



**SINOPHIL  
CORPORATION**

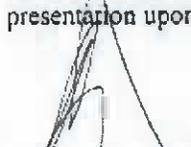
**SECURITIES AND EXCHANGE COMMISSION**  
SEC Building, FDSA Greenhills  
Mandaluyong City, Metro Manila

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

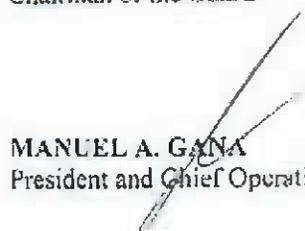
The management of Sinophil Corporation and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2013 and 2012, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

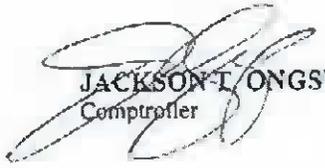
SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon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



**WILLY N. OCIER**  
Chairman of the Board



**MANUEL A. GANA**  
President and Chief Operating Officer



**JACKSON T. ONGSIP**  
Comptroller

MAKATI CITY

SUBSCRIBED AND SWORN to before me this Friday of February 25 2014 affiants exhibiting to me their Community Tax Certificates and Tax Identification Numbers, as follows:

NAME	COMMUNITY TAX CERTIFICATE NUMBER/ TAX IDENTIFICATION NUMBER	DATE OF ISSUE	PLACE OF ISSUE
Willy N. Ocier	CTC#00001052 TIN 101-934-954	January 31, 2014	Manila
Manuel A. Gana	CTC#34219223 TIN 906-105-409	January 13, 2014	Manila
Jackson T. Ongsip	CTC#34219216 TIN 178-486-617	January 10, 2014	Manila
Arthur A. Sy	CTC#10853934 TIN 174-674-196	January 08, 2014	Makati City

DOC NO. : 98  
PAGE NO. : 21  
BOOK NO. : VII  
SERIES OF : 2014

  
**WEYER T. BORDEOS**  
Notary Public  
Commission Expires December 31, 2014  
Roll No. 41934  
R. No. 4236044; 01/09/14; Makati City  
RN 07903; 01/08/09; Albay

## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Sinophil Corporation  
5th Floor, Tower A  
Two E-Com Center, Palm Coast Avenue  
Mall of Asia Complex, CBP-1A, Pasay City

We have audited the accompanying consolidated financial statements of Sinophil Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

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

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

### *Auditors' Responsibility*

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

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

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



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sinophil Corporation and Subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

*Clairma T. Mangangay*

Clairma T. Mangangay

Partner

CPA Certificate No. 86898

SEC Accreditation No. 0779-AR-1 (Group A),  
February 2, 2012, valid until February 1, 2015

Tax Identification No. 129-434-867

BIR Accreditation No. 08-001998-67-2012,

April 11, 2012, valid until April 10, 2015  
PTR No. 4225188, January 2, 2014, Makati City

March 11, 2014



**SINOPHIL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2013	2012
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash in bank (Note 17)	P925,039	P789,884
Receivables and others (Notes 2, 8, 15 and 17)	26,201,799	30,036,723
Other asset (Note 15)	65,501,280	-
Total Current Assets	92,628,118	30,826,607
<b>Noncurrent Assets</b>		
Available-for-sale financial assets (Notes 2, 9, 15 and 17)	1,580,820,800	1,601,621,537
Investment properties (Notes 10)	394,210,452	394,210,452
Total Noncurrent Assets	1,975,031,252	1,995,831,989
	<b>P2,067,659,370</b>	<b>P2,026,658,596</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accrued expenses and other current liabilities (Notes 11 and 17)	P53,321,503	P53,367,070
Income tax payable (Note 14)	-	2,854,689
Total Current Liabilities	53,321,503	56,221,759
<b>Noncurrent Liability</b>		
Due to Belle Corporation (Note 15)	179,011,579	105,650,145
<b>Equity</b>		
Capital stock (Notes 2, 12 and 17)	7,927,310,000	7,927,310,000
Additional paid-in capital (Notes 2 and 17)	2,039,727,799	2,039,727,799
Subscription receivable (Notes 12 and 17)	(4,962,580,586)	(4,962,655,586)
Cost of Parent Company shares held by a subsidiary (Note 12)	(512,594,197)	(512,594,197)
Other reserves (Notes 2 and 9)	315,951,765	336,752,502
Deficit (Note 17)	(2,972,488,493)	(2,963,753,826)
Net Equity	1,835,326,288	1,864,786,692
	<b>P2,067,659,370</b>	<b>P2,026,658,596</b>

*See accompanying Notes to Consolidated Financial Statements.*



**SINOPHIL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2013	2012	2011
<b>INCOME</b>			
Interest income from cash in bank	P1,043	P1,160	P615
Gain on liquidating dividend (Note 9)	-	33,324,175	-
	<u>1,043</u>	<u>33,325,335</u>	<u>615</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)</b>	(8,735,710)	(6,913,678)	(6,437,543)
<b>PROVISION FOR IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 9)</b>	-	(1,585,088,316)	(240,000)
<b>LOSS BEFORE INCOME TAX</b>	(8,734,667)	(1,558,676,659)	(6,676,928)
<b>PROVISION FOR CURRENT INCOME TAX (Note 14)</b>	-	9,376,689	-
<b>NET LOSS</b>	(8,734,667)	(1,568,053,348)	(6,676,928)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Mark-to-market gains (losses) on available-for-sale financial assets during the year (Note 9)	(20,800,737)	94,833,460	27,937,804
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<u>(P29,535,404)</u>	<u>(P1,473,219,888)</u>	<u>(P21,260,876)</u>
<b>Basic/Diluted Loss Per Common Share (Note 16)</b>	<u>(P0.00112)</u>	<u>(P0.20179)</u>	<u>(P0.00086)</u>

*See accompanying Notes to Consolidated Financial Statements.*



**SINOPHIL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Other Reserves										Total
	Capital Stock (Notes 2, 12 and 17)	Additional Paid-in Capital (Notes 2 and 17)	Subscriptions Receivable (Notes 12 and 17)	Cost of Parent Company Shares Held by a Subsidiary (Note 12)	Mark-to-Market Available-for- Sale Financial Assets (Note 9)	Unrealized Gain on Translation Adjustments of an Associate (Notes 2 and 9)	Cumulative			Deficit (Note 17)	
							Share in Cumulative Translation Adjustments of an Associate (Notes 2 and 9)	Share in Cumulative Translation Adjustments of an Associate (Notes 2 and 9)	Share in Cumulative Translation Adjustments of an Associate (Notes 2 and 9)		
Balance at December 31, 2012	P7,927,310,000	P2,039,727,799	(P4,962,655,586)	(P512,594,197)	P395,071,490	(P58,318,988)	(P2,963,753,826)				P1,864,786,692
Net loss	-	-	-	-	-	-	(8,734,667)				(8,734,667)
Other comprehensive loss	-	-	-	-	(20,800,737)	-	(20,800,737)				(20,800,737)
Total comprehensive loss	-	-	-	-	(20,800,737)	-	(20,800,737)				(20,800,737)
Subscriptions collected	-	-	75,000	-	-	-	-				75,000
Balance at December 31, 2013	P7,927,310,000	P2,039,727,799	(P4,962,580,586)	(P512,594,197)	P374,270,753	(P58,318,988)	(P2,972,488,493)				P1,835,226,288
Balance at December 31, 2011	P7,927,310,000	P2,039,727,799	(P4,962,993,086)	(P512,594,197)	P300,238,030	(P58,318,988)	(P1,395,700,478)				P3,337,669,080
Net loss	-	-	-	-	-	-	(1,568,053,348)				(1,568,053,348)
Other comprehensive income	-	-	-	-	94,833,460	-	94,833,460				94,833,460
Total comprehensive income (loss)	-	-	-	-	94,833,460	-	(1,568,053,348)				(1,473,219,888)
Subscriptions collected	-	-	337,500	-	-	-	-				337,500
Balance at December 31, 2012	P7,927,310,000	P2,039,727,799	(P4,962,655,586)	(P512,594,197)	P395,071,490	(P58,318,988)	(P2,963,753,826)				P1,864,786,692
Balance at December 31, 2010	P7,927,310,000	P2,039,727,799	(P4,963,068,086)	(P512,594,197)	P272,500,226	(P58,318,988)	(P1,389,023,550)				P3,316,333,204
Net loss	-	-	-	-	-	-	(6,676,928)				(6,676,928)
Other comprehensive income	-	-	-	-	27,937,804	-	27,937,804				27,937,804
Total comprehensive income (loss)	-	-	-	-	27,937,804	-	(6,676,928)				21,260,876
Subscriptions collected	-	-	75,000	-	-	-	-				75,000
Balance at December 31, 2011	P7,927,310,000	P2,039,727,799	(P4,962,993,086)	(P512,594,197)	P300,238,030	(P58,318,988)	(P1,395,700,478)				P3,337,669,080

See accompanying Notes to Consolidated Financial Statements



**SINOPHIL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2013	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax	(P8,734,667)	(P1,558,676,659)	(P6,676,928)
Adjustments for:			
Provisions for impairment of:			
Receivables and others (Notes 8 and 13)	256,937	141,562	244,477
Available-for-sale financial assets (Note 9)	-	1,585,088,316	240,000
Interest income from cash in bank	(1,043)	(1,160)	(615)
Gain on liquidating dividend	-	(33,324,175)	-
Working capital adjustments:			
Decrease in receivables and others	11,438,141	13,078,499	5,720,149
Increase (decrease) in accrued expenses and other current liabilities	(45,567)	248,229	562,324
Income taxes paid	(2,854,689)	(6,522,000)	-
Interest received	1,043	1,160	615
<b>Net cash provided by operating activities</b>	<b>60,155</b>	<b>33,772</b>	<b>90,022</b>
<b>CASH FLOW FROM A FINANCING ACTIVITY</b>			
Collections of subscription receivable (Note 12)	75,000	337,500	75,000
<b>NET INCREASE IN CASH IN BANK</b>	<b>135,155</b>	<b>371,272</b>	<b>165,022</b>
<b>CASH IN BANK AT BEGINNING OF YEAR</b>	<b>789,884</b>	<b>418,612</b>	<b>253,590</b>
<b>CASH IN BANK AT END OF YEAR</b>	<b>P925,039</b>	<b>P789,884</b>	<b>P418,612</b>

*See accompanying Notes to Consolidated Financial Statements.*



**SINOPHIL CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**1. General Information**

Corporate Information

Sinophil Corporation ("Sinophil" or "Parent Company"), incorporated and registered with the Philippine Securities and Exchange Commission (SEC) as Sinophil Exploration Co., Inc. on November 26, 1993, was originally organized with oil and gas exploration and development as its primary purpose and investments and development as among its secondary purposes. On June 3, 1997, the SEC approved Sinophil's application for a change in its primary purpose from oil and gas exploration and development to investment holding and real estate development. Beginning 1998, Sinophil repositioned itself as an investment holding company. The Parent Company, a publicly-listed company traded in the Philippine Stock Exchange (PSE), was 44.1% owned by Belle Corporation ("Belle") and the rest by the public as of December 31, 2012. During 2013, Belle's effective ownership interest in Sinophil increased to 58.1% after acquisition of interests by its wholly owned subsidiaries.

The accompanying consolidated financial statements include the accounts of the Parent Company and Foundation Capital Resources, Inc. (FCRI) and Sinophil Leisure and Resorts Corporation (SLRC), both wholly owned subsidiaries and incorporated in the Philippines. Sinophil and its subsidiaries (collectively referred to as "the Company") have an investment portfolio consisting of interest in gaming and real estate entities.

The registered office address of the Company is 5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP-1A, Pasay City.

Authorization for the Issuance of the Consolidated Financial Statements

The accompanying consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors (BOD) on March 11, 2014.

**2. Share Swap Agreement ("Swap Agreement")**

In 1997, Sinophil together with Belle (then a 32% shareholder) entered into a Swap Agreement with Paxell Limited and Metroplex Berhad (both Malaysian companies, collectively referred to as "Metroplex") whereby Sinophil issued 3,870,000,000 of its common shares in exchange for 46,381,600 shares of Legend International Resort H.K. Limited (LIR-HK), a Hong Kong-based company, which is a subsidiary of Metroplex.

On August 23, 2001, a Memorandum of Agreement (MOA) was entered into by and among Belle, Sinophil, Metroplex and LIR-HK rescinding the Swap Agreement and cancelling all obligations stated therein and reversing all the transactions as well as returning all the objects thereof in the following manner:

- a. Metroplex shall surrender the certificates of Sinophil shares held by them in relation to the Swap Agreement. Belle shall then cause the reduction of the capital stock of Sinophil to the extent constituting the Sinophil shares of stock surrendered by Metroplex and the cancellation and delisting of such shares from the Philippine Stock Exchange (PSE).



b. Sinophil shall surrender the LIR-IK shares back to Metroplex.

In view of such definite plan to rescind the Swap Agreement through the MOA or other means, Sinophil discontinued using the equity method in accounting for its investment in LIR-HK starting from LIR-HK's fiscal year beginning February 1, 1999.

On February 18, 2002, the stockholders approved the cancellation of 3,870,000,000 shares held by Metroplex. However, Metroplex failed to deliver the stock certificates for cancellation covering the 2,000,000,000 shares of their total shareholdings. The Parent Company again presented to its stockholders the reduction of its authorized capital stock to the extent of 1,870,000,000 shares, which were already delivered by Metroplex. On June 3, 2005, the stockholders approved the cancellation and delisting of the 1,870,000,000 shares. On March 28, 2006, the SEC formally approved the Company's application for the capital reduction and cancellation of the 1,870,000,000 Sinophil shares. The application to delist the said shares was also approved by the PSE.

As a result of the cancellation of the shares, investment in LIR-IK was reduced by ₱2,807.8 million in 2006. The corresponding decrease in capital stock and additional paid-in capital, and share in cumulative translation adjustments of an associate amounted to ₱1,870.0 million, ₱1,046.9 million and ₱109.1 million, respectively.

As further discussed in Note 8, in 2007, the Parent Company acquired LIR-HK's loan from Union Bank of the Philippines which was secured by the 1,000,000,000 shares of Sinophil held by Metroplex for a total consideration of ₱81.6 million. Upon acquisition, an application for capital reduction and cancellation of 1,000,000,000 Sinophil shares was filed with the SEC after obtaining stockholders' approval (see Note 12).

On June 24, 2008, upon obtaining the approval of the SEC, the 1,000,000,000 Sinophil shares in the name of Metroplex were cancelled. As a result, investment in LIR-HK was reduced by ₱1,501.5 million in 2008 (see Note 9). The corresponding decrease in capital stock, additional paid-in capital and share in cumulative translation adjustments of an associate amounted to ₱1,000.0 million, ₱559.8 million and ₱58.3 million, respectively (see Note 12). In 2009, the Parent Company applied with the SEC for further decrease of its authorized capital stock for 1,000,000,000 shares. This application was approved on July 9, 2009 by the SEC (see Note 12).

In 2009, Metroplex filed before the Court of Appeals (CA) to review the Order of the SEC denying their petition to nullify the approval of the reduction of the capital stock of the Parent Company. Petition was elevated to the Supreme Court (SC) after the CA sustained the SEC ruling (see Notes 7 and 19).

As at March 11, 2014, the remaining 1,000,000,000 undelivered Sinophil shares were transferred to another entity after the said shares have been foreclosed and successfully auctioned by the creditor of Metroplex. Consequently, the Company recognized full impairment loss amounting to ₱1,501.5 million in the 2012 consolidated statement of comprehensive income equivalent to the remaining book value of its investment in LIR-HK (see Note 9).



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### 3. Basis of Preparation and Consolidation and Statement of Compliance

#### Basis of Preparation

The Company's consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets which are measured at fair value (see Note 9). The consolidated financial statements are presented in Philippine peso, which is the Company's functional and presentation currency, and all values are rounded to the nearest peso, except when otherwise indicated.

#### Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries, FCRI and SLRC (see Note 1).

The subsidiaries are consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies. All intercompany balances, transactions, income and expense and profits and losses from intercompany transactions are eliminated in full upon consolidation.

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### 4. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the following amended Philippine Accounting Standards (PAS), PFRS and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) which were adopted starting January 1, 2013. Except as otherwise indicated, the adoption of the following amended standards did not have any impact on the financial statements of the Company.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments)* - The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Company's financial position or performance.
- PAS 19, *Employee Benefits (Amendment)* - Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk.
- PAS 27, *Separate Financial Statements* (as revised in 2011) - As a consequence of the new PFRS 10, *Consolidated Financial Statements* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities (JCEs), and associates in separate financial statements.



- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011) - As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.
- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments) - The amendment requires an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  - a. The gross amounts of those recognized financial assets and recognized financial liabilities;
  - b. The amounts that are set-off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  - c. The net amounts presented in the statement of financial position;
  - d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
    - Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
    - Amounts related to financial collateral (including cash collateral); and
  - e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendment affects disclosures only and has no impact on the Company's financial position or performance.

- PFRS 10, *Consolidated Financial Statements* - PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standard Industrial Classification (SIC) - 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.
- PFRS 11, *Joint Arrangements* - PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Nonmonetary Contributions by Venturers*. PFRS 11 removed the option to account for JCEs using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.
- PFRS 12, *Disclosure of Interest in Other Entities* - PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). PFRS 12 affects disclosures only and has no impact on the Company's financial position or performance.



- PFRS 13, *Fair Value Measurement* - PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures. As a result of the guidance in PFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The application of PFRS 13 affects disclosures only and has no impact on the Company's financial position or performance.
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* - This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Company.

The *Annual Improvements to PFRS* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Company adopted these amendments for the current year.

- PAS 1, *Presentation of Financial Statements - Clarification of the requirement for comparative information* - These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements.
- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment* - The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise.
- PAS 32, *Tax effect of distribution to holders of equity instruments* - The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*.
- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities* - The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Company's financial position or performance.
- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs* - The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Company as it is not a first-time adopter of PFRS.



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## 5. Future Changes in Accounting Policies

The Company will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its consolidated financial statements.

- Amendments to PFRS 10, PFRS 12 and PAS 27 - *Investment Entities*. These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.
- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments). The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.
- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments) - The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.
- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments) - These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments) - These amendments are effective for annual periods beginning on or after January 1, 2014. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.
- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21) - IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. 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.



- PFRS 9, *Financial Instruments* - PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at FVPL. 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 FVPL. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- 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 Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The Company continues to assess the impact of the above new, amended and improved accounting standards and interpretations effective subsequent to December 31, 2013 on its consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the Company's financial statements when these amendments are adopted.



Annual Improvements to PFRS (2010-2012 cycle)

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

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*. The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014.
- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*. The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39. The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014.
- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*. The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively.
- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*. The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. This amendment is effective for annual periods beginning on or after July 1, 2014.
- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*. The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  - b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.



- PAS 24, *Related Party Disclosures - Key Management Personnel*. The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively.
- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*. The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  - b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

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

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

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

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

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of Effective PFRSs*. The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.
- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*. The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.
- PFRS 13, *Fair Value Measurement - Portfolio Exception*. The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.



- **PAS 40, *Investment Property*.** The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

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## 6. Summary of Significant Accounting Policies

### Cash in bank

Cash in bank earns interest at the prevailing bank deposit rates.

### Financial Assets

***Date of Recognition of Financial Assets.*** The Company recognizes financial assets in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognized on settlement date, i.e., the date that an asset is delivered to or by the Company.

***Initial Recognition of Financial Assets.*** Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss (FVPL), directly attributable transaction costs.

***Categories of Financial Assets.*** Financial assets are classified as financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition and where allowed and appropriate, re-evaluates such classification every financial reporting date.

As at December 31, 2013 and 2012, the Company has no financial assets at FVPL, HTM investments and derivatives designated as hedging instruments.

- **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as financial assets at FVPL or AFS financial assets.

As at December 31, 2013 and 2012, this category includes the Company's cash in bank, receivables and others, except for input VAT and nontrade receivables (see Note 17).

- **AFS Financial Assets**

AFS financial assets are nonderivative financial assets that are designated as available-for-sale or do not qualify to be classified as loans and receivables, financial assets at FVPL or HTM investments. The Company designates financial instruments as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.



As at December 31, 2013 and 2012, this category includes the Company's investments in shares of stock shown under "Available-for-sale financial assets" account in the consolidated statements of financial position (see Note 9).

*Subsequent Measurement.* The subsequent measurement of financial assets depends on their classification as follows:

- **Loans and Receivables**

After initial measurements, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

- **AFS Financial Assets**

After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized as a separate component of other comprehensive income in the consolidated statement of comprehensive income and in the consolidated statement of changes in equity until the investment is derecognized or determined to be impaired, at which time, the cumulative gain or loss previously recorded in equity is recognized in profit or loss in the consolidated statement of comprehensive income.

AFS financial assets in equity instruments that do not have a quoted market price in an active market, or derivatives linked to such equity instruments are measured at cost because its fair value cannot be reliably measured.

For a financial asset reclassified out of the AFS financial assets category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss in the consolidated statement of comprehensive income over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired then the amount recorded in consolidated statement of changes in equity is reclassified to the profit or loss in the consolidated statement of comprehensive income.

Where the Company holds more than one investment in the same security, these are deemed to be disposed of on a moving average basis. Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate. Dividends earned on holding AFS financial assets are recognized in profit or loss in the consolidated statement of comprehensive income when the right to receive payment has been established. The losses arising from impairment of such financial assets are recognized in profit or loss in the consolidated statement of comprehensive income. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from the reporting date.

### Financial Liabilities

*Initial Recognition of Financial Liabilities.* Financial liabilities are recognized initially at fair value of the consideration received which is determined by reference to the transaction price or other market prices, and in the case of other financial liabilities, inclusive of any directly



attributable transaction costs. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities.

*Categories of Financial Liabilities.* Financial liabilities are classified as financial liabilities at FVPL or other financial liabilities which are measured at amortized cost or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition and where allowed and appropriate, re-evaluates such classification every financial reporting date.

As at December 31, 2013 and 2012, the Company has no financial liabilities at FVPL and derivatives designated as hedging instruments.

Other financial liabilities are not held for trading nor designated as at FVPL upon the inception of the liability. This includes liabilities arising from operations such as accrued expenses and other current liabilities, and due to Belle Corporation (see Note 17).

*Subsequent Measurement.* After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process. Other financial liabilities are included in current liabilities if maturity is within 12 months from the reporting date or the Company does not have an unconditional right to defer payment for at least 12 months from the reporting date. Otherwise, these are classified as noncurrent liabilities.

#### Offsetting of Financial Assets and Financial Liabilities

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

#### Determination of Fair Value and Fair Value Hierarchy of Financial Assets and Financial Liabilities

The fair value for financial assets and financial liabilities traded in active markets at each reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For financial assets and financial liabilities where there is no active market, except for investment in unquoted equity securities, fair value is determined by using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis; and options pricing models. In the absence of a reliable basis for determining fair value, investments in unquoted equity securities are carried at cost, net of impairment.



The Company uses the following hierarchy for determining and disclosing the fair value of financial assets and financial liabilities by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Fair value measurement disclosures are presented in Note 17.

#### Amortized Cost of Financial Assets and Financial Liabilities

Amortized cost is computed using the effective interest rate method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

#### "Day 1" Difference

Where the transaction price in a non-active market is different from the fair value of 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 in the consolidated statement of comprehensive income 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 profit or loss in the consolidated 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.

#### Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a 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 has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors 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 a measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults.

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



If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through use of an allowance account and the amount of the loss is recognized in profit or loss in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the effective interest rate of the asset.

The Company provides an allowance for loans and receivables which they deemed to be uncollectible despite the Company's continuous effort to collect such balances from the respective clients. The Company considers those past due receivables as still collectible if they become past due only because of a delay on the fulfillment of certain conditions as agreed in the contract and not due to incapability of the customers to fulfill their obligation.

However, for those receivables associated to pre-terminated contracts, the Company directly writes them off from the account since there is no realistic prospect of future recovery.

If, in a subsequent period, 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 the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

*AFS Financial Assets.* For AFS equity investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income) is removed from other comprehensive income and recognized in the consolidated statement of comprehensive income as part of profit or loss. Impairment losses on equity investments are not reversed through profit or loss in the consolidated statement of comprehensive income. Increases in their fair value after impairment are recognized directly in other comprehensive income in the consolidated statement of comprehensive income.

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

#### Derecognition of Financial Assets and Financial Liabilities

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

- the right to receive cash flows from the asset has expired; or



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

Where the Company has transferred its right 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 of 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 the 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 profit or loss in the consolidated statement of comprehensive income.

#### Investment Property

Investment property, which consists of land, is carried at cost less any impairment in value.

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

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

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy for property, plant and equipment up to the date of change in use.

#### Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that the investment property may be impaired. If any such indication exists or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's



recoverable amount is the higher of an asset's cash-generating unit's fair value less cost to sell or 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. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Any impairment loss is recognized in profit or loss in the consolidated statement of comprehensive income in the expense category consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. 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 had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income either as part of profit or loss for the year or as part of other comprehensive income in the case of asset carried at revalued amount.

#### Equity

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Proceeds and/or fair value of consideration received in excess of par value are recognized as additional paid-in capital.

Deficit represents accumulated net losses.

Subscription receivable represents the unpaid portion of subscription of capital shares by the investors.

The Parent Company shares held by a subsidiary are accounted for as equity instruments which are reacquired and are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized in other reserves.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.



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

*Interest Income.* Interest income is recognized as the interest accrues taking into account the effective yield on the asset.

*Gain on Liquidating Dividend.* Revenue is recognized when the right to receive the payment is established.

#### Expense Recognition

Expenses are recognized when these are incurred.

#### Foreign Currency Transactions and Translation

Transactions denominated in foreign currency are recorded in Philippine peso by applying to the foreign currency amount the exchange rate between the Philippine peso and the foreign currency at the date of transaction. Monetary assets and monetary liabilities denominated in foreign currencies are restated using the closing exchange rate at the reporting date. All differences are taken to net loss in the consolidated statement of comprehensive income with the exception of differences on foreign currency exchange borrowings that provide a hedge against a net investment in a foreign entity. These are recorded as part of other comprehensive income and taken to equity until the disposal of the net investment, at which time they are recognized in net loss in the consolidated statement of comprehensive income. Tax charges and credits attributable to exchange rate differences on those borrowings are also dealt with in equity. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of a foreign operation and translated at the closing exchange rate.

The "Share in cumulative translation adjustments of an associate" account also includes the Company's share in translation adjustments, under the current rate method, on the financial statements of LIR-IHK, before the Company discontinued using the equity method of accounting for its investments in LIR-IHK (see Notes 2 and 9).

#### Income Taxes

*Current Tax.* Current income tax assets and current income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

*Deferred Tax.* Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefit of unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination



and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets are measured at the tax rates that are expected to apply to the year 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 reporting date.

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

*Value-Added Tax (VAT).* Revenues, expenses, assets and liabilities are recognized net of the amount of VAT except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The carrying value of Input VAT is included under "Receivables and others" account in the consolidated statement of financial position.

#### Loss per Share

Loss per share is computed by dividing net loss by the weighted average number of issued and outstanding common shares during the year after deducting treasury shares, if any.

#### Business Segments

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

*Segment Assets and Liabilities.* Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, real estate for sale, club shares, investment properties under construction and property and equipment, net of accumulated depreciation and impairment. Segment liabilities include all operating liabilities and consist principally of accounts payable and other liabilities. Segment assets and liabilities do not include deferred income taxes, investments and advances, and borrowings.



*Inter-segment Transactions.* Segment revenue, segment expenses and segment performance include transfers among business segments. The transfers, if any, are accounted for at competitive market prices charged to unaffiliated customers for similar products. Such transfers are eliminated upon consolidation.

#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and, a reliable estimate can be made of the amount of the obligation. When 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 as part of profit or loss in the consolidated statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, 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 interest expense.

#### Contingencies

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

#### Events after the Reporting Period

Post year-end events that provide additional information about the Company's financial position at the reporting period (adjusting events), if any, are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

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### **7. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment in the future to the carrying amount of the asset or liability affected.

Judgments and estimates are continually evaluated and are based on experience and other factors, including expectations of future events that are to believe to be reasonable under the circumstances.

#### Judgments

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

*Determination of Functional Currency.* Based on the economic substance of the underlying circumstances relevant to the Company, the Company has determined its functional currency to be Philippine peso. It is the currency of the primary economic environment in which the Company operates and the currency that mainly influences the revenues and expenses.



*Determination of Fair Value of Financial Assets Not Quoted in an Active Market.* The Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly accruing market transaction in an arm's-length basis.

The fair values of the Company's investments in unquoted shares cannot be reasonably determined as there is no available reference to its market. There were no recent transactions involving these shares, therefore these investments are carried at cost.

The carrying value of investments in unquoted shares amounted to ₱1,000.0 million as at December 31, 2013 and 2012 (see Note 9).

*Determination of Fair Value of Financial Assets and Financial Liabilities.* PFRS requires certain financial assets and liabilities to be carried and disclosed at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Company utilized a different valuation methodology. Any changes in the assumptions could affect the fair value of these financial assets and liabilities.

The fair value of financial assets amounted to ₱1,599.4 million and ₱1,632.1 million as at December 31, 2013 and 2012, respectively. The fair value of financial liabilities amounted to ₱53.2 million and ₱53.3 million as at December 31, 2013 and 2012, respectively (see Note 17).

*Evaluation of Legal Contingencies.* The Company recognizes provision for possible claims when it is determined that an unfavorable outcome is probable and the amount of the claim can be reasonably estimated. The determination of reserves required, if any, is based on analysis of such individual issue, often with the assistance of outside legal counsel. As at March 11, 2014, the Company is involved with the case filed by Metroplex before the SC (see Note 19). In the opinion of management and its legal counsel, the eventual liability, if any, that may result from the outcome of this case will not materially affect the Company's financial position and financial performance.

#### Estimates and Assumptions

The key estimates and assumptions concerning the future and other key 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.

*Determination of Impairment of Receivables.* The Company maintains allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the management on the basis of factors that affect the collectability of the accounts. These factors include, but not limited to, the length of relationship with the customers, the customer's payment behavior and known market factors.

The Company reviews the allowance on a continuous basis. Accounts that are specifically identified to be potentially uncollectible are provided with adequate allowance through charges to income in the form of provision for doubtful accounts. Factors considered in individual assessment are payment history, past due status and term. A provision is also established as a certain percentage of receivables not provided with specific reserves. This percentage is based on a collective assessment of historical collection, changes in counterparty payment terms and other factors that may affect the Company's ability to collect payments.



The amount and timing of recorded provision for doubtful accounts for any period would differ if the Company made different judgments or utilized different estimates. An increase in the Company's allowance for doubtful accounts would increase the recorded general and administrative expenses and decrease its current assets.

No provision for doubtful accounts on receivables was recognized in 2013, 2012 and 2011. Allowance for doubtful accounts amounted to ₱89.0 million as at December 31, 2013 and 2012. The aggregate carrying values of receivables amounted to ₱26.2 million and ₱30.0 million as at December 31, 2013 and 2012, respectively (see Note 8).

*Evaluation of Impairment of AFS Financial Assets.* The Company determines that AFS financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The Company determines that a decline in fair value of greater than 20% of cost is considered to be a significant decline and a decline for a period of more than 12 months is considered to be a prolonged decline. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates, among other factors, the normal volatility in share price for quoted equities. In addition, AFS financial assets are considered impaired when management believes that future cash flows generated from the investment is expected to decline significantly. The Company's management makes significant estimates and assumptions on the future cash flows expected and the appropriate discount rate to determine if impairment exists. Impairment may also be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

Provision for impairment loss on AFS financial assets amounted to nil, ₱1,585.1 million and ₱0.2 million in 2013, 2012 and 2011, respectively. The aggregate carrying values of AFS financial assets amounted to ₱1,580.8 million and ₱1,601.6 million as at December 31, 2013 and 2012, respectively (see Note 9). Allowance for impairment amounted to ₱2,160.0 million as at December 31, 2013 and 2012 (see Note 9).

*Determination of Impairment of Nonfinancial Assets.* The Company assesses whether there are any indicators of impairment for all nonfinancial assets at each reporting date. Investment property is tested for impairment when there are indicators that the carrying amount may not be recoverable. Determining the value of these nonfinancial assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Company to conclude that such nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and performance.

No provision for impairment loss on investment properties and other asset was recognized in 2013, 2012 and 2011. The aggregate carrying value of investment properties and other asset amounted to ₱459.7 million and ₱394.2 million as at December 31, 2013 and 2012, respectively (see Notes 10 and 15).

*Realizability of Input VAT.* The carrying amount of input VAT is reviewed at each reporting date and reduced to the extent that such input VAT will not be realized as there will be no available output VAT to be applied.

The carrying value of input VAT is reduced through the use of an allowance account. The allowance, if any, is established by charges to income in the form of provision for probable loss on input VAT. The amount and timing of recorded expenses for any period would therefore differ



based on the judgment or estimates made. An increase in the allowance for probable loss on input VAT would increase the Company's recorded expenses and decrease current assets.

Input VAT, included under "Receivables and others", was provided with allowance for probable losses amounting to ₱0.3 million, ₱0.1 million and ₱0.2 million in 2013, 2012 and 2011, respectively (see Notes 8 and 13). Allowance for probable loss on input VAT amounted to ₱2.1 million and ₱1.8 million as at December 31, 2013 and 2012, respectively.

*Recognition of Deferred Tax Assets.* Deferred tax assets are recognized for all deductible temporary differences and unused NOLCO to the extent that it is probable that taxable profit will be available against which the deferred tax assets 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.

Unrecognized deferred tax assets amounted to ₱510.1 million and ₱507.8 million as at December 31, 2013 and 2012, respectively (see Note 14).

## 8. Receivables and Others

### Receivables

This account consists of:

	2013	2012
Loan assets (see Note 2)	₱81,627,975	₱81,627,975
Advances to related parties (see Note 15)	17,692,279	29,700,412
Nontrade and others	15,920,525	7,490,379
	115,240,779	118,818,766
Less allowance for doubtful accounts and probable loss	89,038,980	88,782,043
	<u>₱26,201,799</u>	<u>₱30,036,723</u>

Loan assets pertain to the Parent Company's acquisition of I.IR-HK's loan from Union Bank of the Philippines for a total consideration of ₱81.6 million. The loan is secured by 1,000,000,000 Sinophil shares held by Metroplex, which is the subject of the MOA entered into by the Parent Company and Metroplex rescinding the Swap Agreement as discussed in Note 2. The loan asset was fully provided with allowance in prior years.

The terms and conditions of advances to related parties are disclosed in Note 15.

### Others

Others mainly pertain to Input VAT amounting to ₱9.9 million and ₱1.8 million as at December 31, 2013 and 2012, respectively, with allowance for probable loss amounting to ₱2.1 million and ₱1.8 million as at December 31, 2013 and 2012, respectively.

Movement of allowance for doubtful accounts and probable loss is as follows:

	2013	2012
Balance at beginning of year	₱88,782,043	₱88,640,481
Provision (see Note 13)	256,937	141,562
Balance at end of year	<u>₱89,038,980</u>	<u>₱88,782,043</u>



9. AFS Financial Assets

AFS financial assets consist of the following:

	2013	2012
Quoted shares:		
Belle - common shares (see Note 17)	₱490,939,700	₱484,940,437
Golf club shares (see Note 15)	89,800,000	116,600,000
Others	70,000	70,000
	<b>580,809,700</b>	<b>601,610,437</b>
Unquoted shares:		
Belle - preferred shares (see Note 15)	1,000,000,000	1,000,000,000
Others	11,100	11,100
	<b>1,000,011,100</b>	<b>1,000,011,100</b>
	<b>₱1,580,820,800</b>	<b>₱1,601,621,537</b>

Movements of this account are as follows:

	2013	2012
Cost:		
Balance at beginning of year	₱3,366,556,838	₱3,710,619,470
Additions during the year	-	42,851,879
Liquidation of investment in Belle Bay City	-	(386,914,511)
Balance at end of year	<b>3,366,556,838</b>	<b>3,366,556,838</b>
Cumulative unrealized mark-to-market gain (loss) on AFS financial assets:		
Balance at beginning of year	395,071,490	300,238,030
Transfer of unrealized loss to impairment loss	-	83,560,000
Net increase (decrease) during the year	(20,800,737)	11,273,460
Subtotal	(20,800,737)	94,833,460
Balance at end of year	<b>374,270,753</b>	<b>395,071,490</b>
Accumulated impairment loss:		
Balance at beginning of year	(2,160,006,791)	(888,604,844)
Impairment loss during the year (see Note 2)	-	(1,585,088,316)
Liquidation of investment in Belle Bay City	-	313,686,369
Balance at end of year	<b>(2,160,006,791)</b>	<b>(2,160,006,791)</b>
	<b>₱1,580,820,800</b>	<b>₱1,601,621,537</b>

There are no quoted market prices for the unlisted shares of stock and there are no other reliable sources of their fair values, therefore, these are carried at cost, net of any impairment loss.

**Belle**

The investment in common shares of Belle is carried at market value.

The Company's investment in preferred shares is entitled to 9.75% cumulative dividend per annum. This investment and its accumulated unpaid dividend are the subjects of a settlement agreement entered into between Sinophil and Belle on August 28, 2009 (see Note 15).

In 2012, the Company received Belle shares as settlement for the Company's advances to Belle amounting to ₱42.8 million.



#### Golf Club Shares

In accordance with the Settlement Agreement executed between Sinophil and Belle in 1997, Sinophil received 220 shares Tagaytay Midland Golf Club, Inc. ("TMGCI") (see Note 15). In 2012, Sinophil recognized provision for impairment on the club shares amounting to ₱83.6 million in the consolidated statement of comprehensive income.

#### Belle Bay City

Belle Bay City's major development project is a 19-hectare mixed-use real estate development along Roxas Boulevard, on a reclaimed land along Manila Bay. On June 27, 2003, the BOD of Belle Bay City approved the resolution to amend its articles of incorporation to shorten the corporate term from 50 years to end on January 31, 2004. The stockholders of Belle Bay City ratified the resolution on July 10, 2003. On January 27, 2005, the SEC approved the application for dissolution of Belle Bay City.

In November 2012, the Company received land with an area of 4,348 square meters from Belle Bay City as liquidating dividend. The receipt of the land from Belle Bay City resulted in the cancellation of the Company's net investments in Belle Bay City amounting to ₱73.2 million as well as its advances amounting to ₱2.2 million. As a result of the liquidation of its investments in and advances to Belle Bay City, the Company received a land amounting to ₱108.7 million, presented under "Investment properties" account in the consolidated statement of financial position (see Note 10) and recognized in the consolidated statement of comprehensive income a gain on liquidating dividend amounting to ₱33.3 million. The liquidating dividend received from Belle Bay City is valued based on determinable fair value at the date of distribution.

#### Merro Manila Turf Club (MMTC)

MMTC (initially 70% and 30%-owned entity of Belle and Sinophil, respectively; 8.75% and 3.75% owned, respectively as at December 31, 2013 and 2012) is involved in the establishment, operation and maintenance of stadium, arenas, tracks, turf and other facilities for the conduct of any and all kinds of sports and games. On July 25, 1994, MMTC was granted a 25-year franchise to construct, operate and maintain a racetrack for horse racing in the city of Caloocan. An amendment to the franchise to operate in the province of Batangas, Cavite, Laguna and Rizal was approved by the Congress of the Philippines on June 9, 1997.

In 2002, because of the continuing losses incurred by MMTC and there being no construction activity in the land where the racetrack of MMTC was to be built, the Company provided an impairment in value of its investment in MMTC amounting to ₱685.1 million.

On October 5, 2006, MMTC, Belle and the Company entered into an agreement with Equitrak Management Corporation (Equitrak), an unrelated party, for the development and operation of MMTC's horse racing franchise. Under the agreement, Equitrak is granted the concession to:

- a. secure the site for the construction of the horse racing complex;
- b. solicit investors for the construction funds necessary for all construction costs; and
- c. participate in the management of MMTC in order to operate the horse racing franchise.

Under the agreement, MMTC will spin-off all of its real estate properties and return the same pro-rata to the Company and Belle. Land received from the spin-off amounting to ₱285.5 million was recorded as part of "Investment Properties" in the consolidated statements of financial position (see Note 10).



Upon fulfillment by Equitrak of its obligations, MMTC shall issue to Equitrak shares equivalent to 20% of its outstanding capital stock. However, the business of development and operations of the horse racing complex did not materialize.

As a result of the foregoing, there are uncertainties that may affect the recoverability of the remaining carrying value of the Company's investment in MMTC. Accordingly, in 2007, the Company provided additional impairment in value amounting to ₱35.8 million, which effectively zeroed out the carrying value of the Company's investment in MMTC.

Belle and Sinophil sold their ownership in MMTC's capital stock totaling to 42.5% and 45%, in 2009 and 2008, respectively, to a group of private investors, thereby reducing Belle and Sinophil's ownership as at December 31, 2009 to 8.75% and 3.75%, respectively.

As a result of the Company's loss of significant influence over MMTC, the investment was reclassified and presented in the consolidated statements of financial position as AFS financial assets effective December 31, 2009.

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#### 10. Investment Properties

This account consists of the land received from the spin-off of the real estate properties of MMTC, a former associate, and the land received from Belle Bay City as liquidating dividend amounting to ₱285.5 million and ₱108.7 million, respectively (see Note 9). The Company adopted the cost model and continues to carry its investment property in the consolidated statements of financial position at cost less any impairment losses.

The aggregate fair value of the investment property amounted to ₱646.3 million as of December 31, 2013 and 2012, respectively. The fair value was arrived at through the use of the "Market Data Approach" as determined by independent professionally qualified appraisers. The fair value represents the amount at which investment property could be exchanged between knowledgeable, willing parties in an arm's-length transaction at the date of valuation.

The Company believes that there were no conditions present after valuation date that would significantly reduce the fair value of the investment properties from previously determined fair values.

Determination of the fair values of investment properties are categorized under Level 2 fair value measurement.

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#### 11. Accrued Expenses and Other Current Liabilities

This account consists of:

	2013	2012
Accrued expenses	₱53,143,407	₱53,271,709
Statutory liabilities	72,223	44,284
Other payables	105,873	51,077
	<u>₱53,321,503</u>	<u>₱53,367,070</u>

Accrued expenses represent mainly accrual for professional fees and other general and administrative expenses. The Company's accrued expenses and other current liabilities are payable on demand.



12. Equity

Preferred Stock

As at December 31, 2013 and 2012, Sinophil has not issued any preferred stock out of the authorized 6,000,000,000 shares with par value of ₱1. Under the provision of the Parent Company's articles of incorporation, the rights and features of the preferred stocks shall be determined through a resolution of the BOD prior to issuance.

Common Stock

	Number of Shares		
	2013	2012	2011
Authorized - ₱1 par value	10,130,000,000	10,130,000,000	10,130,000,000
Issued:			
Balance at beginning of year	3,096,890,785	3,096,440,785	3,096,340,785
Issuance	100,000	450,000	100,000
Balance at end of year	3,096,990,785	3,096,890,785	3,096,440,785
Subscribed	4,830,319,215	4,830,419,215	4,830,869,215
	7,927,310,000	7,927,310,000	7,927,310,000

In 1995, 25,000,000 primary shares of the Company's capital stock were offered and sold to the public at par value. On August 28, 1995, the Company's shares of stock were formally listed in the small board of the PSE.

On September 30, 1996, the SEC approved the increase in the Company's authorized capital stock from ₱1,000.0 million, divided into 100,000,000,000 shares at ₱0.01 par value, to ₱2,000.0 million, divided into 200,000,000,000 shares with the same par value.

On March 10, 1997, the stockholders approved the increase in the Company's authorized capital stock from ₱2,000.0 million, divided into 200,000,000,000 shares at ₱0.01 par value a share, to ₱20,000.0 million, divided into 14,000,000,000 common shares and 6,000,000,000 preferred shares both with par value of ₱1.

On February 18, 2002, the stockholders approved the cancellation of 3,870,000,000 shares held by one of the Parent Company's shareholders, of these shares a total of 2,870,000,000 shares have been cancelled and delisted in 2006 and 2008 (see Note 2).

On March 28, 2006, the SEC approved the reduction of the Company's authorized capital stock by 1,870,000,000 shares to 18,130,000,000 shares divided into 12,130,000,000 common shares and 6,000,000,000 preferred shares (see Note 2).

On June 24, 2008, the SEC formally approved the Company's application for further reduction and cancellation of authorized capital stock by 1,000,000,000 shares resulting in total authorized capital stock of 17,130,000,000 shares divided into 11,130,000,000 common shares and 6,000,000,000 preferred shares (see Note 2).

On July 9, 2009, the SEC approved the Company's application for further reduction of authorized capital stock by 1,000,000,000 shares resulting in total authorized capital stock of 16,130,000,000 shares, divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares (see Note 2).



In 2013, the Company's stockholders approved the amendments to its Articles of Incorporation to reduce the par value of the Company's common and preferred shares from ₱1.00 per share to ₱0.25 per share. Upon approval by the SEC of the Company's quasi-reorganization, the additional paid in capital arising from the reduction in par value will be subsequently applied against the Company's accumulated deficit. As at March 11, 2014, the Company is still in the process of filing appropriate applications with the SEC for quasi-reorganization.

Subscribed Shares

The subscription price of 4,830,319,215 shares amounted to ₱6,637.7 million of which ₱4,962.6 million and ₱4,962.7 million is still uncollected as at December 31, 2013 and 2012, respectively. Subscription receivable becomes due and demandable upon approval of a capital call by the Parent Company's BOD.

Parent Company Shares Held by a Subsidiary

FCRI holds 156,530,000 common shares of the Parent Company with a cost of ₱477.3 million as at December 31, 2013 and 2012. These are presented as "Cost of Parent Company shares held by a subsidiary" and are treated as a reduction in equity.

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**13. General and Administrative Expenses**

This account consists of:

	2013	2012	2011
Taxes and licenses	₱3,061,835	₱2,190,820	₱683,685
Professional fees	2,236,832	2,025,961	3,034,244
Salaries and wages	1,355,472	1,341,485	1,438,462
Association dues	773,943	-	-
Entertainment, amusement and recreation	580,919	574,924	678,369
Insurance	389,855	498,837	201,918
Provision for probable loss on input VAT (see Note 8)	256,937	141,562	244,477
Miscellaneous	79,917	140,089	156,388
	<b>₱8,735,710</b>	<b>₱6,913,678</b>	<b>₱6,437,543</b>

Miscellaneous pertains to office supplies, messengerial and postage services, bank charges and others.

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**14. Income Taxes**

The Company's provision for current income tax amounted to ₱9.4 million in 2012 which includes capital gains tax (CGT) paid by the Company under protest for the transfer of land from Belle Bay City amounting to ₱6.5 million. The payment of CGT was made for the sole purpose of facilitating the prompt transfer of title from Belle Bay City to the Company. The Company believes that the imposition of CGT is improper because the transfer was not made in the ordinary course of business but by operation of law in view of the ongoing liquidation process of Belle Bay City. The Company has no provision for current income tax in 2013 and 2011 since the Company is in a tax loss position and the Company's income items mainly consists of income already subjected to final tax.



The reconciliation of the benefit from income tax computed at statutory income tax rate on loss before income tax to the benefit from income tax as shown in the consolidated statements of comprehensive income is as follows:

	2013	2012	2011
Income tax computed at statutory tax rate	(P2,620,400)	(P467,602,998)	(P2,003,078)
Income tax effect of:			
Change in unrecognized deferred tax assets	2,256,650	470,224,883	234,269
Non-deductible expenses	337,382	6,736,946	348,854
Expired NOLCO	26,681	18,206	1,420,140
Interest subject to final tax	(313)	(348)	(185)
	P-	P9,376,689	P-

The components of the Company's temporary differences and carryforward benefits of NOLCO for which no deferred tax assets were recognized are as follows:

	2013	2012
Allowance for impairment of investments	P1,587,088,316	P1,587,088,316
Allowance for doubtful accounts of receivables and others, excluding allowance for input value-added tax (see Note 8)	86,977,098	86,977,098
Allowance for deferred oil exploration and development costs	18,377,841	18,377,841
NOLCO	7,795,342	273,176
	P1,700,238,597	P1,692,716,431

Deferred tax assets amounting to P510.1 million and P507.8 million as at December 31, 2013 and 2012, respectively, were not recognized since management believes that it has no sufficient taxable income against which the deductible temporary differences and the carryforward benefits of these assets can be utilized in the future.

In 2012, NOLCO that was claimed as deductions from normal taxable income by the Parent Company are as follows:

Year Incurred	Expiry Date	Amount
2009	December 31, 2012	P5,968,650
2010	December 31, 2013	6,312,245
2011	December 31, 2014	5,410,332
		P17,691,227

As at December 31, 2013, the Company has the following NOLCO that can be claimed as deductions from normal taxable income:

Year Incurred	Expiry Date	Amount
2011	December 31, 2014	P104,365
2012	December 31, 2015	79,873
2013	December 31, 2016	7,611,104
		P7,795,342



NOLCO amounting to ₱0.08 million and ₱0.01 million had expired in 2013 and 2012, respectively.

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## 15. Related Party Transactions

Related parties are enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Company, including holding companies, and subsidiaries. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related entities. Transactions between related parties are accounted for at arm's-length prices or on terms similar to those offered to non-related entities in an economically comparable market.

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

### Settlement Agreement with Belle

On October 7, 1997, Sinophil subscribed to 1,000,000,000 preferred shares from Belle at ₱1.00 per share, with a coupon rate of 9.75% per annum (see Note 9). The accrued dividends on the preferred shares from 1997 to 1998 amounting to ₱92.3 million were paid in August 2009. Sinophil is entitled to receive dividend out of the net profit of Belle when and as declared by Belle's BOD. No additional dividends have been declared on the preferred shares after 1998 because of the absence of retained earnings in Belle.

On August 28, 2009, a Settlement Agreement (Agreement) was executed between Belle and Sinophil to settle the unpaid accrued dividends and to eventually cancel the preferred shares, subject to the transfer by Belle to Sinophil: (1) 220 shares in TMGCI and (2) a 235,583 square meters of developed Rancho Montana land located in Tanauan, Batangas, completion of which is expected within five years from the date of the Agreement. The developed Rancho Montana land together with the 220 TMGCI shares shall be transferred to Sinophil at an aggregate value of at least ₱1,092.3 million.

Immediately after the execution of the Agreement, Belle transferred the 220 TMGCI shares and executed a Deed of Assignment over the said TMGCI shares to Sinophil. Sinophil, on the other hand, executed a Release, Waiver and Quitclaim (1) accepting the payment of dividends in the form of 220 shares in TMGCI; (2) renouncing its rights to all past, present and future dividends; (3) agreeing to the revocation of the coupon rate originally provided for the preferred shares; and, (4) agreeing to the cancellation of all its preferred shares in Belle upon receipt of the developed Rancho Montana land.

The TMGCI shares amounting to ₱154.0 million (net of ₱44.0 million decline in fair value as at December 31, 2009) was recorded as "AFS financial assets" in 2009 (see Note 9). The related outstanding payable (after offsetting the outstanding receivable of ₱92.3 million) as at December 31, 2013 and 2012 amounting to ₱105.7 million is presented under "Due to Belle Corporation" account in the consolidated statements of financial position.



Amendment to Settlement Agreement with Belle

On April 5, 2013, an Amendment to the Settlement Agreement was executed between Belle and Sinophil to modify the composition of its settlement offer for the Preferred Shares. The parties have agreed on the following amendments:

- (1) replacement of the real estate component of the settlement agreement. In lieu of the delivery of 220 saleable lots in Rancho Montana, Belle undertakes to (a) to pay on or before August 28, 2014, approximately P100.0 million of the Preferred Obligation by way of:
  - (i) delivery of developed lots within the Tagaytay Highlands-Midlands Complex, with an aggregate valuation of approximately P75.0 million inclusive of 12% VAT and registration costs.
  - (ii) payment of all costs and expenses estimated at approximately P25.0 million for the conversion and titling of Sinophil's properties located at or near Rancho Montana totaling 36 hectares; (b) delivery on or before August 28, 2019, such number of developed lots in Rancho Montana having an aggregate value of approximately P794.0 million based on agreed valuation of P8,000.00 per square meter, exclusive of VAT.
- (2) modification of penalty for delay in delivery of Rancho Montana lots.

In March 2013, Belle delivered developed lots with estimated value of P65.5 million recognized as "Other Asset" with corresponding "Due to Belle Corporation" in the 2013 consolidated statement of financial position pending transfer of title of the developed lots to the parent company.

Under the Settlement Agreement, the cancellation of the preferred shares shall be effective only upon completion of the transfer of the title of the developed properties to Sinophil.

Other Transactions with Related Parties

In the ordinary course of business, the Company has transactions with related parties which consist mainly of extension or availment of noninterest-bearing advances. The outstanding balances at year-end are due and demandable. There have been no guarantees provided or received for any related party receivables or payables.

The amounts included in these transactions are as follows:

Related Party	Relationship	Transaction		Transaction Amounts	Outstanding Balance	Terms	Condition
Belle	Stockholder	Advances to related party	2013	(P12,008,133)	P16,925,395	Non-interest bearing, due and demandable	Unsecured, no impairment
			2012	(20,170,318)	28,933,528	Non-interest bearing, due and demandable	Unsecured, no impairment
		Partial redemption of preferred shares	2013	73,361,434	179,011,570	Non-interest bearing, due and demandable	Unsecured
			2012	-	105,650,145	Non-interest bearing, due and demandable	Unsecured
Parallax	Stockholder	Advances to related party	2013	-	766,884	Non-interest bearing, due and demandable	Unsecured, no impairment
			2012	766,884	766,884	Non-interest bearing, due and demandable	Unsecured, no impairment



Related Party	Relationship	Transaction		Transaction Amounts	Outstanding Balance	Terms	Condition
Belle Bay City	Investor	Advances to related party	2013	-	-		Fully settled
			2012	(P1,958,015)	-	Non-interest bearing, due and demandable	Unsecured, no impairment
Officers	Key management personnel	Salaries and wages	2013	P1,341,485	P-		
			2012	P1,341,485	P-		

#### 16. Basic/Diluted Loss Per Common Share Computation

	2013	2012	2011
Net loss (a)	P8,734,667	P1,568,053,348	P6,676,928
Weighted average common shares (b)	7,770,780,000	7,770,780,000	7,770,780,000
Loss per common share (a/b)	P0.00112	P0.20179	P0.00086

#### 17. Financial Assets and Financial Liabilities

##### Financial Risk Management Objectives and Policies and Capital Management

The Company's principal financial instruments comprise cash in bank, receivables and AFS financial assets. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has other financial liabilities such as accrued expenses and other current liabilities which arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and equity price risk. The Company is not exposed to any other type of market risk, such as foreign currency risk and interest rate risk, as the Company has no outstanding foreign currency-denominated accounts and interest-bearing other financial liabilities as at December 31, 2013 and 2012.

The BOD reviews and approves the policies for managing credit, liquidity and equity price risks and they are summarized below:

*Credit Risk.* Credit risk is the risk that the Company will incur a loss because its counterparties failed to discharge their contractual obligations. Credit risk arises from the Company's financial assets which are composed of cash in bank, receivables and others and AFS financial assets.

It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company's credit risk is concentrated on Belle, a stockholder, of which outstanding balance covers at least 96% and 56% of the Company's total receivables as at December 31, 2013 and 2012, respectively.



The table below shows the maximum exposure to credit risk for the Company's financial assets, without taking into account of any collateral and other credit enhancements:

	Gross Maximum Exposure		Net Maximum Exposure	
	2013	2012	2013	2012
Cash in bank	P925,039	P789,884	P925,039	P789,884
Receivables and others*	17,715,534	29,723,667	17,715,534	29,723,667
AFS financial assets	1,580,820,800	1,601,621,537	1,580,820,800	1,601,621,537
	<b>P1,599,461,373</b>	<b>P1,632,135,088</b>	<b>P1,599,461,373</b>	<b>P1,632,135,088</b>

\*This excludes prepayments and input vat amounting to P8,486,263 and P313,056 as at December 31, 2013 and 2012, respectively

The table below shows the aging analysis of the Company's financial assets.

	2013							Total
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired		
		Less than 30 days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years			
Cash in bank	P925,039	P-	P-	P-	P-	P-	P925,039	
Receivables and others:								
Loan assets	-	-	-	-	-	81,627,975	81,627,975	
Advances to related parties	17,692,279	-	-	-	-	-	17,692,279	
Nontrade and others*	-	-	-	-	23,255	7,411,005	7,434,260	
AFS financial assets	1,580,820,800	-	-	-	-	2,160,006,791	3,740,827,591	
	<b>P1,599,438,118</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P23,255</b>	<b>P2,249,045,771</b>	<b>P3,848,507,144</b>	

\*This excludes prepayments and input vat amounting to P8,486,263 as at December 31, 2013

	2012							Total
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired		
		Less than 30 days	30 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years			
Cash in bank	P789,884	P-	P-	P-	P-	P-	P789,884	
Receivables and others:								
Loan assets	-	-	-	-	-	81,627,975	81,627,975	
Advances to related parties	29,700,412	-	-	-	-	-	29,700,412	
Nontrade and others*	-	-	-	-	23,255	7,154,068	7,177,323	
AFS financial assets	1,601,621,537	-	-	-	-	2,160,006,791	3,761,628,328	
	<b>P1,632,111,833</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P23,255</b>	<b>P2,248,788,834</b>	<b>P3,880,923,922</b>	

\*This excludes prepayments amounting to P313,056 as at December 31, 2012

The table below shows the credit quality of the Company's financial assets that are neither past due nor impaired based on historical experience with the corresponding third parties.

	2013			Total
	High Grade	Medium Grade	Unrated	
Cash in bank	P925,039	P-	P-	P925,039
Receivables and others -				
Advances to related parties	17,692,279	-	-	17,692,279
AFS financial assets	1,490,939,700	89,800,000	81,100	1,580,820,800
	<b>P1,509,557,018</b>	<b>P89,800,000</b>	<b>P81,100</b>	<b>P1,599,438,118</b>



	2012			
	High Grade	Medium Grade	Unrated	Total
Cash in bank	P789,884	P-	P-	P789,884
Receivables and others - Advances to related parties	29,700,412	-	-	29,700,412
AFS financial assets	1,484,940,437	116,600,000	81,100	1,601,621,537
	P1,515,430,733	P116,600,000	P81,100	P1,632,111,833

High grade financial assets pertain to those receivables from related parties or customers that consistently pay on or before the maturity date while medium grade includes those financial assets being collected on due dates with an effort of collection.

The Company assessed its cash in bank as high grade since this is deposited with reputable banks.

Unquoted AFS financial assets in Belle preferred shares is considered as high grade. Quoted AFS financial assets are assessed based on financial status of the counterparty and its current stock price performance in the market. High grade AFS financial assets consistently show increasing stock prices while medium grade AFS financial assets show decline in value of not more than 20%.

*Liquidity Risk.* Liquidity risk arises from the possibility that the Company may encounter difficulties in meeting obligations associated with its accrued expenses and other current liabilities.

The Company seeks to manage its liquidity profile to be able to finance its investments and pay its outstanding liabilities. To cover its financing requirements, the Company uses internally generated funds.

*Equity Price Risk.* Equity price risk is the risk that the fair value of quoted AFS financial assets decreases as the result of changes in the value of individual stocks. The Company's exposure to equity price risk relates primarily to the Company's quoted AFS financial assets.

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Company's equity. The impact on the Company's of equity already excludes the impact on transactions affecting the consolidated profit or loss before income tax.

	2013		2012	
	Increase in Equity Price	Decrease in Equity Price	Increase in Equity Price	Decrease in Equity Price
Percentage increase (decrease) in equity price	3.65%	(3.65%)	0.39%	(0.39%)
Effect on equity	P2,153,582	(P2,153,582)	P230,741	(P230,741)

#### Capital Management

The primary objective of the Company's capital management is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.



The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes in 2013 and 2012.

The Company considers the following as its capital.

	2013	2012
Capital stock	P7,927,310,000	P7,927,310,000
Additional paid-in capital	2,039,727,799	2,039,727,799
Subscriptions receivable	(4,962,580,586)	(4,962,655,586)
Deficit	(2,972,488,493)	(2,963,753,826)
	<b>P2,031,968,720</b>	<b>P2,040,628,387</b>

#### Fair Value of Financial Assets and Financial Liabilities

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's-length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The carrying values of cash in bank, receivables and others (excluding prepayments and input VAT), and accrued expenses and other current liabilities (excluding statutory liabilities) approximate their fair values due to the short-term nature of the transactions.

The fair values of AFS financial assets in quoted equity shares are based on quoted prices in the PSE or those shares whose prices are readily available from brokers or other regulatory agency as at reporting date. There are no quoted market prices for the unlisted shares of stock and there are no other reliable sources of their fair values, therefore, these are carried at cost, net of any impairment loss.

The following table provides the quantitative disclosures of fair value measurement hierarchy of the Company's assets and liabilities, other than those with carrying amounts that are reasonable approximation of fair value, as of December 31, 2013:

Fair Value Measurement Using					
	Date of Valuation	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets</b>					
Assets measured at fair value					
AFS investments - listed	December 31, 2013	P490,939,700	P-	P-	P490,939,700
<b>Liabilities</b>					
Liabilities for which fair value is disclosed:					
Payable arising from acquisition of land	December 31, 2013	-	179,011,579	-	179,011,579

The Company has no financial liabilities measured at fair value as at December 31, 2013 and 2012. There were no transfers between fair value measurements in 2013 and 2012.



## 18. Segment Information

The primary segment reporting format is presented based on business segments in which the Company's risks and rates of return are affected predominantly by differences in the products and services provided. Thus, the operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Company is organized into three business segments, which are investment holding, real estate and public amusement recreation.

Financial information about the Company's business segments are shown below:

2013					
	Investment Holding	Real Estate	Public Amusement and Recreation	Eliminations/ Adjustments	Consolidated
<b>Earnings Information</b>					
Gain on liquidating dividend	P-	P-	P-	P-	P-
Interest income	1,043	-	-	-	1,043
Costs and expenses	(8,590,138)	(20,845)	(124,727)	-	(8,735,710)
Net loss for the year	(8,589,095)	(20,845)	(124,727)	-	(8,734,667)
<b>Other Information</b>					
AFS financial assets	1,713,501,913	42,263,100	11,768,917	(186,713,130)	1,580,820,800
Segment assets	469,146,291	766,884	19,086,544	(2,161,149)	486,838,570
Segment liabilities	347,293,210	513,643,369	1,028,510	(629,632,007)	232,333,082
Consolidated total assets	2,182,648,204	43,029,984	30,855,461	(188,874,279)	2,067,659,370
Consolidated total liabilities	347,293,210	513,643,369	1,028,510	(629,632,007)	232,333,082
2012					
	Investment Holding	Real Estate	Public Amusement and Recreation	Eliminations/ Adjustments	Consolidated
<b>Earnings Information</b>					
Gain on liquidating dividend	P33,324,175	P-	P-	P-	P33,324,175
Interest income	1,160	-	-	-	1,160
Costs and expenses	(6,827,962)	(47,295)	(38,421)	-	(6,913,678)
Provision for impairment of AFS financial assets	(1,643,407,304)	-	-	58,318,988	(1,585,088,316)
Net loss for the year	(1,616,909,931)	(47,295)	(38,421)	58,318,988	(1,558,676,659)
<b>Other Information</b>					
AFS financial assets	P1,734,261,804	P48,524,300	P1,946,523	(P183,111,090)	P1,601,621,537
Segment assets	395,336,647	766,884	29,033,664	(100,136)	425,037,059
Segment liabilities	264,928,625	513,622,522	1,028,510	(617,707,753)	161,871,904
Consolidated total assets	2,129,598,451	49,291,184	30,980,187	(183,211,226)	2,026,658,596
Consolidated total liabilities	264,928,625	513,622,522	1,028,510	(617,707,753)	161,871,904
2011					
	Investment Holding	Real Estate	Public Amusement and Recreation	Eliminations/ Adjustments	Consolidated
<b>Earnings Information</b>					
Interest income	P615	P-	P-	P-	P615
Costs and expenses	(6,327,406)	(72,125)	(38,012)	-	(6,437,543)
Provision for impairment of advances to subsidiaries	(16,584,011)	-	-	16,584,011	-
Provision for impairment of AFS financial assets	(240,000)	-	-	-	(240,000)
Net loss for the year	(23,150,802)	(72,125)	(38,012)	16,584,011	(6,676,928)



	2011				Consolidated
	Investment Holding	Real Estate	Public Amusement and Recreation	Eliminations/ Adjustments	
<b>Other Information</b>					
AFS financial assets	3,313,164,615	53,220,200	1,946,524	(246,078,683)	3,122,252,656
Segment assets	344,346,441	766,834	29,072,085	-	374,185,410
Segment liabilities	261,725,572	513,575,227	1,028,510	(617,560,323)	158,768,986
Consolidated total assets	3,657,511,056	53,987,034	31,018,609	(246,078,683)	3,496,438,066
Consolidated total liabilities	261,725,572	513,575,227	1,028,510	(617,560,323)	158,768,986

The following illustrate the reconciliations of reportable segment revenues, net profit, assets and liabilities to the Company's corresponding amounts:

	2013	2012	2011
<b>Net Profit for the Year</b>			
Total profit for reportable segments	(P8,735,710)	(P1,616,995,647)	(P6,676,928)
Elimination for intercompany profits	-	58,318,988	-
<b>Consolidated net profit</b>	<b>(P8,735,710)</b>	<b>(P1,558,676,659)</b>	<b>(P6,676,928)</b>
<b>Assets</b>			
Total assets for reportable segments	P488,999,719	P425,137,195	P374,185,410
Investments and advances	1,767,533,930	1,784,732,627	3,368,331,339
Elimination for intercompany advances and investments	(188,874,279)	(183,211,226)	(246,078,683)
<b>Consolidated assets</b>	<b>P2,067,659,370</b>	<b>P2,026,658,596</b>	<b>P3,496,438,066</b>

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with net income or loss in the consolidated financial statements. However, financing (including interest expense and interest income) and income taxes are managed as a whole and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

## 19. Contingency

The Parent Company is a party to a civil case filed by Metroplex before the CA to review the February 26, 2009 Order of the SEC denying the Metroplex petition to nullify the approval of the reduction of the capital stock of the Parent Company (see Notes 2 and 12). The CA sustained the ruling of the SEC, thus Metroplex filed a petition for review with the SC. As at March 11, 2014, the Supreme Court has yet to resolve this petition.

Management and its legal counsel believe that the Parent Company has substantial legal and factual bases for its position and are of the opinion that losses arising from the aforementioned case, if any, will not have a material impact on the Company's consolidated financial statements.



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**20. Supplemental Disclosure of Cash Flow Information**

In 2013, the principal noncash investing activity pertain to Belle's delivery of developed lots to Sinophil with estimated value of ₱65.5 million, exclusive of input value added tax of ₱7.9 million, as partial settlement for the cancellation of preferred shares (see Note 15).

In 2012, the principal noncash investing activities include offsetting of subscription payments for Belle shares against advances to Belle amounting to ₱42.8 million (see Note 9), and receipt of liquidating dividend in the form of land valued at ₱108.7 million (see Note 10).



## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors  
Sinophil Corporation  
5th Floor, Tower A  
Two E-Com Center, Palm Coast Avenue  
Mall of Asia Complex, CBP-1A, Pasay City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Sinophil Corporation and Subsidiaries as at and for each of the three years in the period ended December 31, 2013, included in this Form 17-A, and have issued our report thereon dated March 11, 2014. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Clairma T. Mangangey  
Partner  
CPA Certificate No. 86898  
SEC Accreditation No. 0779-AR-1 (Group A),  
February 2, 2012, valid until February 1, 2015  
Tax Identification No. 129-434-867  
BIR Accreditation No. 08-001998-67-2012,  
April 11, 2012, valid until April 10, 2015  
PTR No. 4225188, January 2, 2014, Makati City

March 11, 2014



**Sinophil Corporation and Subsidiaries**  
**Index to Supplementary Schedules**  
**Form 17-A, Item 7**  
**As at December 31, 2013**

**Supplementary Schedules**

A. Financial Assets

B. Amounts of receivables from Directors, Officers, Employees and Principal Stockholders  
(other than related parties)

C. Amounts of Receivables from Related Parties which are Eliminated during the Consolidation of Financial  
Statements.

D. Intangible Assets - Other Assets

E. Long-term Debt

F. Indebtedness to Related Parties

G. Guarantees of Securities of Other Issuers

H. Capital Stock

I. Reconciliation of Retained Earnings Available for Dividend Declaration

J. Key Financial Ratios

**Sinophil Corporation and Subsidiaries**  
**Schedule A - Financial Assets**  
**As at December 31, 2013**

	Name of Issuing Entity and Association of each use	Amount shown in the Balance Sheet	Income received and accrued
<i>Cash</i>		925,039	1,043
<i>Receivables and others</i>		26,201,799	
<i>AFS Investments</i>			
Equity Investments	Legend International Resorts H.K.	-	-
Equity Investments	Belle Corporation (Preferred Shares)	1,000,000,000	-
Equity Investments	Tagaytay Midlands Golf Club	88,800,000	-
Equity Investments	Belle Corporation (Common Shares)	490,939,700	-
Equity Investments	Tagaytay Highlands Int'l Golf Club	1,000,000	-
Equity Investments	Belle Bay City	-	-
Equity Investments	Asian Petroleum	11,100	-
Equity Investments	PLDT	70,000	-
Equity Investments	Metro Manila Turf Club	-	-
		1,580,820,800	-
<b>Total Financial Assets</b>		<b>1,607,947,638</b>	

Sinophil Corporation and Subsidiaries  
 Schedule B - Amounts of Receivables from Directors, Officers and Employees  
 As at December 31, 2013

Name and Designation of the Debtor	Balance at the Beginning of the Year	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at the end of the period
Employees Officers Directors	Not Applicable						

Sinophil Corporation and Subsidiaries  
 Schedule C. Amounts of Receivables from Related Parties  
 As at December 31, 2013

Name of Subsidiary	Balance at January 1, 2013	Additions	Balance as at December 31, 2013	Reclassification	Current	Not current	Amount Eliminated
FCR1	520,149,585	40,845	520,190,431	-	520,190,431	-	520,190,431
SLRC	1,011,510	-	1,211,510	-	1,011,510	-	1,011,510
	521,161,095	40,845	521,201,941	-	521,201,941	-	521,201,941

Sinophil Corporation and Subsidiaries  
Schedule D. Intangible Assets  
As at December 31, 2013

Description	Beginning Balance	Additions at Cost	Charged to cost and expenses	Charged to other Accounts	Other Changes and Additions	Ending Balance
Not Applicable						

**Sinophil Corporation and Subsidiaries**  
**Schedule E. Long Term Debt**  
**As at December 31, 2013**

No of Issue and Type of Obligation	Amount Authorized by Indenture		Balance at December 31, 2012	Current Portion of Long Term Debt		Non Current Portion of Long Term Debt		Interest Rate	Amount and Number of Periodic Payments			Maturity Date
	(In Original Currency)	(In PhP)		(In Original Currency)	(In PhP)	(In Original Currency)	(In PhP)		(In Original Currency)	(Approx in PhP)	Periodic Payments	

Not Applicable

**Sinophil Corporation and Subsidiaries**  
**Schedule F. Indebtedness to Related Parties**  
**As at December 31, 2013**

Name of Related Parties	Balance at the Beginning of the Year Noncurrent	Balance at the End of Period Noncurrent
Belle Corporation	105,650,145	179,011,579
	<u>105,650,145</u>	<u>179,011,579</u>

**Sinophil Corporation and Subsidiaries**  
**Schedule G. Guarantees of Securities of Other Issuers**  
**As at December 31, 2013**

Name of Issuing Entity of Securities Guaranteed by the Company for which this statement is filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which the Statement is Filed	Nature of Guarantee
Not Applicable				

**Sinophil Corporation and Subsidiaries**  
**H. Capital Stocks**  
**As at December 31, 2013**

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Subscribed	Number of Shares reserved for stock rights	Number of Shares Held by Related Parties	Number Directors and Key Executive Officer	Others
Common Stocks	10,130,000,000	3,095,990,785	4,830,319,215		4,763,330,336	60,012	3,163,979,664
Percentage Held					60.088%	0.001%	39.912%
Preferred Shares	5,000,000,000	.	.	.	.	.	.
Percentage Held							

**Sinophil Corporation and Subsidiaries**  
**Schedule I. Reconciliation of Retained Earnings Available for Dividend**  
**Declaration**  
**As at December 31, 2013**

NOT APPLICABLE

**Sinophil Corporation and Subsidiaries**  
**Schedule J. Key Financial Ratios**  
**As at December 31, 2013 and 2012**

	Manner by which the key performance indicators are computed	2013	2012
Current ratio	<u>Current assets</u> Current Liabilities	1.74 : 1.00	0.55 : 1.00
Return on assets	<u>Net loss</u> Average Total assets during the period	(0.43%)	(56.78%)
Return on equity	<u>Net loss</u> Average equity during the period	(0.47%)	(60.28%)
Asset-to-equity ratio	<u>Total Assets</u> Total Equity	1.13:1.00	1.09:1.00
Debt to equity ratio	<u>Total Debt</u> Total Equity	Not applicable	Not applicable
Interest rate coverage ratio	<u>Earnings Before Interest and Taxes</u> Interest Expense	Not applicable	Not applicable

**SINOPIHL CORPORATION AND SUBSIDIARIES**

**List of Philippine Financial Reporting Standards (PFRS) and Interpretations Effective as at December 31, 2013**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Effective as of December 31, 2013</b>				
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs*			
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition*	✓*		
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination*	✓*		
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements*	✓*		
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2013		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	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	✓		
<b>PFRS 8</b>	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*	✓*		
<b>PFRS 9</b>	Financial Instruments *	✓*		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	✓*		
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities*	✓*		
<b>PFRS 11</b>	Joint Arrangements			✓
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities*	✓*		
<b>PFRS 13</b>	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables*	✓*		
	Amendment to PFRS 13: Portfolio Exception*	✓*		
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
<b>PAS 2</b>	Inventories			✓
<b>PAS 7</b>	Statement of Cash Flows	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
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*	✓*		
PAS 17	Leases			✓
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits			✓
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution*	✓*		
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	✓		
	Amendments to PAS 24: Key Management Personnel*	✓*		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities*	✓*		
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities*	✓*		
PAS 33	Earnings per Share	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2018				
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	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: Revaluation Method – Proportionate Restatement of Accumulated Amortization*	✓*		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments 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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
<b>Philippine Interpretations</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
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 15	Agreements for the Construction of Real Estate*	✓*		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine*			✓
IFRIC 21	Levies (IFRIC 21)*	✓*		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

\* Not early Adopted

