

COVER SHEET

A S 0 9 4 - 8 7 5 2

S.E.C. Registration Number

E V E R G O T E S C O R E S O U R C E S & H O L D I N G S , I N C . & S U B S I D I A R Y

(Company's Full Name)

1 2 F L R . G O T E S C O C O R P . C T R . 1 9 5 8 C . M . R E C T O , Q U I A P O , M A N I L A

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

CYNTHIA T. DIZON

Contact Person

735-69-01 LOCAL 366

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

S E C F O R M 1 7 Q

FORM TYPE

August - Last Friday

Month

Day

Annual Meeting

Secondary License Type, If Applicable

C R M D

Dept. Requiring this Doc.

Amended Articles Number/Section

5,713

Total No. of Stockholders

Total Amount of Borrowings
Php118,000,000

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17 – Q

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION
CODE AND SRC RULE 17 (2)-(b) THEREUNDER**

1. For the quarterly period ended **June 30, 2015**.
2. SEC Identification Number **AS 094-8752** 3. BIR TIN **032-004-817-595**
4. Exact name of issuer as specified in its charter: **EVER GOTESCO RESOURCES &
HOLDINGS, INC.**
5. **Manila, Philippines**
Province, Country or other jurisdiction of incorporation or organization
6. Industry Classification Code: _____ (SEC Use Only)
7. **12 Flr. Ever Gotesco Corporate Center 1958 CM. Recto Ave. Quiapo Manila 1001**
Address of issuer's principal office Postal Code
8. **735-6901, 735-0271 loc. 366/248**
Issuer's telephone number, including area code
9. Securities issued pursuant to Sections 8 and 12 of the Code, or Section 4 and 8 of the RSA.

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Stock, ₱ 1.00 par value	5,000,000,000 shares
	Amount of Debt Outstanding: 1.25 billion

10. **Are any or all of these securities listed on the Philippine Stock Exchange? Yes (X) No ()**

If yes, state the name of such Stock Exchange and the classes of securities listed therein:
Philippine Stock Exchange / Common Stock.

11. **Indicate by check whether the issuer:**

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

Yes (X) No ()

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

Yes (X) No ()

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PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

EVER GOTESCO RESOURCES AND HOLDINGS, INC. AND SUBSIDIARY

UNAUDITED CONSOLIDATED BALANCE SHEETS

JUNE 30, 2015 & DECEMBER 31, 2014

(In Philippine Peso)

	CONSOLIDATED		PARENT COMPANY	
	JUNE 30, 2015	DEC. 31, 2014 *	JUNE 30, 2015	DEC. 31, 2014 *
ASSETS				
CURRENT ASSETS				
Cash	1,596,135	1,997,662	1,183,351	1,173,352
Receivables	1,058,818,478	929,236,485	665,262,477	553,470,725
Creditable withholding taxes	139,147,144	129,590,290	88,605,458	82,225,681
Other Current Assets, net	3,575,240	5,250,478	3,041,502	2,496,291
	1,203,136,997	1,066,074,915	758,092,789	639,366,049
NONCURRENT ASSETS				
Property And Equipment, Net	134,568	758,716	134,568	183,380
Investments In & Advances To Subsidiary			1,311,193,443	1,306,537,826
Investment Properties, Net	1,031,590,316	2,136,083,317	916,529,271	974,459,107
Receivables From Related Parties	1,376,876,948	1,333,946,207	994,263,892	966,223,245
Other Noncurrent Assets	88,885,249	85,257,806	48,153,874	46,571,285
	2,497,487,081	3,556,046,046	3,270,275,048	3,293,974,843
TOTAL ASSETS	3,700,624,077	4,622,120,961	4,028,367,837	3,933,340,892
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Bank loans	50,000,000	280,769,232	50,000,000	50,000,000
Accounts Payable and other liabilities	946,280,116	1,527,110,716	618,186,896	574,567,238
Current portion of Payables to Bank	51,000,000	162,376,664	51,000,000	51,000,000
Operating lease payable	17,829,719	17,829,719	17,829,719	17,829,719
Customers Deposits	103,392,258	104,118,989	59,554,728	59,554,728
Provisions	60,084,369	60,084,369	-	-
	1,228,586,462	2,152,289,689	796,571,343	752,951,685
NONCURRENT LIABILITIES				
Payable To Banks - Net Of Current Portion	17,000,000	101,608,389	17,000,000	42,500,000
Retirement Benefits Liability	3,816,781	3,816,781	3,180,724	3,180,724
	20,816,781	105,425,170	20,180,724	45,680,724
TOTAL LIABILITIES	1,249,403,243	2,257,714,859	816,752,067	798,632,409
STOCKHOLDERS' EQUITY	2,451,220,834	2,364,406,102	3,211,615,770	3,134,708,483
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	3,700,624,077	4,622,120,961	4,028,367,837	3,933,340,892

* Based on Audited Financial Statements

See accompanying notes to Unaudited Financial Statements

EVER GOTESCO RESOURCES AND HOLDINGS, INC. AND SUBSIDIARY UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS For the Six-Month Period ended June 30, (In Philippine Peso)												
	CONSOLIDATED						PARENT COMPANY					
	Second Quarter Ended June 30			Six-Month Period Ended June 30			Second Quarter Ended June 30			Six-Month Period Ended June 30		
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
REVENUES	88,771,463	93,537,258	87,643,347	189,540,402	181,582,329	175,340,293	78,091,531	64,323,716	56,702,280	151,132,930	122,695,396	113,204,589
OPERATING COSTS AND EXPENSES	57,940,502	102,999,020	81,316,651	127,393,633	174,841,305	148,666,896	45,760,950	71,315,073	60,761,713	97,606,907	118,911,285	105,254,666
INCOME FROM OPERATIONS	30,830,961	(9,461,762)	6,326,696	62,146,769	6,741,024	26,673,397	32,330,582	(6,991,357)	(4,059,433)	53,526,023	3,784,111	7,949,923
OTHER INCOME (EXPENSE)-NET												
Accretion of Interest due PAS 32 & 39, net	21,465,371	20,975,035	23,210,207	42,930,741	41,950,069	46,420,413	16,348,132	16,165,111	16,171,092	32,696,264	32,330,223	32,342,184
Interest and other income, net	(5,486,375)	253,998	(29,735,888)	(18,296,346)	(377,455)	(40,738,284)	(4,530,000)	(5,808,910)	(10,744,109)	(9,315,000)	(12,047,363)	(14,565,103)
INCOME BEFORE INCOME TAX	46,809,957	11,767,270	(198,985)	86,781,165	48,313,639	32,355,526	44,148,714	3,364,844	1,367,550	76,907,287	24,066,971	25,727,004
PROVISION FOR INCOME TAX	-	-	-	-	-	-	-	-	-	-	-	-
NET INCOME (LOSS)	46,809,957	11,767,270	(198,985)	86,781,165	48,313,639	32,355,526	44,148,714	3,364,844	1,367,550	76,907,287	24,066,971	25,727,004
RETAINED EARNINGS AT BEGINNING OF PERIOD	(2,594,811,280)	(2,747,378,437)	(2,823,911,865)	(2,634,782,488)	(2,783,924,806)	(2,856,466,377)	(1,832,031,389)	(1,959,501,282)	(2,016,162,897)	(1,864,789,962)	(1,980,203,409)	(2,040,522,351)
RETAINED EARNINGS AT END OF PERIOD	(2,548,001,323)	(2,735,611,167)	(2,824,110,850)	(2,548,001,323)	(2,735,611,167)	(2,824,110,851)	(1,787,882,675)	(1,956,136,438)	(2,014,795,347)	(1,787,882,675)	(1,956,136,438)	(2,014,795,347)
EARNINGS PER SHARE:												
BASIC EARNINGS PER SHARE (A/E)	0.0094	0.0024	(0.0000)	0.0174	0.0097	0.0065	0.0088	0.0007	0.0003	0.0154	0.0048	0.0051
Computation -												
Net Income (Loss) for the Period (A)	46,809,957	11,767,270	(198,985)	86,781,165	48,313,639	32,355,526	44,148,714	3,364,844	1,367,550	76,907,287	24,066,971	25,727,004
Weighted Ave. No. of Common Shares												
Outstanding during the Period (B)	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000
DILUTED EARNINGS PER SHARE	*	*	*	*	*	*	*	*	*	*	*	*
* There are no factors that would have dilutive effects on Earnings per Share of the Common Shares, thus, no computation. See accompanying notes to unaudited financial statements												

EVER GOTESCO RESOURCES AND HOLDINGS, INC. AND SUBSIDIARY
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In Philippine Peso)

	CONSOLIDATED			PARENT		
	June 30			June 30		
	2015	2014	2013	2015	2014	2013
CAPITAL STOCK	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000
RETAINED EARNINGS, BEGINNING	(2,634,782,488)	(2,783,924,806)	(2,856,466,377)	(1,864,789,962)	(1,980,203,409)	(2,040,522,351)
Net Income (Loss) for the period	86,781,165	48,313,639	32,355,526	76,907,287	24,066,971	25,727,004
RETAINED EARNINGS, ENDING	(2,548,001,323)	(2,735,611,167)	(2,824,110,851)	(1,787,882,675)	(1,956,136,438)	(2,014,795,347)
REMEASUREMENT LOSSES ON RETIREMENT BENEFITS - N	(777,843)	(919,153)	-	(501,555)	(640,187)	-
TOTAL STOCKHOLDERS' EQUITY	2,451,220,834	2,263,469,680	2,175,889,149	3,211,615,770	3,043,223,375	2,985,204,653

see accompanying notes to unaudited financial statements

EVER GOTESCO RESOURCES AND HOLDINGS, INC. AND SUBSIDIARY

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

For Three-Month Period ended June 30,

(In Philippine Peso)

	CONSOLIDATED						PARENT COMPANY					
	Second Quarter Ended June 30			Six-Month Period Ended June 30			Second Quarter Ended June 30			Six-Month Period Ended June 30		
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES												
Net Income (Loss)	46,809,957	11,767,270	(198,986)	86,781,165	48,313,639	32,355,526	44,148,714	3,364,844	1,367,550	76,907,287	24,066,971	25,727,004
Adjustments to reconcile net income to net cash provided by operating activities:												
Depreciation and amortization	35,463,080	38,777,189	38,786,841	73,966,974	77,583,500	77,587,500	29,053,528	29,281,900	29,299,298	58,046,506	58,569,911	58,595,045
Interest Expense	3,000,000	7,615,385	9,153,846	10,615,385	15,230,769	18,307,692	3,000,000	3,000,000	3,000,000	6,000,000	6,000,000	6,000,000
Accretion Income/Expense - PAS 32 & 39	(21,465,371)	(20,975,035)	(23,210,207)	(42,930,741)	(41,950,069)	(46,420,413)	(16,348,132)	(16,165,111)	(16,171,092)	(32,696,264)	(32,330,223)	(32,342,184)
Changes in operating assets and liabilities	(21,209,862)	9,061,346	22,676,737	(39,456,230)	(16,801,529)	13,957,396	(46,689,605)	(8,830,303)	6,168,502	(79,364,672)	(28,655,330)	(8,655,665)
Net cash provided by(used in) operating activities	42,597,805	46,246,155	47,208,232	88,976,551	82,376,309	95,787,701	13,164,505	10,651,330	23,664,258	28,892,857	27,651,330	49,324,201
CASH FLOWS FROM INVESTING ACTIVITIES												
Correction of previous quarter double entry												
Additions to property and equipment	(67,857)	(1,241,798)	(24,910)	(67,857)	(1,310,770)	(44,554)	(67,857)	(1,151,330)	(24,911)	(67,857)	(1,151,330)	(39,911)
Net cash provided by (used in) investing activities	(67,857)	(1,241,798)	(24,910)	(67,857)	(1,310,770)	(44,554)	(67,857)	(1,151,330)	(24,911)	(67,857)	(1,151,330)	(39,911)
CASH FLOWS FROM FINANCING ACTIVITIES												
Proceeds from:												
Capital stock subscription												
Loans		-	-	-	-	-	-	-	-	-	-	-
Payments to Creditor Banks	(44,527,611)	(44,017,227)	(45,963,690)	(89,310,222)	(80,078,408)	(92,849,970)	(14,280,000)	(8,500,000)	(22,465,127)	(28,815,000)	(25,500,000)	(46,316,617)
Net cash provided by(used in) financing activities	(44,527,611)	(44,017,227)	(45,963,690)	(89,310,222)	(80,078,408)	(92,849,970)	(14,280,000)	(8,500,000)	(22,465,127)	(28,815,000)	(25,500,000)	(46,316,617)
NET INCREASE (DECREASE) IN CASH	(1,997,663)	987,131	1,219,632	(401,527)	987,131	2,893,177	(1,183,352)	1,000,000	1,174,220	9,999	1,000,000	2,967,673
CASH AT BEGINNING OF PERIOD	1,997,662	833,857	2,116,319	1,997,662	833,857	442,773	1,183,351	168,021	1,961,472	1,173,352	168,021	168,021
CASH AT END OF PERIOD	0	1,820,988	3,335,951	1,596,135	1,820,988	3,335,950	(0)	1,168,021	3,135,692	1,183,351	1,168,021	3,135,694
see accompanying notes to unaudited financial statements												

SCHEDULE A

EVER GOTESCO RESOURCES AND HOLDINGS, INC. AND SUBSIDIARY
BALANCE SHEET SCHEDULES
As of June 30, 2015

	CONSOLIDATED	PARENT
<u>CURRENT ASSETS</u>		
Cash on Hand and in Banks	1,596,135	1,183,351
Accounts Receivable - Trade, net (Affiliate)	111,374,308	59,392,720
Accounts Receivable - Trade, net (Non-Affiliate)	457,952,006	392,638,779
Accounts Receivable - Non-Trade, net	7,895,389	1,523,348
Advances to Affiliates	481,596,774	211,707,630
Creditable withholding taxes	139,147,144	88,605,458
Other Current Assets, net	3,575,240	3,041,502
	<u>1,203,136,997</u>	<u>758,092,789</u>

CURRENT LIABILITIES

Loans Payable (Pls. refer to Schedule B for details)	50,000,000	50,000,000
Payable to Banks - current portion	51,000,000	51,000,000
Accrued Interest & financing charges	204,491,420	204,491,420
Accounts Payable - Trade (Contractors)	164,989,341	63,387,836
Customers Deposit	103,392,258	59,554,728
Operating Lease Payable	17,829,719	17,829,719
Provision for Losses	60,084,369	-
Retentions Payable	41,704,899	40,937,318
Other Accounts Payable & Accrued Expenses	535,094,456	309,370,322
	<u>1,228,586,462</u>	<u>796,571,343</u>

Note:

Other Accounts Payable and Accrued Expenses includes accrual for operating expenses like: utilities, realty taxes and other government payables.

STOCKHOLDERS' EQUITY

Capital Stock	5,000,000,000	5,000,000,000
Retained Earnings		
Beginning	(2,634,782,488)	(1,864,789,962)
Net Income for the period	86,781,165	76,907,287
Total	<u>(2,548,001,323)</u>	<u>(1,787,882,675)</u>
Remeasurement loss on retirement benefits - net	(777,843)	(501,555)
	<u>2,451,220,834</u>	<u>3,211,615,770</u>

SCHEDULE B**EVER GOTESCO RESOURCES & HOLDINGS, INC. AND SUBSIDIARY
SCHEDULE OF LOANS PAYABLE
As of June 30, 2015**

Date of Loan/ Credit Line Granted	Name of Bank	Type of Loan	Terms	Collateral/ Security	Loan Purpose	Interest Rate	Outstanding Balance
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EVER GOTESCO RESOURCES & HOLDINGS, INC. (PARENT CO.)

December 24, 1998	Land Bank	short term	1 year		add'l. working capital		50,000,000
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TOTAL							50,000,000
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EVER GOTESCO RESOURCES & HOLDINGS, INC. AND SUBSIDIARY
SCHEDULE OF PAYABLE TO BANKS
As of June 30, 2015

SCHEDULE B.1

Date of Loan/ Credit Line Granted	Name of Bank	Type of Loan	Terms	Collateral/ Security	Loan Purpose	Interest Rate	Outstanding Balance	
							Current Portion	Non-Current
EVER GOTESCO RESOURCES & HOLDINGS, INC. (PARENT CO.)								
October 9, 2009	PNB		7 years w/ scheduled monthly amortizations	84 monthly post dated checks until October 7, 2016.	Purchase of property	8%	51,000,000	17,000,000
							51,000,000	17,000,000

Ever-Gotesco Resources and Holdings, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis and are presented in Philippine peso (Peso), which is the Group's functional currency. All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The financial statements provide comparative information in respect of the previous periods. In addition, the Company presents an additional balance sheet at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as of June 30, 2015 and December 31, 2014.

Subsidiaries are all entities over which the Company or its subsidiary has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins from the date of acquisition, being the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the parent company loses control over its subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received

- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) interpretations effective January 1, 2014. Unless otherwise indicated, the adoption of these changes did not significantly affect the Group's consolidated financial statements.

- Amendments to PFRS 10, PFRS 12 and PAS 27, 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. These amendments are effective for annual periods beginning on or after January 1, 2014. It is not expected that this amendment would be relevant to the Group since the Group does not have an investment that would qualify to be an investment entity under PFRS 10.
- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*, clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.
- Amendments to PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*, remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied.
- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*, provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014.
- Philippine Interpretation IFRIC 21, *Levies*, 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. This interpretation is effective for annual periods beginning on or after January 1, 2014.

Annual Improvements to PFRS (2010-2012 cycle)

In the 2010-2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice

amounts when the effect of discounting is immaterial. This amendment did not have material impact to the Group.

Annual Improvements to PFRS (2011-2013 cycle)

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

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2014

The Group will adopt the standards and interpretations enumerated in the subsequent pages when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have a significant impact on the financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

Optional Adoption

- *PFRS 9, Financial Instruments: Classification and Measurement.* PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The Group is currently assessing the impact of adopting this standard.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA). The Group will not opt to early adopt the standard.

The following new standards and amendments were already adopted by the FRSC but are still for approval by BOA.

Effective in 2015

- *PAS 19, Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments).* PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the

amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is expected that this amendment would not be relevant to the Group since the Group's retirement plan is noncontributory.

- Annual Improvements to PFRS (2010 to 2012 cycle) which are effective for annual periods beginning on or after January 1, 2015. Except as otherwise stated, the Group does not expect these amendments to have a significant impact on the financial statements.
- 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
 - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.
- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*. The amendment is applied prospectively 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. The Group shall consider this amendment for future business combinations.
- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*. The amendments 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.
- 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. These amendments are not relevant to the Group.

- Annual Improvements to PFRS (2011-2013 cycle) which are effective for annual periods beginning on or after January 1, 2015. Except as otherwise stated, the Group does not expect these amendments to have a significant impact on the financial statements.
- 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.
- PFRS 13, *Fair Value Measurement - Portfolio Exception*. The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.
- PAS 40, *Investment Property*. The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective in 2016

- PAS 16 and PAS 38 - *Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments). The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its noncurrent assets.
- PAS 16 and PAS 41, *Agriculture - Bearer Plants* (Amendments). The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of

PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Company does not intend to change its accounting for its subsidiary in the separate financial statements.

- PFRS 10 and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments). These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments). The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- 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. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.
- Annual Improvements to PFRS (2012-2014 cycle). The Annual Improvements to PFRS (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact to the Group. 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 - 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 in 2018

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

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

The Group is currently assessing the impact of adopting this standard.

- *PFRS 9, Financial Instruments (2014).* In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The Group is currently assessing the impact of adopting this standard.

Deferred Effectivity

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*. This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine SEC and the FRSC have deferred the 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 Group.

The following new standard and amendments issued by the IASB has not yet been adopted by the FRSC.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*. IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017, with early adoption permitted.
- Amendments to International Accounting Standards (IAS) 1, *Presentation of Financial Statements*. In December 2014, the IASB issued the amendments to IAS 1. The amendments include narrow-focus improvements in five areas; namely, materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. The amendments are effective on or after January 1, 2016.
- Amendments to IFRS 10, *Consolidated Financial Statements*, IFRS 12, *Disclosure of Interests in Other Entities*, and IAS 28, *Investments in Associates and Joint Ventures*. In December 2014, the IASB issued *Investment Entities: Applying the Consolidation Exception* (amendments to IFRS 10, IFRS 12 and IAS 28). The amendments address certain issues that have arisen in applying the investment entities exception under IFRS 10.

The Group is currently assessing the impact of IFRS 15 and the amendments to IAS 1 and IFRS 10, IFRS 12 and IAS 28 and plans to adopt the new and amended standards on their required effective dates once adopted locally

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 Group.

The fair value of an asset or a liability is measured using the assumptions that market participants

would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group 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 each reporting date.

For the purpose of fair value disclosures, the Group 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.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial recognition and classification of financial instruments

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at fair value through profit or loss (FVPL). Financial assets are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, or available-for-sale (AFS) financial assets. Financial liabilities on the other hand, are classified as financial liabilities at FVPL or other financial liabilities. The Group determines the classification at initial recognition and, where allowed and appropriate, reevaluates this designation at every balance sheet date.

Financial instruments are classified as liability 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.

As of June 30, 2015 and December 31, 2014, the Group has no financial assets and financial liabilities at FVPL, HTM investments and AFS financial assets.

Day 1 gain or loss

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 gain or loss) in profit or loss unless it qualifies for recognition as some other type of asset. The Group recognizes the Day 1 gain or loss on loans to entities that are under common control with the Group directly in equity.

In cases where data used is not observable, the difference between the transaction price and model value is recognized only when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the Day 1 gain or loss.

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables (or portions of loans and receivables) are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

As of December 31, 2014 and 2013, the Group's loans and receivables include cash in bank and receivables.

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. These financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization or accretion for any related premium, discount and any directly attributable transaction costs. Other financial liabilities (or portions of other financial liabilities) are included in current liabilities when they are expected to be settled within 12 months from the balance sheet date or the Group does not have an unconditional right to defer settlement of the liabilities for at least 12 months from the balance sheet date.

As of December 31, 2013 and 2012, the Group's other financial liabilities include bank loans, payables to banks and accounts payable and other liabilities.

Impairment of Financial Assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

Loans and receivables

The Group first assesses whether an 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 on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of 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 by adjusting the allowance account. The amount of the reversal is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in profit or loss. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

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

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 rights to receive cash flows from the asset have expired; or
 - the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement;
- or,
- the Group 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 Group 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 Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or 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.

Offsetting Financial Instruments

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

Creditable Withholding Tax

Creditable withholding tax represents the amount withheld from income payments and is deducted from income tax payable on the same year the revenue was recognized. Unused creditable withholding taxes can be carried forward to the ensuing years. The balance of creditable withholding tax is reviewed at each balance sheet date to determine if an objective evidence exists that amounts are no longer recoverable and reduced to the amount the Group expects to recover.

Property and Equipment

The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use and any estimated cost of dismantling and removing the property and equipment item and restoring the site on which it is located to the extent that the Group had recognized the obligation of that cost. Such cost includes the cost of replacing part of the property and equipment if the recognition criteria are met. When significant parts of property and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

When assets are retired or otherwise disposed of, their costs and related accumulated depreciation and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Depreciation commences once the property and equipment are available for use and is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	<u>Number of Years</u>
Furniture, fixtures and equipment	5
Cinema furniture and equipment	5
Transportation equipment	5 to 10
Other equipment	5

The estimated useful lives and depreciation method are reviewed periodically to ensure that the estimated periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. The cost of investment properties is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognized in accordance with the specific requirements of PFRS. Accordingly, investment properties acquired under the asset-for-share swap agreement in 1995 were initially measured at the assigned values as approved by the Philippine SEC. These assigned values were deemed costs of the investment properties acquired. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties, except for land, are carried at cost less accumulated depreciation and amortization, and any impairment losses. Land is carried at cost less any impairment in value. Interests on funds borrowed to partially finance the investment property during the construction period are capitalized to the respective property accounts.

The Group assesses if an item of property other than a piece of land or a building is regarded as part of an investment property. If an item is an integral part of an investment property, is being leased to the lessee together with the land and building as a whole and the entire group of assets is generating the income stream from the lease contract, the item is included as part of investment property.

Depreciation and amortization of investment properties is computed using the straight-line method over the following useful lives of the assets, regardless of utilization:

	<u>Number of Years</u>
Commercial complex and improvements	25
Machinery and equipment	10
Cinema furniture and equipment	5

Investment properties and improvements located in leased parcels of land are depreciated and amortized using the straight-line method over their useful lives, or the term of the lease, whichever is shorter.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment properties.

Investment properties are derecognized when they have been either disposed of or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in profit or loss in the year of retirement or disposal.

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

Impairment of Nonfinancial Assets

The carrying values of property and equipment, investment properties and other current and noncurrent assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed

the estimated recoverable amounts, the assets or cash-generating units (CGU) are written down to their recoverable amounts. The recoverable amount of property and equipment, investment properties and other current and noncurrent assets is the higher of fair value less costs to sell and value-in-use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Any impairment loss is recognized in profit or loss.

An assessment is made at each balance sheet 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 recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss 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, on a systematic basis over its remaining useful life.

Value-added tax (VAT)

Revenues, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

VAT payable - net of input tax is included under "Accounts payable and other liabilities" account in the consolidated balance sheet.

Customers' Deposits

Customers' deposits are recognized upon receipt of payment of security deposit from new tenants, which can be applied to unpaid rental receivables upon termination of the tenant's contract.

Capital Stock

The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares and any excess of the proceeds over the par value of shares issued, less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as "Additional paid-in capital".

Retained Earnings (Deficit)

Retained earnings represent the cumulative balance of periodic total comprehensive income or loss, dividend distributions, correction of prior year's errors, effect of changes in accounting policy and other capital adjustments. When retained earnings account has a debit balance, it is called a "deficit". A deficit is not an asset but a deduction from shareholder's equity.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Mall rental income

Rent income from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature. Rent income from fixed tenants is generally recognized on a straight-line basis over the lease term. Rental income from percentage tenants is recognized based on a minimum agreed rental or certain percentage of the tenant's gross sales, whichever is higher.

Cinema ticket sales

Revenue from cinema ticket sales is recognized upon receipt of cash from the customers.

Interest income

Interest income is recognized as it accrues, using the effective interest rate method.

Direct Costs and Expenses

Direct costs and expenses are expenses directly related to the performance of services, which are recognized as incurred.

General and Administrative Expenses

General and administrative expenses include costs of administering the business, which are recognized as incurred.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition and development of qualifying assets as part of the cost of such assets. Capitalization of borrowing cost commences when the activities to prepare the assets for their intended use are in progress and expenditures and borrowing costs are being incurred; is suspended during extended periods in which active development is interrupted; and, ceases when substantially all the activities necessary to prepare the assets for their intended use are complete. All other borrowing costs are expensed as incurred.

Retirement Benefits Costs

Retirement benefits costs are actuarially determined using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Upon introduction of a new plan or improvement of an existing plan, past service costs are recognized in profit or loss in the period they occur. Actuarial gain and losses are recognized in OCI.

Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

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

The Group determines whether arrangements contain a lease to which lease accounting must be applied. The costs of the agreements that do not take the legal form of a lease but convey the right to

use an asset are separated into lease payments if the entity has the control of the use or access to the asset, or takes essentially all of the outputs of the asset. The said lease component for these arrangements is then accounted for as finance or operating lease.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Group as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statement.

Operating lease expense is recognized in the profit or loss on a straight-line basis over the lease term.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of unused net operating loss carryover (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carry forward benefits of unused NOLCO and excess of MCIT over RCIT can be utilized. Deferred income tax liabilities are recognized for all taxable temporary differences.

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

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

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

Basic/Diluted Earnings Per Share

Basic earnings per share is computed by dividing net income for the year by the weighted average number of shares outstanding during the year.

Diluted earnings per share is calculated by dividing the income for the year attributable to stockholders by the weighted average number of shares outstanding during the year, excluding treasury shares and adjusted for the effects of all potential dilutive shares, if any.

In determining both the basic and diluted earnings per share, the effect of stock dividends, if any, is accounted for retroactively.

Provisions and Contingencies

Provisions are recognized when the Group 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 obligations and the amount of obligation can be reliably estimated.

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

Events After the Balance Sheet Date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Events after the balance sheet date that are not adjusting events are disclosed when material.

4. Receivables

EVER GOTESCO RESOURCES & HOLDINGS, INC. AND SUBSIDIARY COMPANY

SCHEDULE C

Consolidated Aging Schedule of Accounts Receivable - Trade

As of June 30, 2015

	TOTAL	Current	PAST DUE ACCOUNTS			
			31-60 Days	61-90 Days	91-120 Days	120 Days & Over
<u>CONSOLIDATED</u>						
Trade Receivable -Affiliate	111,374,308					111,374,308
Trade Receivable -Non Affilia	457,952,006	34,179,053	26,532,466	25,006,190	20,067,100	352,167,197
TOTAL	569,326,315	34,179,053	26,532,466	25,006,190	20,067,100	463,541,506
<u>PARENT</u>						
Trade Receivable -Affiliate	59,392,720					59,392,720
Trade Receivable -Non Affilia	392,638,779	34,179,053	18,025,368	24,181,441	13,901,629	302,351,288
TOTAL	452,031,499	34,179,053	18,025,368	24,181,441	13,901,629	361,744,008

Note: The Accounts are presented in the Balance Sheet under Current Assets

5. Causes for any material changes (+/-5% or more) in the financial statements

Income Statement items – Six Months 2015 versus Six Months 2014

5% increase in rental income

The increase in rental income by 5% primarily due to increase in percentage tenants which were previously considered as leasehold tenants.

49% decrease in cinema tickets sales

The decline was due to increase on senior citizens availed free cinema admissions from P0.87 million in 2014 to P0.44 million in 2015 plus the fact that our cinema needs renovations to be competitive to nearby cinema and cinema in Ortigas were closed in March, 2015.

27% decrease in direct cost

The reduction in direct cost was mainly by the increased in reimbursable expenses by 11% and declined in chargeable expense by 20% from P150.77 million in 2014 to P109.71 million in 2015

11% increase in taxes and licenses

The increase in taxes & licenses from P11.85 million in 2014 to P13.13 million in 2015 was due to increase in gross receipts on rental income which resulted to additional business taxes and increase in rate on realty taxes.

27% decrease in entertainment, amusement and recreation

The material reduction of this expense from P3.62 million in 2014 to P2.64 million this year was due to cost cutting measures implemented by management, minimizing expenses with maximum results which include this kind of expense

14% decrease in management and professional fee

The increase pertains to timing difference from P 0.54 million in 2014 to P 0.45million in 2015.

23% decrease in office supplies

The dropped in office supplies expense was printing of new accountable forms as required by BIR last year and none this year, from P0.29 million in 2014 to P 0.23 million in 2015.

2260% increase on interest expense/other income (net)

The shoot up was due to reversal of accrued interest expense on UCPB loan which was settled in full in 2014.

80% increase on net income

Net Income increased by P38.47 million from P48.31 million in 2014 to P86.78 million in 2015 due to increase in rental income and declined on direct and operating cost and expenses

Balance Sheet items – June 30, 2015 versus End – 2014

20% decrease in cash and cash equivalents

Decrease in cash was due to timing difference in payments of utilities like light & power and water etc. Payables.

14% increase in receivables

The increase in receivables from P0.93 billion in 2014 to P 1.059 billion in 2015 was due to the decline in collections.

32% decrease in other current asset

The decrease in other current asset from P5.25 million in 2014 to P3.57 million in 2015 was mainly attributed to the dropped in input taxes and prepaid insurance.

30% decrease in noncurrent assets

The decline in current liabilities was primarily due to material settlement of various bank loans from P3.56 billion to P 2.50 billion in 2014.

Item 2. Management's Discussion on Results of Operations and Analysis of Financial Condition

Results of Operations for Six Months of 2015

1. Financial discussion

Ever Gotesco Resources and Holdings, Inc. (EGRHI) and its wholly owned subsidiary has a consolidated revenues for the period January to June, 2015 of P189.54 million higher by 4% compared for the same period last year of P181.58 million mainly due to the additional percentage and regular tenants which were previously leasehold tenants. Revenues were sourced primarily from mall and cinema operations. There was a material decline on Cinema Sale & Rental by 49% from P0.87 million in 2014 to P0.44 million this year because the cinema need to be modernized and up-graded to be competitive to the nearby malls.

Direct cost and expenses dropped by 27%. The decrease pertains to the increase in reimburseable expenses by 11% from P97.79 million in 2014 to P108.15 million this year while chargeable expenses diminished by 20 % from P151.74 million in 2014 to P121.78 million in 2015 due to timing difference on payments and booking on cost of utilities and services like water, electricity, security and janitorial billings.

General and administrative expenses dropped by 27% also due to decrease on entertainment, amusement & recreation expenses by 27%, reduction on office supplies expense by 23%, decreased by 17% on telecommunication expense, rental expense declined by 80% miscellaneous expense cut by 66% which was offset by the increase in transportation expense by 3%, repairs and maintenance grew by 32% and visual/marketing expense increased by 29%

Net income for Six Months operations ending June 30, 2015 posted at P86.78 million, which is 80% or P38.47 million higher with the same period in 2014 of P48.31 Million.

PART II – OTHER INFORMATION

Item 3. 2Q 2015 Developments

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| A. New project or investments in another line of business of corporation | None |
| B. Performance of the corporation or result / progress of operations | Please see unaudited consolidated financial statements and management's discussion on results of operations. |
| C. Declaration of Dividends | None |
| D. Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements | None. |
| E. Offering of rights, granting of Stock Options and corresponding plans therefore | None. |
| F. Acquisition of additional mining claims or other capital assets or patents, formula, real estate | None. |
| G. Other information, material events or happenings that may have affected or may affect market price of security | None. |
| H. Transferring of assets, except in normal course of business | None. |

Item 4. Other Notes to 2Q 2015 Operations and Financials

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| I. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents | Please see Notes to Financial Statements |
| J. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period | None. |
| K. New financing through loans / issuances, repurchases, and repayments of debt and equity securities | Borrowings and repayments of loans are being undertaken on a number of creditor banks. |
| L. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period | None. |
| M. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition, or | None. |

disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations

N. Changes in contingent liabilities or contingent assets since the last annual balance sheet date	None.
O. Existence of material contingencies and other material events or transactions during the interim period	None.
P. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period	None.
Q. Material commitments for capital expenditures, general purpose and expected sources of funds	None.
R. Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales / revenues / income from continuing operations	Uncertainties remain as to whether the country will continue to be affected by regional trends in the coming months. The financial statements do not include any adjustments that might result from these uncertainties. Related effects will be reported in the financial statements, as they become known and estimable.
S. Significant elements of income or loss that did not arise from continuing operations	None.
T. Causes for any material change/s from period to period in one or more line items of the financial statements	Please see Notes to Financial Statements
U. Seasonal aspects that had material effect on the financial condition or results of operations	Not applicable.
V. Disclosures not made under SEC Form 17-C	None.

Item 5. Key Performance Indicators

The table below sets forth the comparative key performance indicators of the Company and its majority-owned subsidiaries.

	<i>End-2Q 2015</i>	<i>End-December 2014</i>
Current Ratio ¹	0.98:1.00	0.50:1.00
Debt to Assets Ratio ²	0.34:1.00	0.49:1.00
	<i>June, 2015</i>	<i>June, 2014</i>
Net Profit Ratio ³	45.79%	26.61%
Return on Equity ⁴	3.54%	2.04 %
Return on Assets ⁵	2.35%	1.05 %

Manner of calculating the above indicators is as follows:

Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Assets Ratio	$\frac{\text{Total Liabilities}}{\text{Total Assets}}$
Net Profit Ratio	$\frac{\text{Net income for the period}}{\text{Net revenues for the period}}$
Return on equity	$\frac{\text{Net Income}}{\text{Total Equity}}$
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, receivables, due from related parties, bank loans, accounts payable and accrued expenses, due to related parties, lease liability and long-term debt. The main purpose of these financial instruments is to raise finances for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk, and market risk. The Board of Directors reviews and agrees on the policies for managing these risks, as well as approving and authorizing risk limits set by management, summarized as follows:

Liquidity Risk

The group seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and service maturing debts. As an inherent part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and available short-term and long-term credit facilities.

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates.

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short-term and long-term obligations. In order to effectively manage its interest risk and its financing costs, the Group closely monitors the movements of interest rates, as well as, economic factors affecting the trends of these movements. In certain cases, depending on its assessment of future movements of interest rates, the Group would pre-terminate its debt and obtain a new loan facility which provides for either floating or fixed interest rates. This is intended to minimize its financing costs.

Credit Risk

The Group's exposure to credit risk on its receivables relates primarily to the inability of the debtors to pay and fully settle the unpaid balance of receivables owed to the Group. The Group manages its credit risk in accordance with its credit risk policies which requires the evaluation of the creditworthiness of the debtors. The Group's exposure to credit risk on its other receivables from debtors and related parties is managed through close account monitoring and setting limits.

Discussion and Analysis of Material Events

EGRHI, in 2009, recorded the total purchase price amounting to P622.9 million as an addition to land of a certain parcel of land in Calamba, Laguna amounting to P622.9 million, acquired as a result of the compromise agreement with certain banks.

Property and equipment include the property of GTMDI in Pasig City (land and mall), which secure certain loans from a syndicated lender banks led by PNB. The company has defaulted in its loan obligations, which led to the foreclosure and sale through public auction in July 30, 1999. GTMDI is currently in possession and in complete control of the properties. It continues to operate the mall and draws rental income there from. However, on June 17, 2009, GTMDI and PNB entered into a compromise agreement which was approved by the Court on August 14, 2009. GTMDI shall pay PNB an amount of P565 million, of which P80 million shall be paid upon the execution of the agreement. The remaining amount payable to PNB shall be settled within seven years at 8% interest per annum. The compromise agreement provides that upon GTMDI's full payment of the compromise amount and all advances, taxes, fees and expenses, and both

parties' compliance with all their respective obligations under the agreement, each party therefore releases and discharges the other party, their directors, officers, agents and employees from any and all claims arising from PNB's foreclosure and consolidation of the property subject of MTI.

The adverse impact of movie piracy has taken its toll on the movie industry. Gotesco Investments, Inc. (GII), a major player in the cinema business and an anchor tenant of the Company, was no exception. GII originally occupied and operated ten (10) cinemas at GTMDI, a wholly owned subsidiary of EGRHI, and twelve (12) cinemas at EGRHI, the parent company. Towards the end of 2002, GII closed five (5) out of ten (10) cinemas at GTMDI and expected to consolidate patrons in its five (5) remaining cinemas. However, GII continued to experience a deteriorating traffic of movie-goers and the consequential drop of its ticket revenues. As a result, GII management decided to totally close the five (5) remaining cinemas and three (3) cinemas in 2003 and turned over the same to GTMDI and EGRHI, respectively.

In 2004, GII turned over nine (9) remaining cinemas to EGRHI, the parent company. EGRHI generates an average monthly rental revenue of P1.227 million or P14.727 million annually for the said remaining cinemas. The closure translates to an annual rental revenue loss for EGRHI by P14.7 million or 9% of its total annual revenue generation, and 4.6% to the consolidated rental revenue.

Disclosure on the Garnishment of Lease Rental Receivables

The Notice of Garnishment on lease rental receivables was issued on January 27, 2000 by the RTC of Manila against the parent company, its subsidiary and certain affiliates in relation to a civil complaint by the Banko Sentral ng Pilipinas was served to various tenants. This has substantially impaired collection effort on lease rental receivables and added to the company's cash flow problems. The Garnishment Notice limited the company's collections to tenants' utility dues and other assessments, which were exempted from the Garnishment. Cash Flows from these collections, however, allow the continuity of the mall operations and sustain the company's going concern. The company's counsels file a Motion to Dismiss on the grounds, among others, that (a) summons were improperly served such that the Court did not acquire jurisdiction over the Company and certain affiliates, and (b) the complaint states no cause of action or if it does so state, it is founded on illegality. The said Motion to Dismiss was consolidated with a Motion to Dissolve the Writ of Preliminary Attachment. In 2003, the Group together with their co-defendants, on the garnishment case, entered into an extra-judicial settlement with the plaintiff. As a result, the RTC lifted the garnishment of lease payments on January 14, 2004 which the RTC returned to the Company. However, as the parties have agreed on the amortization schedule, the BSP filed a motion of execution anchored on the compromise agreement. While the RTC-Manila initially denied such motion, it eventually granted the same via a motion for execution. As a result thereof, Writ of Garnishment was issued.

Foreclosure of Mortgaged Properties

The property of GTMDI in Pasig City (land and mall), which secure certain loans from a syndicated lender banks led by PNB. The company has defaulted in its loan obligations, which led to the foreclosure and sale through public auction in July 30, 1999. GTMDI is currently in possession and in complete control of the properties. It continues to operate the mall and draws rental income there from.

On June 17, 2009, GTMDI and PNB entered into a compromise agreement which was approved by the Court on August 14, 2009. GTMDI shall pay PNB an amount of P565 million, of which P80 million shall be paid upon the execution of the agreement. The remaining amount payable to PNB shall be settled within seven years at 8% interest per annum. The compromise agreement provides that upon GTMDI's full payment of the compromise amount and all advances, taxes, fees and expenses, and both parties' compliance with all their respective obligations under the agreement, each party therefore releases and discharges the other party, their directors, officers, agents and employees from any and all claims arising from PNB's foreclosure and consolidation of the property subject of MTI.

Meanwhile, the other creditor banks continue to hold their respective proportionate undivided interest over the subject parcels of land and mall.

EGRHI entered into a compromise agreements with PNB, Security Bank Corporation (SBC) and DBP for the purchase of their 50%, 33.33% and 16.67% respective share in the undivided ownership/interest in the same parcel of land in Calamba, Laguna which gave EGRHI the right to acquire the whole undivided ownership/interest over the subject parcel of land payable in seven year at 8% interest per annum for PNB and five years at 8% interest per annum for SBC and DBP. EGRHI recorded the total purchase price amounting to P622.9 million as an addition to land.

On June 17, 2009, GTMDI and PNB entered into a compromise agreement which was approved by the Court on August 14, 2009. GTMDI shall pay PNB an amount of P565 million, of which P80 million shall be paid upon the execution of the agreement. The remaining amount payable to PNB shall be settled within seven years at 8% interest per annum.

OTHER INFORMATION

No significant events happened which were not disclosed under SEC FORM 17-C.

SIGNATURES

Pursuant to the requirements of Section 17 of SRC and Section 141 of the Corporation Code, this report signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Manila.

EVER-GOTESCO RESOURCES AND HOLDINGS, INC.

Issuer


JOEL T. GO
President

Date 07/21/2015


EVELYN C. GO
Treasurer

Date 07/21/2015


CYNTHIA T. DIZON
AVP - Controller

Date 11/24/19