COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number: 175222

COMPANY NAME

VIVANT CORPORATION

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

Unit 907-908, Ayala Life-FGU Center, Mindanao Avenue Corner Biliran Road, Cebu Business Park, Barangay Luz, Cebu City, Philippines 6000

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
vivant@vivant.com.ph	(032) 234-2256	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,449	June 4	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Joan A. Giduquio-Baron	jbaron@jpgarcialaw.com	(032) 232-0253	0917-5356692

CONTACT PERSON's ADDRESS

15th Floor Ayala Life FGU Center, Mindanao Avenue corner Biliran Road, Cebu Business Park, Cebu City

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NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **VIVANT CORPORATION** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2015 and 2014, 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 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 financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the 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.

DENNIS N.A. GARCIA
Chairman of the Board

RAMONTITO E. GARCIA
President/Chief Executive Officer

MINUEL CARMELA N. FRANCO
Vice-President, Finance/Chief Financial Officer

Signed this 1st day of April, 2016.

Unit 907-908, 9th Floor, Ayala Life-FGU Center
Mindanao Avenue corner Biliran Road
Cebu Business Park, Cebu City, Philippines 6000
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Biliran Road
Cebu Business Park
Cebu City
6000 Cebu, Philippines

Tel: (032) 266 2947 to 49
Fax: (032) 266 2313
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Vivant Corporation
Unit 907-908 Ayala Life-FGU Center
Mindanao Avenue Corner Biliran Road
Cebu Business Park, Barangay Luz
Cebu City, Philippines 6000

Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of Vivant Corporation which comprise the parent company statements of financial position as at December 31, 2015 and 2014, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Parent Company Financial Statements

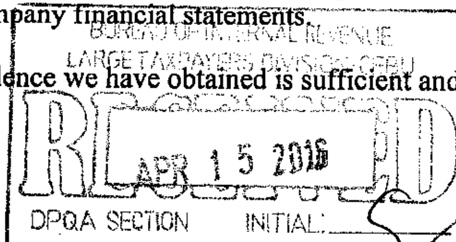
Management is responsible for the preparation and fair presentation of these parent company financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements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

Auditors' Responsibility

Our responsibility is to express an opinion on these parent company 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 parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the parent company 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 parent company 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 parent company financial statements.

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



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Opinion

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of Vivant Corporation as at December 31, 2015 and 2014, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

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

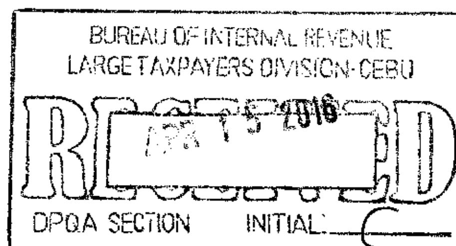
Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 20 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Vivant Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Leovina Mae V. Chu

Leovina Mae V. Chu
Partner
CPA Certificate No. 99910
SEC Accreditation No. 1199-AR-1 (Group A),
June 22, 2015, valid until June 21, 2018
Tax Identification No. 209-316-911
BIR Accreditation No. 08-001998-96-2015,
January 5, 2015, valid until January 4, 2018
PTR No. 875706, January 11, 2016, Cebu City

April 1, 2016



VIVANT CORPORATION

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31 2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱3,268,062,021**	₱4,014,543,879
Trade and other receivables (Note 7)	**43,275,067**	80,646,950
Prepaid expenses and other current assets (Note 8)	**51,132,906**	26,830,773
Total Current Assets	**3,362,469,994**	4,122,021,602
Noncurrent Assets		
Investments and advances to a subsidiary (Note 9)	**4,117,518,833**	3,083,850,729
Property and equipment (Note 10)	**50,247,999**	46,315,892
Deferred income tax assets - net (Note 16)	**12,376,911**	13,386,520
Other noncurrent assets (Note 11)	**5,553,095**	4,944,239
Total Noncurrent Assets	**4,185,696,838**	3,148,497,380
TOTAL ASSETS	**₱7,548,166,832**	₱7,270,518,982
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of notes payable (Note 13)	**₱25,989,025**	₱26,155,546
Trade and other current liabilities (Note 12)	**40,536,870**	41,231,712
Total Current Liabilities	**66,525,895**	67,387,258
Noncurrent Liabilities		
Notes payable - net of current portion (Note 13)	**2,921,584,679**	2,947,573,704
Pension liability (Note 15)	**14,183,958**	22,066,966
Total Noncurrent Liabilities	**2,935,768,637**	2,969,640,670
Total Liabilities	**3,002,294,532**	3,037,027,928
Equity		
Capital stock (Note 17)	**1,023,456,698**	1,023,456,698
Additional paid-in capital	**8,339,452**	8,339,452
Remeasurement of employee benefits (Note 15)	**4,829,652**	(439,181)
Retained earnings (Note 17)		
Appropriated for business expansion	**2,493,584,261**	2,810,784,261
Unappropriated	**1,015,662,237**	391,349,824
Total Equity	**4,545,872,300**	4,233,491,054
TOTAL LIABILITIES AND EQUITY	**₱7,548,166,832**	₱7,270,518,982

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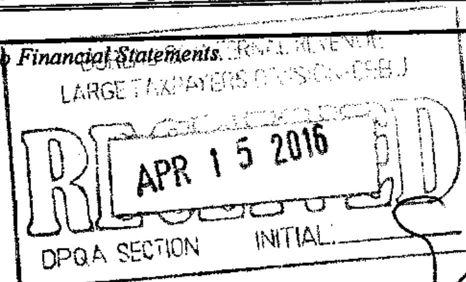
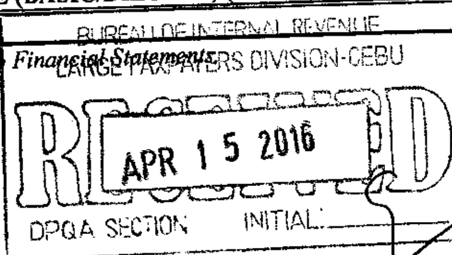
See accompanying Notes to Financial Statements.



VIVANT CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2015	2014	2013
INCOME			
Dividend income (Note 9)	**₱633,145,640**	₱1,083,234,433	₱1,429,010,710
Management fees (Note 14)	**181,209,346**	220,755,915	227,298,418
Reversal of allowance for impairment loss on investment (Note 9)	**122,468,104**	–	–
Interest income (Note 6)	**46,035,016**	33,403,947	17,429,559
Others (Note 14)	**10,442,065**	9,640,105	4,230,700
	993,300,171	1,347,034,400	1,677,969,387
EXPENSES			
Salaries and employee benefits (Notes 15 and 18)	**103,556,585**	63,327,227	58,300,021
Professional fees (Note 14)	**54,323,131**	79,093,701	78,895,504
Travel	**16,602,040**	12,767,692	11,417,648
Depreciation (Note 10)	**14,200,552**	11,975,643	8,187,477
Rent and association dues	**6,228,328**	3,872,991	4,558,566
Taxes and licenses	**5,485,908**	1,903,517	2,013,148
Supplies	**5,235,699**	2,709,679	4,449,029
Communication and utilities	**3,831,987**	3,653,313	2,638,775
Director's per diem	**3,749,245**	3,588,302	3,118,219
Repairs and maintenance	**3,127,901**	870,918	2,248,805
Corporate social responsibility	**3,115,981**	1,855,165	1,484,457
Entertainment, amusement and recreation	**3,044,982**	3,254,177	2,002,498
Meetings and conferences	**611,578**	639,566	951,336
Impairment loss on investment (Note 9)	**–**	618,701,560	–
Others	**11,152,819**	3,451,059	8,725,546
	234,266,736	811,664,510	188,991,029
INCOME FROM OPERATIONS	**759,033,435**	535,369,890	1,488,978,358
FINANCE CHARGES			
Interest expense (Note 13)	**170,030,841**	136,993,330	11,318,163
Other financing charges	**6,173,102**	2,197,688	–
	176,203,943	139,191,018	11,318,163
INCOME BEFORE INCOME TAX	**582,829,492**	396,178,872	1,477,660,195
PROVISION FOR INCOME TAX (Note 16)	**7,776,119**	13,522,618	15,640,865
NET INCOME	**575,053,373**	382,656,254	1,462,019,330
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on employee benefits (Note 15)	**7,526,904**	24,761	(363,329)
Income tax effect	**(2,258,071)**	(7,428)	108,999
Other comprehensive income (loss) for the year, net of tax	**5,268,833**	17,333	(254,330)
TOTAL COMPREHENSIVE INCOME	**₱580,322,206**	₱382,673,587	₱1,461,765,000
EARNINGS PER SHARE (BASIC/DILUTED) (Note 17)	**₱0.562**	₱0.374	₱1.429

See accompanying Notes to Financial Statements.



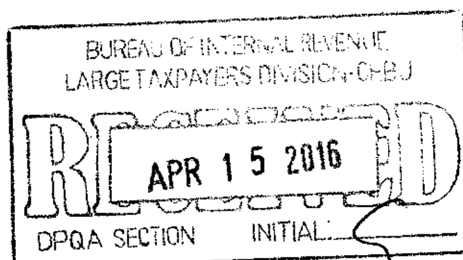
VIVANT CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

	Capital Stock	Additional Paid-in Capital	Remeasurement of Employee Benefits (Note 15)	Retained Earnings (Note 17) Appropriated	Retained Earnings (Note 17) Unappropriated	Total
At January 1, 2015	₱1,023,456,698	₱8,339,452	(₱439,181)	₱2,810,784,261	₱391,349,824	₱4,233,491,054
Total comprehensive income	–	–	5,268,833	–	575,053,373	580,322,206
Appropriation for business expansion	–	–	–	534,000,000	(534,000,000)	–
Reversal of appropriation for business expansion	–	–	–	(851,200,000)	851,200,000	–
Cash dividends declared	–	–	–	–	(267,940,960)	(267,940,960)
At December 31, 2015	₱1,023,456,698	₱8,339,452	₱4,829,652	₱2,493,584,261	₱1,015,662,237	₱4,545,872,300
At January 1, 2014	₱1,023,456,698	₱8,339,452	(₱456,514)	₱1,856,476,291	₱1,188,469,051	₱4,076,284,978
Total comprehensive income	–	–	17,333	–	382,656,254	382,673,587
Appropriation for business expansion	–	–	–	1,446,242,399	(1,446,242,399)	–
Reversal of appropriation for business expansion	–	–	–	(491,934,429)	491,934,429	–
Cash dividends declared	–	–	–	–	(225,467,511)	(225,467,511)
At December 31, 2014	₱1,023,456,698	₱8,339,452	(₱439,181)	₱2,810,784,261	₱391,349,824	₱4,233,491,054
At January 1, 2013	₱1,023,456,698	₱8,339,452	(₱202,184)	₱–	₱1,792,427,600	₱2,824,021,566
Total comprehensive income	–	–	(254,330)	–	1,462,019,330	1,461,765,000
Appropriation for business expansion	–	–	–	1,856,476,291	(1,856,476,291)	–
Cash dividends declared	–	–	–	–	(209,501,588)	(209,501,588)
At December 31, 2013	₱1,023,456,698	₱8,339,452	(₱456,514)	₱1,856,476,291	₱1,188,469,051	₱4,076,284,978

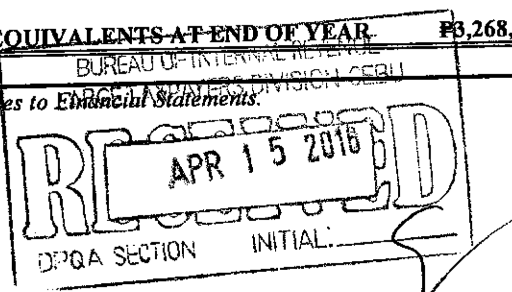
See accompanying Notes to Financial Statements.



VIVANT CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱582,829,492	₱396,178,872	₱1,477,660,195
Adjustments for:			
Dividend income (Note 9)	(633,145,640)	(1,083,234,433)	(1,429,010,710)
Interest expense (Note 13)	170,030,841	136,993,330	11,318,163
Reversal of allowance for impairment loss on investment (Note 9)	(122,468,104)	–	–
Interest income (Note 6)	(46,035,016)	(33,403,947)	(17,429,559)
Depreciation (Note 10)	14,200,552	11,975,643	8,187,477
Pension expense (Note 15)	7,706,704	8,956,894	6,774,963
Gain on disposal of property and equipment (Note 10)	(1,020,345)	–	–
Unrealized foreign exchange loss (gain)	(64,626)	215,205	(300,293)
Impairment loss on investment (Note 9)	–	618,701,560	–
Operating income (loss) before working capital changes	(27,966,142)	56,383,124	57,200,236
Decrease (increase) in:			
Trade and other receivables	44,071,617	96,636,080	19,994,092
Prepaid expenses and other current assets	(24,348,489)	(20,258,435)	(2,926,063)
Increase (decrease) in trade and other current liabilities	630,055	(33,668,887)	10,869,379
Net cash generated from (used in) operations	(7,612,959)	99,091,882	85,137,644
Interest paid	(167,836,907)	(107,992,529)	(11,318,163)
Contributions to the retirement fund (Note 15)	(8,062,808)	(5,589,786)	–
Income tax paid (Note 16)	–	(1,948,940)	(12,419,381)
Net cash flows from (used in) operating activities	(183,512,674)	(16,439,373)	61,400,100
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from subsidiaries and an associate (Note 9)	627,982,256	1,083,234,433	1,255,058,266
Interest received	35,920,441	25,553,420	14,084,691
Additions to:			
Investments and advances to a subsidiary (Note 9)	(911,200,000)	(888,842,450)	(200,000)
Property and equipment (Note 10)	(18,467,185)	(12,951,567)	(19,832,279)
Other noncurrent assets	(608,856)	(360,001)	(452,326)
Proceeds from disposal of property and equipment	954,871	–	–
Net cash flows from (used in) investing activities	(265,418,473)	206,633,835	1,248,658,352
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of notes payable (Note 13)	–	3,000,000,000	22,200,989
Payments of:			
Cash dividends (Note 17)	(267,615,337)	(225,043,657)	(209,383,704)
Notes payable (Note 13)	(30,000,000)	–	(387,200,989)
Debt issue costs (Note 13)	–	(29,567,922)	–
Proceeds from (settlement of) related party financing (Notes 12 and 14)	–	(171,003,646)	139,310,467
Net cash flows from (used in) financing activities	(297,615,337)	2,574,384,775	(435,073,237)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(746,546,484)	2,764,579,237	874,985,215
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	64,626	(215,205)	300,293
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,014,543,879	1,250,179,847	374,894,339
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱3,268,062,021	₱4,014,543,879	₱1,250,179,847

See accompanying Notes to Financial Statements.



VIVANT CORPORATION
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Vivant Corporation (the "Parent Company" or "Vivant") was incorporated under the laws of the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on May 28, 1990. The Parent Company's shares are listed in the Philippine Stock Exchange (PSE) with the symbol VVT.

The Parent Company's primary purpose is to invest in and manage the general business of any other corporation or corporations except management of fund securities portfolios and other similar assets of a managed entity.

The Parent Company is owned by Mai-I Resources Corporation (MRC) and JEG Development Corporation (JDC) with a combined ownership of 75.86% in 2015, 2014 and in 2013. MRC and JDC are entities incorporated and domiciled in the Philippines.

The principal office address of the Parent Company is located at Unit 907-908, Ayala Life-FGU Center, Mindanao Avenue Corner Biliran Road, Cebu Business Park, Barangay Luz, Cebu City, Philippines 6000.

Details of the Parent Company's equity interests in its subsidiaries and associates as of December 31, 2015 and 2014 are shown below:

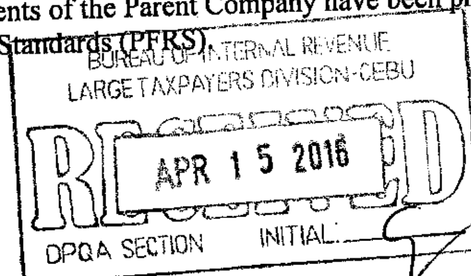
	Percentage of Direct Ownership
Subsidiaries	
Hijos De F. Escaño (HDFE)	50.94
VC Ventures Net, Inc. (VNI)	100.00
Vivant Energy Corporation (VEC)	100.00
Associates	
Visayan Electric Company, Inc. (VECO)	34.81
Prism Energy, Inc. (PEI)	40.00

The parent company financial statements as of and for the years ended December 31, 2015, 2014 and 2013 were approved and authorized for issuance by the Board of Directors (BOD) on April 1, 2016.

2. Basis of Preparation and Statement of Compliance

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

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



3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and revised standards which were applied starting January 1, 2015.

The nature and the impact of each new standard and amendment are described below:

Amendments to PAS 19, Defined Benefit Plans: Employee Contributions
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014.

This amendment, which becomes effective on or after July 1, 2014, is not applicable to the Parent Company since its defined benefit plan does not require contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)
These improvements are effective from July 1, 2014 for which the Parent Company has assessed to have no impact on the financial statements. They include:

- PFRS 2, *Share-based Payment* - Definition of Vesting Condition

  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

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

  This amendment does not apply to the Parent Company as it has no share-based payment transactions.

- PFRS 3, *Business Combinations* - Accounting for Contingent Consideration in a Business Combination

  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Parent Company shall consider this amendment in future business combinations.

- PFRS 8, *Operating Segments* - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets

  The amendments are applied retrospectively and clarify that:

  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets* - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization

  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. This amendment has no impact on the Parent Company since its property and equipment are carried at cost and it does not have intangible assets.

- PAS 24, *Related Party Disclosures* - Key Management Personnel

  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment has no impact on the Parent Company since it does not engage a management entity for key management personnel services.

Annual Improvements to PFRSs (2011-2013 cycle)
These improvements are effective from July 1, 2014 and are not expected to have a material impact on the Parent Company. They include:

- PFRS 3, *Business Combinations* - Scope Exceptions for Joint Arrangements

  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

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

  The Parent Company shall consider this amendment in future joint arrangements.

- PFRS 13, *Fair Value Measurement* - Portfolio Exception

  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, if early adopted). The amendment has no significant impact on the Parent Company's financial position or performance.

- PAS 40, *Investment Property*

  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between the investment property and owner-occupied property (i.e., property, plant and equipment). This amendment has no significant impact on the Parent Company's financial position or performance.

New Standards and Interpretation Issued and Effective after December 31, 2015
The Parent Company will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Parent Company does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on its financial statements.

Deferred

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

  Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Parent Company.

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures* - Investment Entities: Applying the Consolidation Exception (Amendments)

  The amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the

fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not expected to have any impact on the Parent Company.

- PFRS 11, *Joint Arrangements* - Accounting for Acquisitions of Interests in Joint Operations (Amendments)

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

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Parent Company shall consider these amendments if it enters into this type of arrangement in the future.

- PFRS 14, *Regulatory Deferral Accounts*

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

- PAS 1, *Presentation of Financial Statements* - Disclosure Initiative (Amendments)

  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions;

  - That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated;

- That entities have flexibility as to the order in which they present the notes to the financial statements; and,

- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Parent Company shall consider this amendment upon the effectivity of this standard.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets* - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)

  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These will have no impact on the Parent Company given that it has not used a revenue-based method to depreciate its noncurrent assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture* - Bearer Plants (Amendments)

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

- PAS 27, *Separate Financial Statements* - Equity Method in Separate Financial Statements (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Parent Company shall consider this amendment in accounting for its investments in subsidiaries and associates upon the effectivity of this standard.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have any material impact on the Parent Company. They include:

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

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

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

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

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

Effective January 1, 2018

- PFRS 9, *Financial Instruments*
  In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods

beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 will have an effect on the classification and measurement of and impairment methodology for the Parent Company's financial assets, and on its application of hedge accounting. However, it will have no impact on the classification and measurement of its financial liabilities.

The adoption of PFRS 9 is not expected to have any significant impact on the financial statements of the Parent Company.

- IFRS 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 by the IASB and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Parent Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date, once adopted locally.

Effective January 1, 2019

- IFRS 16, *Leases*
  On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases*, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

  Under the new standard, lessees will no longer classify their lessees as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Parent Company is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date, once adopted locally.

4. Summary of Significant Accounting Policies

Financial Assets and Financial Liabilities
Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit-or-loss (FVPL).

The Parent Company recognizes a financial asset or a financial liability in the parent company statement of financial position when it becomes a party to the contractual provisions of the instrument and derecognizes a financial asset (or part of a financial asset) when it no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed to an independent third party.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits. Financial instruments are offset when there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets are classified into the following categories: FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS). The Parent Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognized in the parent company statement of comprehensive income.

When a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at FVPL, except when the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing the gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

As of December 31, 2015 and 2014, no financial assets have been designated as FVPL.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Classified as loans and receivables are the Parent Company's cash and cash equivalents and trade and other receivables.

HTM Investments. Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as HTM when the Parent Company has the positive intention and ability to hold it to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be HTM, such as bonds, are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

As of December 31, 2015 and 2014, the Parent Company has no HTM investments.

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

As of December 31, 2015 and 2014, the Parent Company has AFS investments (see Note 11).

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable financing costs. Deferred financing costs are amortized, using the effective interest rate method, over the term of the related long-term liability.

The liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any directly attributable transaction costs.

Included under this category are the Parent Company's accounts payable, notes payable and accrued interest payable.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Parent Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of theParent Company and all of the counterparties.

Derecognition of Financial Assets and 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 rights to receive cash flows from the asset have expired;

- The Parent 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 Parent Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Parent Company has transferred its rights to receive cash flows from an asset 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 Parent 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 Parent Company could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Parent Company's continuing involvement is the amount of the transferred asset that the Parent Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Parent Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or 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 the parent company statement of comprehensive income.

Impairment of Financial Assets. The Parent Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

- *Assets Carried at Amortized Cost.* If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the parent company statement of comprehensive income.

  The Parent 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, 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 parent company statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

  In relation to trade receivables, a provision for impairment loss is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Parent Company will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivables is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

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

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

For the purpose of fair value disclosures, the Parent Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash and Cash Equivalents

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

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization, and impairment losses, if any.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Parent Company. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

Depreciation and amortization is computed using the straight-line method over the assets' estimated useful lives. Leasehold improvements are amortized using the straight-line method over the estimated useful life of the improvements or the term of the lease, whichever is shorter. The estimated useful lives are as follows:

	Number of Years
Condominium units, buildings and improvements	5–40
Leasehold improvements	3–10
Office furniture and equipment	2–10
Transportation equipment	5
Other equipment	3–5

The useful lives and depreciation and amortization method are reviewed at each reporting date to ensure that such useful lives and depreciation and amortization method are consistent with the expected pattern of economic benefits from those assets.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect to those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation and amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

Investments in Subsidiaries and Associates

A subsidiary is an entity over which the Parent Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity.

An associate is an entity in which the Parent Company has significant influence and which is neither a subsidiary nor a joint venture.

Investments in and advances to subsidiaries and associates are carried at cost, less impairment in value, in the parent company financial statements.

The Parent Company recognizes income from the investments only to the extent that the Parent Company receives distributions or establishes a right to receive distributions from accumulated profits of the subsidiaries and associates arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Impairment of Nonfinancial Assets
The Parent Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations, including impairment of inventories, are recognized in the parent company statement of comprehensive income in those expense categories 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 Parent Company estimates the asset's or CGU's 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, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Capital Stock. Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscribing agreement and is measured at par value for all issued shares.

Additional Paid-in Capital. Consideration received in excess of par value are recognized as additional paid-in capital, net of incremental costs that are directly attributable to the issuance of new shares.