-sized Entities (PFRS for SMEs) as it applied for a secondary license to operate as a financing company with the SEC.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended Philippine Accounting Standards (PAS), PFRS and Philippine Interpretations which were adopted as of January 1, 2014. Unless otherwise indicated, these new and revised accounting standards have no impact on the Company.

New Standards and Interpretations

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments have no impact on the Company, since it has not entered into any offsetting arrangements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non - Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21.

- Annual Improvements to PFRSs (2010 - 2012 cycle)
  In the 2010-2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

- Annual Improvements to PFRSs (2011 - 2013 cycle)
  In the 2011-2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.

Significant Accounting Policies

Fair Value Measurement
For measurement and disclosure purposes, the Company determines the fair value of an asset or liability at initial measurement or at each statement of financial position date.

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 (i.e., an exit price). The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External appraisers are involved for valuation of significant nonfinancial assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy (see Note 5).

Foreign Currency Translation and Transactions
Transactions in foreign currencies are initially recorded in the functional currency of the Company at the foreign exchange rates prevailing at the respective dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated using the Philippine Dealing System closing rate prevailing at the reporting date. All differences are taken to profit or loss.

Nonmonetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of recognition
Financial instruments are recognized in the statement of financial position when cash is received by the Company or advanced to the borrowers.

Initial recognition of financial instruments
All financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, available-for-sale (AFS) investments, held-to-maturity (HTM) investments, and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities carried at cost or amortized cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every statement of financial position date.

As of December 31, 2014 and 2013, the Company has no financial assets and financial liabilities at FVPL, AFS investments and HTM investments. The Company's financial instruments include loans and receivables and other financial liabilities.

'Day 1' difference
Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

Loans and receivables
This financial asset category relates to the statement of financial position captions ‘Cash in banks’ and ‘Loans and receivables’. These are non-derivative financial assets with fixed or determinable payments that are not quoted in active market and for which the Company has no intention of trading.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in ‘Interest income’ in the statement of comprehensive income. The losses arising from impairment of such receivables are recognized as ‘Provision for credit losses’ in the statement of comprehensive income.

Other financial liabilities
Issued financial instruments or their components, which are not designated as financial liabilities at FVPL, are classified as ‘Loans payable’ or other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, loans payable and similar financial liabilities not qualified as and not designated as financial liabilities at FVPL, are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

<u>Derecognition of Financial Assets and Liabilities</u>
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized where:

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

Where the Company 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 the asset nor transferred control over the asset, the asset is recognized to the extent of the Company'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 original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in statement of comprehensive income.

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

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

Loans and receivables
The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. For individually assessed financial assets, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred).

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. Financial 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 for impairment.

If the Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original EIR of the asset. Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized.

If subsequently, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Restructured loans
Where possible, the Company seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized under 'Provision for credit losses' in the statement of comprehensive income.

Revenue Recognition
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements except for certain transactions.

The following specific recognition criteria must also be met before revenue is recognized:

Interest income
For all financial instruments measured at amortized cost and interest-bearing financial instruments, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as 'Interest income' in the statement of comprehensive income. Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Property and Equipment
Property and equipment are carried at cost less accumulated depreciation and any impairment in value. The initial cost of an item comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. All other expenses related to the repairs and maintenance are charged against current operations as incurred.

Depreciation is calculated on the straight-line method over the estimated useful lives of the depreciable assets.

The estimated useful life of computer equipment and office condominium is 3 years and 20-30 years, respectively.

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

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

Investment Properties
Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of asset given up.

Subsequent to initial recognition, investment property whose fair value can be measured reliably without undue cost or effort were measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to operations in the year in which the costs are incurred.

Investment property is derecognized when it has been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the depreciable investment properties with a total useful life ranging from 25 to 30 years. The remaining economic useful life is determined at the time of the acquisition together with the appraisal of the properties.

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

Investment in an Associate

An associate is an entity in which the Company has significant influence but not control, generally accompanying a shareholding of between 20.00% and 50.00% of the voting rights and which is neither a subsidiary nor a joint venture.

The existence of significant influence by an entity is usually evidenced in one or more of the following ways:

a) representation on the board of directors or equivalent governing body of the investee;
b) participation in policy-making processes, including participation in decisions about dividends or other distributions;
c) material transactions between the entity and its investee;
d) interchange of managerial personnel; or
e) provision of essential technical information

The Company's investment in its associate is accounted for using the equity method of accounting. Under the equity method, the investment in associate is carried in the statement of financial position at cost plus post-acquisition changes in the Company's share in the net assets of the associates and joint ventures. The statement of comprehensive income reflects the share of the results of operations of the associate. Where there has been a change recognized in the investees' other comprehensive income, the Company recognizes its share of any changes and discloses this, when applicable, in the other comprehensive income. Profits and losses arising from transactions between the Company and the associate are eliminated to the extent of the interest in the associates and joint ventures.

Where necessary, adjustments are made to the financial statements of associates to bring the accounting policies used in line with those used by the Company.

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

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss in the statement of comprehensive income as incurred.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant PFRS. Changes in the fair value of contingent consideration classified as equity are not recognized.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that if known, would have effected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Company receives complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

If the business combination is achieved in stages, the Company's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (the date the Company attains control) and the resulting gain or loss, if any, is recognized in profit or loss in the consolidated statement of comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss in the statement of comprehensive income, where such treatment would be appropriate if that interest were disposed of.

Impairment of Nonfinancial Assets

Property and equipment, investment properties and investment in an associate

At each statement of financial position date, the Company assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of the asset's recoverable amount. Recoverable amount is the higher of an asset's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged to operations in the year in which it arises.

An assessment is made at each statement of financial position date as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years.

Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires 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. A reassessment is made after inception of the lease only if one of the following applies:

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

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

Company as lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of comprehensive income.

Company as a lessor

Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an income in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the year in which they are earned.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an 'Interest expense' in the statement of comprehensive income.

In cases where disclosure of some or all of the information relating to provisions, contingent assets and contingent liabilities can be expected to prejudice seriously the position of the Company, the Company discloses only general information regarding the nature of the provision, contingent asset or contingent liabilities, in the statement of comprehensive income.

Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of assets embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

Income Taxes

Current taxes

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are substantively enacted at the statement of financial position date.

Deferred taxes

Deferred tax is provided or recognized in full using the balance sheet method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liability is recognized for all taxable temporary differences, and deferred tax asset is recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), if any, to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences, and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized.

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

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

Deferred tax asset and liability are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Current tax and deferred tax relating to items recognized directly in other comprehensive income is also recognized in other comprehensive income and not in the profit or loss.

Equity

Share capital is measured at par value for all shares issued and outstanding. When the shares are issued at a premium, the difference between the proceeds and the par value is credited to a ‘Additional paid-in capital’. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to ‘Additional paid-in capital’. If the additional paid-in capital is not sufficient, the excess is charged against ‘Retained earnings’.

When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

'Retained earnings' represents accumulated earnings of the Company less dividends declared.

Treasury shares are recorded at cost and are presented as a deduction from equity. When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given: (a) additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued; and (b) retained earnings. No gain or loss is recognized in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's equity instruments.

Dividends on preferred and common shares are recognized as a liability and deducted from equity when approved by the BOD of the Company. Dividends for the year that are approved after the statement of financial position date are dealt with after the reporting date.

Events After the Statement of Financial Position Date
Post year-end events that provide additional information about the Company's position at statement of financial position date (adjusting event) are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

Future Changes in Accounting Policies
Standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt these standards when they become effective. Except as otherwise indicated, the Company does not expect the adoption of these standards to have significant impact on the Company's financial statements.

The following standards and amendments issued by the International Accounting Standards Board (IASB) were already adopted by the Financial Reporting Standards Council (FRSC) but are still for approval by Board of Accountancy (BOA):

- PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version)
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39.
  PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the FRSC. Such adoption, however, is still for approval by the BOA.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The 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 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 (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Effective January 1, 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. It is not expected that this amendment would be relevant to the Company, since it does not have defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRS (2010 - 2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) are not expected to have a material impact on the Company. They include:

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

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

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively and clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, if early adopted). The Company shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:
  a. an entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
  b. the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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

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

Annual Improvements to PFRS (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) are not expected to have a material impact on the Company. They include:

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

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

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

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

Effective January 1, 2016

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

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

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Company.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

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

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRS (2012 - 2014 cycle)
The Annual Improvements to PFRS (2012-2014 cycle) are not expected to have a material impact on the Company. They include:

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

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

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

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

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

Effective January 1, 2018

- PFRS 9, *Financial Instruments - Hedge Accounting and amendments* to *PFRS 9, PFRS 7 and PAS 39* (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

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

  PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Bank's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Bank's financial liabilities. The adoption will also have an effect on the Bank's application of hedge accounting. The Bank will quantify this effect to present a comprehensive picture of the impact of adoption on the financial position or performance of the Bank.

The following new standard issued by the IASB has not yet been adopted by the FRSC:

- IFRS 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

3. Significant Accounting Judgments and Estimates

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

Judgments and estimates 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.

The Company believes the following represent a summary of these significant judgments and estimates and their related impact and associated risks on the financial statements:

Judgments
In the process of applying the Company'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 financial statements:

(a) *Going concern*
The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties

that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

(b) *Operating leases*
The Company has entered into a contract of lease for the office space it occupies. The Company has determined, based on an evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower that the fair value at the date the option is exercisable, and the lease term is not for the major part of the asset's economic life), that the lessor retains all significant risks and rewards of ownership of the properties which are leased out on operating lease (see Note 15).

(c) *Fair value of financial instruments*
Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Fair value of the Company's financial assets and liabilities are set out in Note 5.

(d) *Determination of significant influence over an associate with less than 20.00% ownership*
In determining whether the Company has significant influence over an investee requires significant judgment. Generally a shareholding of 20.00% to 50.00% of the voting rights of an investee is presumed to give the Company a significant influence.

There are instances than an investor exercises significant influence even if its ownership is less than 20.00%. The Company applies significant judgment in assessing whether it holds significant influence over an investee and considers the following: (a) representation on the BOD or equivalent governing body of the investee; (b) participation in the policy-making processes, including participation in decisions about dividends or other distributions; (c) material transactions between the investor and the investee; (d) interchange of managerial personnel; or provision of essential technical information.

The Company assessed that it has significant influence on VisionBank on the basis of its ownership of close to 20.00% and its representation in its BOD (see Note 11).

<u>Estimates</u>
The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date 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:

(a) *Credit losses of loans and receivables*
The Company reviews its loan portfolios and receivables at each statement of financial position date to assess whether a provision for credit losses should be recorded in the statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant loans and receivables, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal rating of the loan or investment since it was granted or acquired. This collective allowance is based on changes in factors that are indicative of incurred losses, such as deterioration in payment status and underlying property prices, among others.

As of December 31, 2014 and 2013, the carrying value of loans and receivables amounted to ₱199.51 million and ₱149.90 million, respectively, net of allowance for credit losses amounting to ₱3.29 million and ₱1.77 million as of December 31, 2014 and 2013, respectively (see Note 7).

(b) Estimation of useful lives of property and equipment and investment properties
The Company estimated the useful lives of its property and equipment and investment properties based on the period over which the assets are expected to be available for use. The Company reviews annually the EUL of property and equipment and investment properties based on factors that include asset utilization, internal technical evaluation, environmental and technological changes and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the EUL of property and equipment and investment properties would increase recorded depreciation expense and decrease noncurrent assets.

The estimated useful lives of property and equipment and investments properties are disclosed in Note 2 to the parent company financial statements. The carrying values of property and equipment and investment properties are disclosed in Notes 9 and 10, respectively.

(c) Impairment of nonfinancial assets
Property and equipment and investment properties
The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

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

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset pertains to the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell of an asset pertains to its current selling price, less direct costs of disposal. The value in use of an asset is determined by using a discounted cash flow model. It does not include significant future investments that will enhance the asset base of the cash-generating unit being tested. The value in use is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows, and the growth rate used for extrapolation purposes.

The Company did not recognize impairment losses on its property and equipment and investment properties in 2014 and 2013.

Investment in an associate
The Company assesses impairment on its investment in an associate whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Among others, the factors that the Company considers important which could trigger an impairment review on its investment in an associate include the following:

- Deteriorating or poor financial condition;
- Recurring net losses; and
- Significant changes (i.e. technological, market, economic, or legal environment in which the associate operates) with an adverse effect on the subsidiary have taken place during the period, or will take place in the near future.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is determined based on the asset's value in use. The carrying values of the Company's investment in an associate are presented in Note 11.

(d) *Recognition of deferred tax asset*
Deferred tax asset is recognized for all unused tax losses to the extent that it is probable that future taxable income will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The Company recognized deferred tax asset on its temporary differences amounting to ₱1.23 million and ₱1.24 million as of December 31, 2014 and 2013, respectively. As of December 31, 2014 and 2013, the Company did not recognize deferred tax asset amounting to ₱1.56 million and ₱1.86 million, respectively, since management believes that the related future benefits may not be realized (see Note 18).

(e) *Provisions and contingencies*
The Company may incur contingent liabilities arising from normal litigations for and against customers which are not reflected in the accompanying financial statements. The Company has assessed that the impact of any contingent liability is not material to the financial statements (see Note 20).

4. Financial Risk Management Objectives and Policies

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company manages credit risk by assessing the creditworthiness of its counterparties. The Company continuously monitors the financial health and status of its counterparties to ascertain that receivables from these counterparties will be substantially collected on due date. Credit applications go through a process of screening using the Company's credit standards to minimize risk.

a. Credit risk exposure

As of December 31, 2014 and 2013, the Company's gross maximum exposure to credit risk on its receivables from individual customers amounted to ₱15.86 million and ₱13.62 million, respectively. The Company holds collateral against these receivables in the form of hold-out deposits and investment in stocks with fair value of ₱27.03 million. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are regularly updated according to internal lending policies and regulatory guidelines. The financial effect of collateral and net exposure to credit risk amounted to ₱15.86 million and ₱13.62 million, respectively.

The Company's maximum exposure to credit risk on its other financial assets is equivalent to the carrying amount of these other financial assets as of December 31, 2014 and 2013.

b. Credit risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company's concentration of credit risk of financial assets as to industry follows:

	2014	2013
Financial institutions/intermediaries	**₱118,569,205**	₱99,446,711
Agricultural	**19,845,353**	22,235,370
Community, social and personal activities	**28,576,645**	9,296,001
Media	**700,000**	223,720
Others	**42,728,863**	27,130,074
Total	**210,420,066**	158,331,876
Less allowance for credit losses	**3,294,595**	1,768,819
	₱207,125,471	₱156,563,057

** Others include receivables from individual customers and other receivables*

c. Credit quality per class of financial assets

The Company's bases in grading its loans and receivables follow:

High grade - pertains to cash deposited in top domestic banks and receivables with low probability of default. Counterparties are safe and sound and are resistant to external shocks and financial upheavals, and can really adapt to adverse developments in its operating environment.

Standard grade - pertains to receivables with low to moderate default risk. Counterparty has safe and sound operational policies and procedures and can withstand the ups and downs of the business cycle. There are some operational procedures that need to be fixed, otherwise they could negatively affect the operations.

Substandard grade - pertains to receivables that require varying degrees of special attention and default risk is of great concern. While acceptable, counterparties have quite a few operational policies, practices and procedures that need to be strengthened or rectified. These need to be corrected on a priority basis, or there will be further deterioration which could put the counterparty at risk.

Past due or individually impaired - this pertains to receivables that defaulted in several payments. Counterparty has serious operational problems that need to be addressed on an urgent basis; otherwise there is a high risk of failure. Counterparty with this score needs close supervision by the lender.

The tables below show the credit quality per class of the Company's loans and receivables, gross of allowance for credit losses:

	2014					
	Neither past due nor individually impaired			**Past due but not individually impaired**	**Individually impaired**	**Total**
	High grade	**Standard Grade**	**Substandard grade**			
Cash in banks	**₱7,623,159**	**₱–**	**₱–**	**₱–**	**₱–**	**₱7,623,159**
Receivables from customers						
Corporate	**148,156,927**	**3,691,323**	**–**	**–**	**9,274,393**	**161,122,643**
Individual	**2,553,840**	**–**	**–**	**5,326,983**	**8,770,274**	**16,651,097**
Other receivables						
Due from related parties	**22,370,371**	**–**	**–**	**–**	**–**	**22,370,371**
Accrued interest receivable	**2,185,685**	**–**	**–**	**–**	**–**	**2,185,685**
Accounts receivable	**467,111**	**–**	**–**	**–**	**–**	**467,111**
	₱183,357,093	**₱3,691,323**	**₱–**	**₱–**	**₱18,044,667**	**₱210,420,066**

	2013					
	Neither past due nor individually impaired			Past due but not individually impaired	Individually impaired	Total
	High grade	Standard Grade	Substandard grade			
Cash in banks	₱6,665,133	₱–	₱–	₱–	₱–	₱6,665,133
Receivables from customers						
Corporate	98,132,169	7,284,152	688,420	3,034,769	15,397,159	124,536,669
Individual	1,016,922	–	266,268	381,250	12,667,901	14,332,341
Other receivables						
Due from related parties	11,531,768	–	–	–	–	11,531,768
Accrued interest receivable	1,148,743	–	–	–	–	1,148,743
Accounts receivable	117,222	–	–	–	–	117,222
	₱118,611,957	₱7,284,152	₱954,688	₱3,416,019	₱28,065,060	₱158,331,876

Impairment Assessment

Impairment losses are recognized based on the results of specific (individual) and collective assessment of credit exposures. Impairment has taken place when there is a presence of known difficulties in the payments of obligation by counterparties, a significant credit rating downgrade takes place, infringement of the original terms of the contract has happened or when there is inability to pay principal or interest overdue beyond a threshold (e.g. 90 days). These and other factors, either singly or in tandem with other factors, constitute observable events or data that meet the definition of objective evidence of impairment.

Individually assessed allowances

The Company determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining amounts of allowances include an account's age, payment and collection history, timing of expected cash flows and realizable value of collateral.

The Company sets criteria for specific loan impairment testing and uses the discounted cash flow method to compute for impairment loss. Accounts subjected to specific impairment and are found to be impaired shall be excluded from the collective impairment computation.

As of December 31, 2014 and 2013, the carrying values of individually impaired receivables from customers amounted to ₱14.95 million and ₱26.46 million, respectively (see Note 7).

Collectively assessed allowances
Allowances are assessed collectively for losses on loans and advances that are not significant. Impairment losses are estimated by taking into consideration the historical losses on the portfolio and the expected receipts and recoveries once impaired. The Company is responsible for deciding the length of historical loss period which can extend for as long as five years. The impairment allowance is then reviewed by the Company to ensure alignment with the Company's overall policy.

The Company uses the net flow rate method to determine the credit loss rate of a particular delinquency age bucket based on historical data of flow-through and flow-back of loans across specific delinquency age buckets.

As of December 31, 2014 and 2013, all of the Company's past due but not individually impaired financial assets were past due for 1 to 29 days.

Liquidity Risk
The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's liquidity risk is managed by holding sufficient liquid assets to ensure short-term funding requirements and utilization of credit lines with counterparty banks are met. Deposits with banks are made on a short-term basis with almost all being available on demand or within three months.

Analysis of financial assets and financial liabilities by remaining maturities
The tables below summarize the maturity profile of the Company's financial assets and financial liabilities based on remaining contractual undiscounted cash flows:

	2014				
	On demand	**Up to 3 months**	**3 to 12 months**	**More than 1 year**	**Total**
Financial Assets					
Cash in banks*	**₱7,642,217**	**₱–**	**₱–**	**₱–**	**₱7,642,217**
Loans and receivables					
Receivables from customers*					
Corporate	**2,991,937**	**22,928,674**	**47,685,843**	**121,103,904**	**194,710,358**
Individual	**401,181**	**373,835**	**6,678,709**	**12,321,168**	**19,774,893**
Other receivables					
Due from related parties	**22,370,371**	–	–	–	**22,370,371**
Accrued interest receivable	**2,185,685**	–	–	–	**2,185,685**
Accounts receivable	**467,111**	–	–	–	**467,111**
	36,058,502	**23,302,509**	**54,364,552**	**133,425,072**	**247,150,635**
Financial Liabilities					
Loans payable*	–	**49,336,270**	**93,739,696**	**39,954,267**	**183,030,233**
Accrued expenses and other liabilities					
Accrued other expenses	**2,457,173**	–	–	–	**2,457,173**
Accrued interest payable	**1,953,149**	–	–	–	**1,953,149**
Accounts payable	**1,427,176**	–	–	–	**1,427,176**
	5,837,498	**49,336,270**	**93,739,696**	**39,954,267**	**188,867,731**
	₱30,221,004	**(₱26,033,761)**	**(₱39,375,144)**	**₱93,470,805**	**₱58,282,904**

**Includes future interest*

	2013				
	On demand	Up to 3 months	3 to 12 months	More than 1 year	Total
Financial Assets					
Cash in banks*	₱6,698,459	₱–	₱–	₱–	₱6,698,459
Loans and receivables					
Receivables from customers*					
Corporate	723,720	1,266,659	16,933,457	136,656,965	155,580,801
Individual	318,935	285,131	1,230,413	16,425,885	18,260,364
Other receivables					
Due from related parties	11,531,768	–	–	–	11,531,768
Accrued interest receivable	1,148,743	–	–	–	1,148,743
Accounts receivable	117,222	–	–	–	117,222
	20,538,847	1,551,790	18,163,870	153,082,850	193,337,357
Financial Liabilities					
Loans payable*	–	31,598,287	73,087,769	29,886,589	134,572,645
Accrued expenses and other liabilities					
Accrued other expenses	2,214,761	–	–	–	2,214,761
Accrued interest payable	1,216,914	–	–	–	1,216,914
Accounts payable	870,093	–	–	–	870,093
	4,301,768	31,598,287	73,087,769	29,886,589	138,874,413
	₱16,237,079	(₱30,046,497)	(₱54,923,899)	₱123,196,261	₱54,462,944

**Includes future interest*

Market Risk

Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments. The Company focuses on the following market risk areas such as interest rate risk and foreign currency risk.

Interest rate risk

The Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. There are no floating rate financial assets and liabilities. Cash in banks earn interest at prevailing market rates. The Company's exposure to interest rate risk is minimal.

Foreign currency risk

Foreign exchange risk is the risk that the value of financial instruments fluctuates due to changes in foreign exchange rates. The Company's policy is to maintain foreign currency exposure within acceptable. Financial instruments of the Company were mainly denominated in Philippine Peso. As such, the Company's foreign currency risk which came from its foreign currency-denominated cash in banks is minimal.

As of December 31, 2014 and 2013, the Company's United States Dollar (USD)-denominated savings deposit amounted to USD 41,348 and USD 30,340, respectively, with equivalent amounts in Philippine Peso of ₱1.85 million and ₱1.35 million, respectively (see Note 6).

The exchange rates used to translate the Company's US-denominated cash in banks are ₱44.72 to USD 1.00 and ₱44.40 to USD 1.00 as of December 31, 2014 and 2013, respectively. The following table demonstrates the sensitivity to a reasonably possible change in Philippine peso-USD exchange rate, with all variables held constant, of the Company's income before tax in 2014 and 2013. There is no other impact on the Company's equity other than those already affecting the statement of comprehensive income.

	Increase (decrease) in income before tax	
Change in USD rate	**2014**	2013
Increase by 2.00%	**₱36,982**	₱26,939
Decrease by 2.00%	**(36,982)**	(26,939)

5. Fair Value Measurement

The methods used by the Company in estimating the fair value of the financial instruments follow:

Cash in banks, due from related parties, accrued interest receivable, accounts receivables, and accrued expenses and other liabilities
The carrying amounts of these accounts approximate their fair value due to their short-term nature. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities.

Receivables from customers - Fair values of receivables are estimated using the discounted cash flow methodology, using current incremental lending rates for similar types of receivables.

Investment properties
The fair value represents the amount at which the investment properties could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation.

Loans payable - Fair values are estimated by discounting the future contractual cash flows at current market interest rate that is available to the Company for similar financial instruments.

The following tables summarize the carrying amount and fair values of the financial and non-financial assets and financial liabilities, whose fair values are required to be disclosed, and analyzed among those whose fair value is based on:

- Quoted market prices in active markets for the identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (derived from prices) (Level 2); and
- Those with inputs for the assets or liability that are not based on observable market date (unobservable inputs) (Level 3).

As of December 31, 2014 and 2013, fair values of financial and nonfinancial instruments are as follow:

	2014	
	Carrying Value	**Fair Value Using Significant Unobservable Inputs (Level 3)**
Assets for which fair values are disclosed		
Financial Assets		
Loans and receivables		
Receivables from customers		
Corporate	**₱158,614,518**	**₱164,989,771**
Individual	**15,864,627**	**42,310,149**
Financial assets	**174,479,145**	**207,299,920**
Non-financial assets		
Investment properties	**6,081,793**	**6,120,510**
	₱180,560,938	**₱213,420,430**
Liabilities for which fair values are disclosed		
Financial Liabilities		
Loans payable	**₱175,317,373**	**₱177,043,878**

	2013	
	Carrying Value	Fair Value Using Significant Unobservable Inputs (Level 3)
Assets for which fair values are disclosed		
Financial Assets		
Loans and receivables		
Receivables from customers		
Corporate	₱123,481,029	₱118,246,115
Individual	13,619,161	14,893,423
Financial assets	137,100,190	133,139,538
Non-financial assets		
Investment properties	21,331,049	21,331,049
	₱158,431,239	₱154,470,587
Liabilities for which fair values are disclosed		
Financial Liabilities		
Loans payable	₱118,344,141	₱123,606,765

As of December 31, 2014 and 2013, the Company has no financial instruments recognized at fair value.

Description of significant unobservable inputs to valuation:

Account	Valuation Technique	Significant Unobservable Inputs	Interest rate
Investment properties	Market data approach	Price per square meter, size, shape, location, time element and discount	n/a
Loans and receivables	Discounted data approach	Risk premium rate	4.56% - 28.88%

Significant increases (decreases) in price per square meter and size of investment properties would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in discount would result in a significantly lower (higher) fair value of the properties.

6. Cash in Banks

This account consists of:

	2014	2013
Peso-denominated		
Savings deposit	**₱5,535,281**	₱4,685,796
Demand deposit	**238,793**	632,400
	5,774,074	5,318,196
Foreign currency-denominated		
Savings deposit	**1,849,085**	1,346,937
	₱7,623,159	₱6,665,133

Peso-denominated savings deposit and foreign-currency denominated deposits bear annual interest rate ranging from 0.25% to 0.50% and 0.50% in 2014 and 2013, respectively. Interest income on cash in banks amounted to ₱27,243 and ₱13,150 in 2014 and 2013, respectively (see Note 7).

7. Loans and Receivables

This account consists of:

	2014	2013
Current portion		
Receivables from customers		
Corporate	**₱98,354,153**	₱17,543,011
Individual	**8,217,724**	1,642,431
	106,571,877	19,185,442
Other receivables		
Due from related parties (Note 19)	**22,370,371**	11,531,768
Accrued interest receivable	**2,185,685**	1,148,743
Accounts receivable	**467,111**	117,222
	25,023,167	12,797,733
	131,595,044	31,983,175
Less allowance for credit losses	**3,171,824**	294,793
	128,423,220	31,688,382

	2014	2013
Noncurrent portion		
Receivables from customers		
Corporate	**₱62,768,490**	₱106,993,658
Individual	**8,433,373**	12,689,910
	71,201,863	119,683,568
Less allowance for credit losses	**122,771**	1,474,026
	71,079,092	118,209,542
	₱199,502,312	₱149,897,924

As of December 31, 2014 and 2013, receivables from customers bear effective interest rates ranging from 8.00% to 31.46%% and 7.45% to 47.82%, respectively.

As of December 31, 2014 and 2013, the Company's receivables from customers amounting to ₱166.43 million were pledged as collaterals with BPI Globe Banko and Cordaid amounting to ₱85.52 million , respectively (see Note 12).

Reconciliation of the allowance for credit losses on receivables from customers by class follows:

	2014			2013		
	Corporate	**Individual**	**Total**	Corporate	Individual	Total
Balance at beginning of year	**₱1,055,640**	**₱713,179**	**₱1,768,819**	₱1,078,381	₱8,852	₱1,087,233
Provision for (recovery from) credit losses	**1,452,485**	**73,291**	**1,525,776**	(22,741)	704,327	681,586
Balance at end of year	**₱2,508,125**	**₱786,470**	**₱3,294,595**	₱1,055,640	₱713,179	₱1,768,819
Individual impairment	**₱2,331,440**	**₱768,211**	**₱3,099,651**	₱906,894	₱696,060	₱1,602,954
Collective impairment	**176,685**	**18,259**	**194,944**	148,746	17,119	165,865
	₱2,508,125	**₱786,470**	**₱3,294,595**	₱1,055,640	₱713,179	₱1,768,819
Gross amount of receivables from customers individually impaired	**₱9,274,393**	**₱8,770,274**	**₱18,044,667**	₱15,397,159	₱12,667,901	₱28,065,060

Section 9(f) of RA 8556, also known as The Financing Company Act of 1998 requires that a 100% allowance for credit losses should be set up for the following:

a. Clean loans and advances past due for a period of more than six (6) months;
b. Past due loans secured by collateral such as inventories, receivables, equipment and other chattels that have declined in value by more than 50.00%, without the borrower offering additional collateral for the loans;
c. Past due loans secured by real estate mortgage title to which is subject to an adverse claim rendering settlement through foreclosure doubtful;
d. When borrower and his co-maker or guarantor, are insolvent or where their whereabouts are unknown, or their earnings power is permanently impaired;
e. Accrued interest receivable that remain uncollected after six months from the maturity date of such loans to which it accrues; and
f. Accounts receivable past due for 361 days or more.

Interest income as presented in the statement of comprehensive income consists of:

	2014	2013
Receivables from customers	**₱19,050,425**	₱14,663,103
Cash in banks (Note 6)	**27,243**	13,150
	₱19,077,668	₱14,676,253

8. **Prepayments**

This account consists of:

	2014	2013
Prepaid expenses	**₱720,715**	₱321,837
Due from BIR	**–**	95,973
	₱720,715	₱417,810

Prepaid expenses mainly pertain to prepaid management fees and prepaid rent to an affiliate.

Due from BIR pertains to the excess tax payments of the Company.

9. **Property and equipment**

This account consists of:

	2014				
	Computer equipment	**Software**	**Building and Land improvements**	**Land**	**Total**
Cost					
Balance at beginning of year	**₱249,545**	**₱40,000**	**₱–**	**₱–**	**₱289,545**
Additions	**166,000**	**–**	**2,800,000**		**2,966,000**
Reclassification (Note 10)	**–**	**–**	**10,265,894**	**4,944,645**	**15,210,539**
Balance at end of year	**415,545**	**40,000**	**13,065,894**	**4,944,645**	**18,466,084**
Accumulated depreciation					
Balance at beginning of year	**102,297**	**–**	**–**	**–**	**102,297**
Depreciation	**87,644**	**40,000**	**23,333**	**–**	**493,173**
Reclassification (Note 10)	**–**	**–**	**342,196**	**–**	**–**
Balance at end of year	**189,941**	**40,000**	**365,529**	**–**	**595,470**
Net Book Value	**₱225,604**	**₱–**	**₱12,700,365**	**₱4,944,645**	**₱17,870,614**

	2013		
	Computer equipment	Software	Total
Cost			
Balance at beginning of year	₱69,616	₱–	₱109,616
Additions	179,929	40,000	219,929
Balance at end of year	249,545	40,000	289,545
Accumulated depreciation			
Balance at beginning of year	52,212	–	52,212
Depreciation	50,085	–	50,085
Balance at end of year	102,297	–	102,297
Net Book Value	₱147,248	₱40,000	₱187,248

On October 29, 2014, the Company acquired a condominium and a parking lot located at Loyola Heights, Quezon City for a total consideration of ₱2.80 million.

The details of depreciation in the statements of comprehensive income follow:

	2014	2013
Property and equipment	**₱493,173**	₱50,085
Investment properties (Note 10)	**38,717**	–
	₱531,890	₱50,085

As of December 31, 2014 and 2013, fully depreciated property and equipment that are still in use by the Company amounted to ₱0.07 million.

10. Investment Properties

Investment properties consist of a parcel of land, building and improvements held for the purpose of earning rentals. There was no rental income earned in 2014 and 2013.

On November 4, 2013, SEDPI, an affiliate, settled its obligation amounting to ₱23.39 million with the Company by transferring land and the improvements thereon with fair value of ₱21.33 million. Both parties agreed to settle the receivable of the Company from SEDPI only up to the fair values of the properties received.

As of December 31, 2014 and 2013, the Company is in the process of transferring the titles of land and improvements under its name.

In 2014, the Company reclassified land, building and improvements with a net book value of ₱14.87 million, net of accumulated depreciation of ₱0.34 million, to property and equipment (Note 9).

The fair value of investment properties amounted to ₱6.12 million and ₱21.33 million as of December 31, 2014 and 2013, respectively. The fair value has been determined based on valuations made by independent appraiser. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made.

Depreciation expense incurred in 2014 and 2013 amounted to ₱0.04 million and nil, respectively (see Note 9).

11. Investment in an Associate

This account consists of:

	2014	2013 (As Restated)
Acquisition cost	**₱10,051,779**	₱10,051,779
Accumulated equity in net earnings:		
Balance at beginning of year	**156,399**	–
Share in net income for the year	**1,325,740**	156,399
Balance at end of year	**1,482,139**	156,399
Share in other comprehensive loss		
Balance at beginning of year	**(8,645)**	–
Share in remeasurements of the net defined benefit liability of an associate during the year	**(149,106)**	(8,645)
Balance at end of year	**(157,751)**	(8,645)
Investment in an associate	**₱11,376,167**	₱10,199,533

Investment in an associate comprises of unquoted shares of a rural bank. On November 24, 2013, the Company acquired 50,000 shares, representing 19.68% of the voting stocks of VisionBank, Inc. (VisionBank), for a total consideration of ₱5.00 million.

VisionBank is not listed on any public exchange. The principal place of business of VisionBank is located at GF ARDCI Corporate Bldg. San Roque, Virac, Catanduanes.

The Company accounts for its investment in VisionBank as an associate. It holds close to 20.00% of the issued share capital and holds 1 out of 5 board seats (20.00%) providing it the ability to exercise significant influence over the investment due to its voting power (both through its equity holding and its representation in key decision-making committees).

The Company restated its December 31, 2013 financial statements to reflect the adjustments made to the provisional amounts of investment in an associate. The following are the restatements in the Company's statement of financial position and statement of comprehensive income:

	As Previously Reported		Restatements	As Restated
Statement of financial position				
Investment in an associate	₱5,000,000	(a,b)	₱5,199,533	₱10,199,533
Accrued expenses and other liabilities	3,658,629	(d)	865,389	4,524,018
Retained earnings	6,061,200	(a)	4,342,789	10,403,989
Other comprehensive loss	–	(c)	(8,645)	(8,645)
Statement of comprehensive income				
Other income	64,339	(a)	5,051,779	5,116,118
Taxes and licenses	1,055,783	(d)	865,389	1,921,172
Share in net income of an associate	–	(b)	156,399	156,399
Other comprehensive loss	–	(c)	(8,645)	(8,645)

The restatements on investment in an associate of ₱5.20 million and retained earnings of ₱4.34 million as of December 31, 2013 are composed of the following adjustments:

(a) The adjustment of ₱5.05 million, pertaining to gain on bargain purchase, was made to reflect the adjustments to the provisional amounts of investment properties determined in 2013. In 2014, the Company finalized its purchase price allocation and assessed the fair value of net assets acquired as follows:

Cash and other cash items	₱751,439
Due from Bangko Sentral ng Pilipinas	1,194,341
Due from other banks	42,418,761
Loans and receivables	56,105,382
Held-to-maturity investments	3,147,328
Bank premises, furniture and fixtures - net	395,732
Investment properties	908,000
Other resources	2,530,442
Total Assets	107,451,425
Less: Total Liabilities	56,379,541
Fair value of net assets acquired	₱51,071,884
Share in fair value of net assets acquired	₱10,051,779
Acquisition cost	5,000,000
Gain on bargain purchase	₱5,051,779

(b) The adjustment amounting to ₱0.16 million in profit or loss in the statement of comprehensive income pertains to the share in net income of an associate in 2013 which were not reflected in the 2013 financial statements

(c) The adjustment amounting to ₱8,645 in other comprehensive loss under the statement of comprehensive income pertains to the Company's share in other comprehensive loss in 2013 arising from remeasurements of the defined benefit liability of the associate which were not reflected in 2103 financial statements.

(d) The adjustment amounting to ₱0.87 million in 'Taxes and licenses' under the statement of comprehensive income and 'Accrued expenses and other liabilities' under the statement of financial position pertains to the Company's capital gains tax on the acquisition of shares of the associate which is shouldered by the Company in lieu of the seller.

The following table illustrates the summarized financial information of VisionBank in 2014 and 2013:

	2014	2013
Total assets	**₱131,695,509**	₱111,844,065
Total liabilities	**70,246,856**	56,379,541
Revenue	**30,087,323**	33,843,821
Cost and expenses	**19,009,693**	21,123,834
Net income	**6,736,480**	7,732,325

12. **Loans Payable**

This account represents the Company's total borrowings from the following:

	2014	2013
Current portion		
BPI Globe Banko	**₱80,000,000**	₱80,000,000
Land Bank of the Philippines (LBP)	**56,943,434**	17,554,545
Cordaid	**2,730,000**	3,250,000
	139,673,434	100,804,545
Noncurrent portion		
LBP	**35,643,939**	24,809,597
Cordaid	–	2,730,000
	35,643,939	27,539,597
	₱175,317,373	₱128,344,142

The loans payable are subject to annual interest rates ranging from 5.85% to 8.00% and 6.00% to 8.00% in 2014 and 2013, respectively. Interest expense incurred on loans payable amounted to ₱9.45 million and ₱7.83 million in 2014 and 2013, respectively.

Loans payable with BPI Globe Banko are secured by a mortgage trust indenture on the Company's receivables from customers with a carrying value of ₱160.91 million and ₱80.00 million as of December 31, 2014 and 2013, respectively (see Note 7).

The first loan agreement with Cordaid stipulates that the loan of ₱10.00 million will be disbursed in two equal installments, one was on October 27, 2008 and the other on January 20, 2009, and bears fixed annual interest rate of 8.00% payable semi-annually. The principal shall be repaid in eight (8) equal installments of ₱1.25 million until October 27, 2013. As of December 31, 2013, the ₱10.00 million has already been fully paid.

The second loan agreement with Cordaid stipulates that the debt will be received by the Company in two equal installments of ₱6.50 million on June 15, 2010 and December 15, 2010 for a total of ₱13.00 million. The debt bears fixed annual interest rate of 8.00%, payable semi-annually, the first payment of interest to be made six (6) months after the Company has received the first installment. The principal shall be repaid in eight (8) equal installments of ₱1.63 million starting 18th month after the first disbursement until October 4, 2015.

Loans payable with Cordaid are secured by a mortgage trust indenture on the Company's receivables from customers with a carrying value of ₱5.52 million as of December 31, 2014 and 2013, and the stockholders' paid-up capital amounting to ₱13.38 million as of December 31, 2014 and 2013 (see Note 7).

In 2009, Cordaid and the Company executed a Seed Capital Loan Agreement to provide a guarantee for the Fund. On June 18, 2009, Cordaid, the Company and a trustee bank executed an Escrow Agreement (Escrow) to establish an account to safekeep the guarantee funds remitted by Cordaid. The Agreement was terminated in November 19, 2013, after the period of four (4) years. Thereafter, on December 16, 2013, Cordaid requested the trustee bank to release the full amount under Escrow of ₱10.37 million.

As of December 31, 2013, the Company has received but not deposited the check from the trustee bank. The Company remitted the same to Cordaid in May 2014. The Company recorded the check received under 'Other current asset' and the corresponding liability under 'Other current liability', respectively.

On October 31, 2013, outstanding loans payable to Sustainable Investment Fund amounting to ₱12.57 million was converted to preferred stock (see Note 14).

13. Accrued Expenses and Other Liabilities

This account consists of:

	2014	2013
Accrued other expenses	**₱2,457,173**	₱2,214,761
Accrued interest payable	**1,953,149**	1,216,914
Accounts payable	**1,427,176**	870,093
Others	**128,974**	222,250
	₱5,966,472	₱4,524,018

14. Equity

Common Stock

Details of the Company's common stock follow:

	2014		2013	
	Number of Shares	**Amount**	Number of Shares	Amount
Common Stock				
Authorized - ₱200 par; 515,000 shares				
Issued and outstanding	**43,050**	**₱8,610,000**	43,050	₱8,610,000
Subscribed:				
Balance at beginning of year	**212,500**	**42,500,000**	164,500	32,900,000
Subscription during the year	**–**	**–**	48,000	9,600,000
Balance at end of year	**212,500**	**42,500,000**	212,500	42,500,000
Subscription receivable:				
Balance at beginning of year		**(28,511,125)**		(21,311,125)
Subscription during the year		**–**		(9,600,000)
Application of deposit for future stock subscription		**–**		2,400,000
Balance at end of year		**(28,511,125)**		(28,511,125)
Subscribed common stock		**13,988,875**		13,988,875
Total issued and outstanding	**255,550**	**₱22,598,875**	**255,550**	**₱22,598,875**

Preferred Stock
Details of the Company's preferred stock as of December 31, 2014 follow:

	2014		2013	
	Number of Shares	**Amount**	Number of Shares	Amount
Common Stock				
Authorized - ₱200 par; 375,000 shares				
Issued and outstanding:				
Balance at beginning of year	**120,688**	**₱24,137,600**	–	₱–
Issuance during the year*	**17,584**	**3,516,800**	120,688	24,137,600
	138,272	**₱27,654,400**	120,688	₱24,137,600

**Includes application of deposit for future stock subscription and loans payable of ₱4.35 million and ₱12.57 million, respectively in 2013.*

On November 7, 2012, the BOD and stockholders approved the Company's increase in authorized capital stock from ₱50.00 million divided into 250,000 common shares to ₱178.00 million divided into 515,000 common shares and 375,000 preferred shares. Preferred shares shall be non-voting, cumulative, non-convertible and non-participating and may be issued in Philippine Peso, provided no share will be issued below par.

On May 21, 2013, SEC approved of the Company's application on the increase in its authorized capital stock and, accordingly, applied the deposit for future stock subscription of ₱6.75 million to issuance of preferred and common shares in 2013.

In 2013, the Company also issued 36,085 preferred shares amounting to ₱ 7.22 million.

Retained Earnings
On April 23, 2014, the BOD declared dividends on its preferred stocks amounting to₱0.99 million, respectively.

Treasury Shares
The Company has 315 outstanding treasury shares in 2013 amounting to ₱0.06 million which was subsequently issued in 2014.

Capital Management
The primary objectives of the Company for capital management are to ensure its ability to continue as a going concern, to maintain quality ratios especially liquidity, and to ensure compliance with SEC regulations.

The BOD is responsible for managing the Company's capital structure and making the necessary adjustments to address the risks and adapt to changes in economic conditions and regulatory requirements.

The Company's objective when managing capital (which consists of total equity as shown in the statement of financial position) is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt consists of total liabilities as shown in the statement of financial position less cash.

Regulatory Capital

On January 20, 2014, the Company has acquired a secondary license to operate as a financing company.

Under Republic Act No. 8556, *Financing Company Act*, the Company is required to maintain the following capital requirements:

(a) Minimum paid-up capital of ₱10.00 million; and

(b) Additional capital requirements for each branch of ₱1.00 million for branches established in Metro Manila, ₱0.50 million for branches in other classes of cities and ₱0.25 million for branches established in municipalities.

Pursuant to the provisions of Republic Act (RA) No. 9474 also known as *Lending Company Regulation Act of 2007*, lending companies shall be organized in the form of stock corporations at least fifty one percent (51.00%) of the voting stock of which is owned by citizens of the Philippines, shall have a minimum paid-up capital of one million pesos (₱1.00 million), shall use at least 51.00% of their funds for direct lending purposes and shall grant loans from its own capital or from funds sourced from not more than nineteen (19) persons.

As of December 31, 2014 and 2013, the Company was in compliance with the abovementioned regulations.

15. Leases

The Company leases its office space under lease agreements with an affiliate which is renewable every year.

In 2011, the Company entered into three (3) lease agreements covering office rentals in 2011, 2012 and 2013 with monthly rental rate of ₱0.18 million in the first year and ₱0.24 million in the second and third years. The Company has no minimum lease payable as of December 31, 2014 and 2013.

Rental expense included in 'Rental, light and power' in the statement of comprehensive income amounted to ₱0.27 million and ₱0.23 million in 2014 and 2013, respectively.

16. Compensation and Other Benefits

This account consists of:

	2014	2013
Salaries	**₱222,846**	₱135,805
Other benefits	**261,600**	404,577
	₱484,446	₱540,382

Other benefits include of 13th month expenses, de minimis, honorarium, medical expenses, Pag-ibig, SSS and Philhealth premium contribution, and other staff benefits.

17. **Miscellaneous Expenses**

This account consists of:

	2014	2013
Supplies and photocopy	**₱396,738**	₱323,819
Transportation	**346,635**	26,976
Entertainment, amusement and recreation or EAR	**230,536**	187,081
Insurance	**88,654**	32,298
Others	**792,015**	380,763
	₱1,854,578	₱950,937

Others include provision, penalties, dues and fees, marketing and advertising expenses, donations, repairs and maintenance, bank service charges, annual fees and notary public expenses.

18. **Income Taxes**

Current tax regulations provide that effective January 1, 2009, the RCIT rate shall be 30.00%. A final income tax at the rate of 20.00% is imposed on gross interest income on deposit. Interest expense allowed as a deductible expense is reduced by an amount equivalent to 33.00% of interest income subject to final tax.

The optional standard deduction (OSD) under Republic Act (RA) No. 9504 may be elected as an alternative deduction in computing for the RCIT. For 2014 and 2013 RCIT computation, the Company elected to claim itemized deductions instead of the OSD equivalent to 40.00% of gross income.

Current tax regulations limit the amount of EAR expenses that can be claimed as deductions for income tax purposes to 1.00% of net revenue (gross revenue less discounts, if any) for sellers of services. EAR expenses in 2014 and 2013, included under 'Miscellaneous expenses' in the statement of comprehensive income amounting to ₱0.23 million and ₱0.19 million, respectively, are within the prescribed regulatory limit.

The regulations also provide for MCIT of 2.00% on modified gross income which is paid if higher than the RCIT for the year. Any excess of MCIT over the RCIT is deferred and can be used as a tax credit against any RCIT liability for the next three years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the year of inception.

The provision for (benefit from) income tax follows:

	2014	2013
Current:		
MCIT	**₱112,025**	₱72,022
Final	**5,128**	2,630
	117,153	74,652
Deferred	**13,543**	(294,138)
	₱130,696	(₱219,486)

As of December 31, 2014 and 2013, the Company's net deferred tax asset consists of:

	2014	2013
Deferred tax assets on:		
Allowance for credit losses	**₱530,646**	₱530,646
Accrued other expenses	**341,360**	325,102
NOLCO	**280,494**	280,494
MCIT	**104,914**	104,914
Accrued rent payable	**–**	6,000
	1,257,414	1,247,156
Deferred tax liability on:		
Unrealized foreign exchange gain	**(31,991)**	(8,190)
	₱1,225,423	₱1,238,966

As of December 31, 2014 and 2013, the Company did not recognize deferred tax asset on the following:

	2014	2013
NOLCO	**₱3,330,195**	₱6,184,108
Allowance for credit losses	**1,525,776**	–
MCIT	**112,025**	–
	₱4,967,996	₱6,184,108

Details of the Company's NOLCO and MCIT are as follows:

NOLCO

Inception Year	Amount	Applied	Balance	Expiry Year
2013	₱4,596,316	₱331,141	₱4,265,175	2016
2012	2,522,772	2,522,772	–	2015
	₱7,119,088	₱2,853,913	₱4,265,175	

MCIT

Inception Year	Amount	Balance	Expiry Year
2014	₱112,025	₱112,025	2017
2013	72,022	72,022	2016
2012	32,982	32,982	2015
	₱217,029	₱217,029	

The reconciliation between the statutory income tax and the effective income tax follows:

	2014	2013 (As Restated - Note 11)
Statutory income tax	**₱1,115,414**	₱1,629,889
Tax effect of:		
Non-taxable interest income	**(2,604,801)**	(2,116,451)
Non-deductible expenses	**2,306,760**	191,031
Non-taxable income from investment in an associate	**(397,722)**	(1,562,453)
Changes in unrecognized deferred tax asset	**(288,607)**	1,638,511
Interest income subjected to final tax	**(3,045)**	(1,315)
Non-deductible interest expense	**2,697**	1,302
Effective income tax	**₱130,696**	(₱219,486)

19. **Related Party Transactions**

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. Parties are also considered to be related if they are subjected to common control or common significant influence, such as affiliates. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

A summary of the significant transactions and outstanding balances of the Company with related parties follow:

	2014		
Category	**Amount/ Volume**	**Outstanding Balance**	**Terms and Conditions/Nature**
Stockholders			
Due from related parties	**₱2,192,303**	**₱6,884,346**	Non-interest bearing advances; due and demandable; unsecured with no impairment
Other related parties			
Loans and receivable	**(8,848,007)**	**6,387,363**	Interest bearing loans with 13% interest per annum; 1 to 2 years remaining terms; unsecured and unimpaired
Due from related parties	**8,646,301**	**15,486,025**	Non-interest bearing; due and demandable
Accrued interest receivable	**120,078**	**66,964**	Accrual of interest income on loans with 13.00% interest per annum
Interest income	**1,173,702**	−	Accrual of interest income on loans with 13.00% interest per annum
Rent expense	**240,000**	−	Rent incurred on the Company's office space

	2013 (As Restated - Note 11)		
Category	Amount/ Volume	Outstanding Balance	Terms and Conditions/Nature
Stockholders			
Due from related parties	₱802,505	₱4,692,043	Non-interest bearing advances; due and demandable; unsecured and unimpaired
Subscribed share capital	2,400,000	2,400,000	Subscription for common stock
Other related parties			
Loans and receivable	12,000,000	15,235,370	Interest bearing loans with 13% interest per annum; 1 to 2 years remaining terms; unsecured with no impairment
Accounts receivable	314,505	307,352	Non-interest bearing; due and demandable
Accrued interest receivable	40,236	69,280	Accrual of interest income on loans with 13.00% interest per annum
Due from related parties	(14,647,762)	6,839,725	Non-interest bearing advances; due and demandable; unsecured with no impairment
Interest income	629,701	–	Accrual of interest income on loans with 6.00% interest per annum
Rent expense	220,000	–	Rent incurred on the Company's office space

20. Commitment and Contingencies

In the ordinary course of business, the Company may incur contingent liabilities arising from normal litigations for and against customers which are not reflected in the accompanying financial statements. The Company has assessed that the impact of any contingent liability will not be material to the financial statements.

As of December 31, 2014 and 2013, the Company is neither involved in any litigations nor a contingent liability arising from such.

21. Non-cash Activities

The following is the summary of certain non-cash activities that relate to the analysis of the statements of cash flows in 2014 and 2013:

	2014	2013
Reclassification of investment property to property and equipment	**₱15,210,539**	₱–
Settlement of escrow funds	**10,372,143**	10,372,143
Additions to investment properties in settlement of loans	**–**	21,331,049
Application of deposit for future subscription into paid and issued common and preferred stocks	**–**	6,745,391

22. Approval of the Release of the Financial Statements

The accompanying financial statements were authorized for issue by the President of the Company based on the authority given by the BOD on June 15, 2015.

23. Report on the Supplementary Information Required Under Revenue Regulations (RR) 15-2010

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued RR No. 15-2010 to amend certain provisions of RR 21-2002 which provides that starting 2010 the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The Company reported and/or paid the following types of taxes in 2014:

Taxes and Licenses
This includes all other taxes, local and national, including real estate taxes, licenses and permit fees lodged under the 'Taxes and licenses' account of the Company's statement of comprehensive income. Details in 2014 consist of the following:

Documentary stamp taxes	₱706,719
Gross receipt tax	688,192
License and permits fees	50,758
Others	240
	₱1,445,909

Withholding Taxes
Details of total remittances in 2014 and balances as of December 31, 2014 follow:

	Total Remittances	Balance
Withholding taxes on compensation and benefits	₱5,980	₱433
Expanded withholding taxes	127,366	3,995
	₱133,346	₱4,428

Tax Assessments and Cases
The Company has no tax cases, litigation and/or prosecution in court or bodies outside the BIR.

SCHEDULE I
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

		2014	2013
LIQUIDITY (%)			
Liquid to total assets	Liquid Assets	**₱207,062,471**	₱156,563,057
	Total Assets	**₱244,410,183**	₱200,309,806
		84.75%	78.16%
SOLVENCY RATIOS			
Debt-to-equity ratio	Total Debt	**₱181,299,897**	₱143,240,301
	Total Equity	**₱63,110,286**	₱57,069,505
		287.27%	250.99%
Asset-to-equity ratio	Total Assets	**₱244,410,183**	₱200,309,806
	Total Equity	**₱63,110,286**	₱57,069,505
		387.27%	350.99%
PROFITABILITY (%)			
Return on assets	Net Income	**₱3,587,349**	₱5,652,448
	Average Total Assets	**₱3,587,349**	₱174,588,429
		1.61%	3.24%
Return on equity	Net Income	**₱3,587,349**	₱5,652,448
	Average Total Equity	**₱60,089,895**	₱41,009,961
		5.97%	13.78%
Cost to income ratio	Total Operating Expenses before Credit Losses	**₱6,366,161**	₱5,523,417
	Total Operating Income	**₱10,284,242**	₱11,481,566
		61.90%	48.11%

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INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors
SEDPI Development Finance, Inc.
Unit 303, Loyola Heights Condominium
23 Dela Rosa Street. Loyola Heights
Quezon City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of SEDPI Development Finance, Inc. (the Company) as at December 31, 2014 and 2013 and have issued our report thereon dated June 15, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of all effective Philippine Financial Reporting Standards (PFRS) effective as at December 31, 2014 is the responsibility of the Bank's management. This schedule is presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), 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 state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Josephine Adrienne A. Abarca
Partner
CPA Certificate No. 92126
SEC Accreditation No. 0466-AR-2 (Group A),
February 4, 2013, valid until February 3, 2016
Tax Identification No. 163-257-145
BIR Accreditation No. 08-001998-61-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751251, January 5, 2015, Makati City

June 15, 2015

SEDPI DEVELOPMENT FINANCE, INC.
SCHEDULE OF ALL PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRSs) [WHICH CONSISTS OF PFRSs, PHILIPPINE ACCOUNTING STANDARDS (PASs) AND PHILIPPINE INTERPRETATIONS] EFFECTIVE AS OF DECEMBER 31, 2014 UNLESS OTHERWISE INDICATED.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable	Not Early Adopted
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			✓	
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓	
PFRS 2	Share-based Payment			✓	
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓	
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓	
	Amendment to PFRS 2: Definition of Vesting Condition			✓	
PFRS 3 (Revised)	Business Combinations			✓	
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓	
	Amendment to PFRS 3: Scope Exceptions for Joint 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			✓	
	Amendment to PFRS 5: Changes in methods of				✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	disposal				
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓	
PFRS 7	Financial Instruments: Disclosures	✓			
	Amendments to PFRS 7: Transition			✓	
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓	
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓	
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓			
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓	
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities			✓	
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures				✓
	Amendments to PFRS 7: Additional Hedge Accounting Disclosures (and consequential amendments) Resulting From the Introduction of the Hedge Accounting Chapter in PFRS 9				✓
	Amendments to PFRS 7: Servicing Contracts and Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓	
PFRS 8	Operating Segments			✓	
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets				✓
	Amendment to PFRS 8: Aggregation of segments, reconciliation of the total of the reportable segments' assets to the entity's assets				✓
PFRS 9	Financial Instruments				✓
	Financial Instruments: Classification and Measurement of Financial Assets				✓
	Financial Instruments: Classification and Measurement of Financial Liabilities				✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures				✓
	Reissue to Incorporate a Hedge Accounting Chapter and Permit Early Application of the Requirements for Presenting in Other Comprehensive Income the "Own Credit" Gains or Losses on Financial Liabilities Designated under the Fair Value Option without Early Applying the Other Requirements of PFRS 9				✓
	Financial Instruments (final version), incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition				✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PFRS 10	Consolidated Financial Statements			✓	
	Amendments to PFRS 10: Transition Guidance			✓	
	Amendments to PFRS 10: Investment Entities			✓	
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture				✓
PFRS 11	Joint Arrangements			✓	
	Amendments to PFRS 11: Transition Guidance			✓	
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations				✓
PFRS 12	Disclosure of Interests in Other Entities			✓	
	Amendments to PFRS 12: Transition Guidance			✓	
	Amendments to PFRS 12: Investment Entities			✓	
PFRS 13	Fair Value Measurement	✓			
	Amendment to PFRS 13: Short-term Receivables and Payables				✓
	Amendment to PFRS 13: Portfolio Exception				✓
PFRS 14	Regulatory Deferral Accounts				✓
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	✓			
	Amendment to PAS 1: 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 Balance Sheet Date	✓			
PAS 11	Construction Contracts			✓	
PAS 12	Income Taxes	✓			
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓	
PAS 16	Property, Plant and Equipment	✓			
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation on Revaluation				✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization				✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants				✓
PAS 17	Leases	✓			
PAS 18	Revenue	✓			
PAS 19	Employee Benefits	✓			
	Amendments to PAS 19: Employee Benefits			✓	
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓	
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution				✓
	Amendments to PAS 19: Discount Rate: Regional Market Issue				✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓	
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓			
	Amendment: Net Investment in a Foreign Operation				✓
PAS 23 (Revised)	Borrowing Costs			✓	
PAS 24 (Revised)	Related Party Disclosures	✓			
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓	
PAS 27	Consolidated and Separate Financial Statements			✓	
PAS 27 (Amended)	Separate Financial Statements			✓	
	Amendments for investment entities			✓	
	Amendments to PAS 27: Equity Method in Separate Financial Statements				✓
PAS 28 (Amended)	Investments in Associates	✓			
	Investments in Associates and Joint Ventures			✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓	
PAS 31	Interests in Joint Ventures (Replaced by PFRS 11)			✓	
PAS 32	Financial Instruments: Disclosure and Presentation	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓	
	Amendment to PAS 32: Classification of Rights Issues			✓	
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓	
PAS 33	Earnings per Share			✓	
PAS 34	Interim Financial Reporting			✓	
	Amendment to PAS 34: Disclosure of information ‘Elsewhere in the Interim financial report’				✓
PAS 36	Impairment of Assets	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓			
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓			
PAS 38	Intangible Assets	✓			
	Amendments to PAS 38 : Proportionate Restatement of Accumulated Depreciation on Revaluation			✓	
	Amendments to PAS 38 : Revaluation Method - Proportionate Restatement of Accumulated Amortization				✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization				✓
PAS 39	Financial Instruments: Recognition and Measurement	✓			
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓			
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓	
	Amendments to PAS 39: The Fair Value Option	✓			
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓	
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓	
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓	
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓	
	Amendment to PAS 39: Eligible Hedged Items			✓	
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓	
PAS 40	Investment Property	✓			
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner–Occupied Property				✓
PAS 41	Agriculture			✓	
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants			✓	
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			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable	Not Early Adopted
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 9	Reassessment of Embedded Derivatives			✓	
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓	
IFRIC 10	Interim Financial Reporting and Impairment			✓	
IFRIC 12	Service Concession Arrangements			✓	
IFRIC 13	Customer Loyalty Programmes			✓	
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓	
	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-15	Operating Leases - Incentives			✓	
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓	
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓	
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓	
SIC-29	Service Concession Arrangements: Disclosures.			✓	
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓	
SIC-32	Intangible Assets - Web Site Costs			✓	