Prime Media Holdings, Inc.

Financial Statements
December 31, 2015 and 2014
(With Comparative Figures for 2013)

With independent auditor's report provided by

REYES TACANDONG & CO.
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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						2	2	4	0	1

COMPANY NAME

PRIME MEDIA HOLDINGS, INC.

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

16tH Floor, Citibank Tower, 8741 Paseo de Roxas, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
service@primemediaholdingsinc.com	(02) 889-9009	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,881	3rd Tuesday of May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Rolando S. Santos	rolly.santos@marcventures.com.ph	826-8609/856-7976	09989850229

OFFICE ADDRESS

16th Floor, Citibank Tower, 8741, Paseo de Roxas, Makati City

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

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

PRIME MEDIA HOLDINGS, INC.

STATEMENTS OF FINANCIAL POSITION

	Note	December 31 **2015**	2014
ASSETS			
Current Assets			
Cash	6	**₱73,225,018**	₱110,053,912
Receivables	7	**4,384,867**	4,650,121
Other current assets		**829,979**	797,115
Total Current Assets		**78,439,864**	115,501,148
Noncurrent Assets			
Investment properties	8	**38,020,000**	38,020,000
Available-for-sale (AFS) investment	9	**250,000**	150,000
Computer equipment	10	**74,360**	–
Total Noncurrent Assets		**38,344,360**	38,344,360
		₱116,784,224	₱153,671,148
LIABILITY AND CAPITAL DEFICIENCY			
Current Liability			
Accrued expenses and other current liabilities	11	**₱195,989,085**	₱202,277,398
Capital Deficiency			
Capital stock	12	**747,489,906**	747,489,906
Additional paid-in capital	12	**2,082,096,839**	2,082,096,839
Deficit		**(2,908,841,606)**	(2,878,142,995)
Cumulative unrealized gain (loss) on AFS investment	9	**50,000**	(50,000)
Total Capital Deficiency		**(79,204,861)**	(48,606,250)
		₱116,784,224	₱153,671,148

See accompanying Notes to Financial Statements.

PRIME MEDIA HOLDINGS, INC.

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2015 and 2014
(With Comparative Figures for 2013)

	Note	**2015**	2014	2013
INCOME				
Rental	13	**₱1,219,730**	₱2,008,116	₱1,743,881
Recovery of accounts written-off	7	**583,281**	1,911,160	–
Interest income	6	**208,813**	132,877	49,807
Reversal of accrued expenses and other current liabilities	11	**–**	–	10,526,437
Others		**–**	–	46,758
		2,011,824	4,052,153	12,366,883
EXPENSES				
Management fee	15	**23,103,984**	–	–
Professional fees		**2,503,119**	455,501	706,300
Outside services		**2,086,595**	1,612,791	704,706
Taxes and licenses		**1,566,413**	1,363,706	120,492
Rent	13	**1,246,714**	627,991	884,894
Penalties		**274,200**	800,000	–
Depreciation	10	**11,440**	–	–
Insurance		**3,478**	6,849	7,428
Interest		**–**	–	959,713
Others		**1,878,432**	372,013	443,453
		32,674,375	5,238,851	3,826,986
INCOME (LOSS) BEFORE INCOME TAX		**(30,662,551)**	(1,186,698)	8,539,897
INCOME TAX EXPENSE	14	**36,060**	78,386	127,415
NET INCOME (LOSS)		**(30,698,611)**	(1,265,084)	8,412,482
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will be reclassified to profit or loss:				
Unrealized gain (loss) on changes in fair value of AFS investments	9	**100,000**	(30,000)	–
TOTAL COMPREHENSIVE INCOME (LOSS)		**(₱30,598,611)**	(₱1,295,084)	₱8,412,482
Basic and Diluted Earnings (Loss) Per Share	17	**(₱0.06)**	(₱0.01)	₱0.01

See accompanying Notes to Financial Statements.

PRIME MEDIA HOLDINGS, INC.

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2015 and 2014
(With Comparative Figures for 2013)

	Note	**2015**	2014	2013
CAPITAL STOCK	12			
Common stock - ₱1 par value				
Subscribed:				
Balance at beginning of year		**₱698,930,906**	₱458,746,136	₱387,144,437
Conversion of debt to equity		**–**	240,184,770	–
New subscription		**–**	–	71,600,000
Conversion of preferred to common shares		**–**	–	1,699
Balance at end of year		**698,930,906**	698,930,906	458,746,136
Less subscription receivable:				
Balance at beginning of year		**–**	1,600,000	–
Movement during the year		**–**	(1,600,000)	1,600,000
Balance at end of year		**–**	–	1,600,000
		698,930,906	698,930,906	457,146,136
Preferred stock - ₱1 par value				
Balance at beginning of year		**48,559,000**	48,559,000	48,601,490
Conversion of preferred to common shares		**–**	–	(42,490)
Balance at end of year		**48,559,000**	48,559,000	48,559,000
		747,489,906	747,489,906	505,705,136
ADDITIONAL PAID-IN CAPITAL	12			
Balance at beginning of year		**2,082,096,839**	1,614,419,684	1,614,378,893
Conversion of debt to equity		**–**	360,277,155	–
Subscription payment in excess of par		**–**	107,400,000	–
Conversion of preferred to common stocks		**–**	–	40,791
Balance at end of year		**2,082,096,839**	2,082,096,839	1,614,419,684
DEFICIT				
Balance at beginning of year		**(2,878,142,995)**	(2,876,877,911)	(2,885,290,393)
Net income (loss)		**(30,698,611)**	(1,265,084)	8,412,482
Balance at end of year		**(2,908,841,606)**	(2,878,142,995)	(2,876,877,911)
CUMULATIVE UNREALIZED GAIN (LOSS) ON AFS INVESTMENT	9			
Balance at beginning of year		**(50,000)**	(20,000)	(20,000)
Unrealized gain (loss) on changes in fair value		**100,000**	(30,000)	–
Balance at end of year		**50,000**	(50,000)	(20,000)
		(₱79,204,861)	(₱48,606,250)	(₱756,773,091)

See accompanying Notes to Financial Statements.

PRIME MEDIA HOLDINGS, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015 and 2014
(With Comparative Figures for 2013)

	Note	**2015**	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**(₱30,662,551)**	(₱1,186,698)	₱8,539,897
Adjustments for:				
Interest income	6	**(208,813)**	(132,877)	(49,807)
Depreciation	10	**11,440**	–	–
Interest expense		**–**	–	959,713
Operating loss before working capital changes		**(30,859,924)**	(1,319,575)	9,449,803
Decrease (increase) in:				
Receivables		**265,254**	(246,377)	1,960,737
Other assets		**(32,864)**	166,237	381,600
Decrease in accrued expenses and other current liabilities		**(6,288,313)**	(834,429)	(13,130,918)
Net cash used in operations		**(36,915,847)**	(2,234,144)	(1,338,778)
Interest received		**208,813**	132,877	49,807
Income tax paid		**(36,060)**	(119,800)	(330,293)
Net cash used in operating activities		**(36,743,094)**	(2,221,067)	(1,619,264)
CASH FLOWS FROM INVESTING ACTIVITY				
Acquisition of computer equipment	10	**(85,800)**	–	–
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of common shares	12	**–**	109,000,000	70,000,000
Payments of loans payable and interest		**–**	–	(69,779,505)
Net cash flows provided by financing activities		**–**	109,000,000	220,495
NET INCREASE (DECREASE) IN CASH		**(36,828,894)**	106,778,933	(1,398,769)
CASH AT BEGINNING OF YEAR		**110,053,912**	3,274,979	4,673,748
CASH AT END OF YEAR		**₱73,225,018**	₱110,053,912	₱3,274,979
NONCASH FINANCIAL INFORMATION				
Debt to equity conversion	12	**₱–**	₱600,461,925	₱–

See accompanying Notes to Financial Statements.

PRIME MEDIA HOLDINGS, INC.

NOTES TO FINANCIAL STATEMENTS

(With Comparative Information for 2013)

1. **Corporate Information**

Prime Media Holdings, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 6, 1963. The SEC approved on October 1, 2003 the amendment of the Company's articles of incorporation, changing its primary purpose from a development bank to a holding company, to hold investments in the media industry and on March 4, 2013, the extension of the Company's corporate life for another 50 years.

On July 9, 1964, the Philippine Stock Exchange (PSE) approved the public listing of the Company's shares of stock. As at December 31, 2015 and 2014, 663,713,458 Company shares are publicly listed.

On September 12, 2002, the Company's assets and liabilities arising from its development bank operations were transferred and assumed by Banco de Oro Unibank, Inc. (BDO) and Philippine Deposit Insurance Corporation (PDIC) under a Memorandum of Agreement (MOA). As at December 31, 2015 and 2014, the Company still has amounts due to BDO and PDIC representing unremitted collection of receivables and sale of foreclosed properties for the account of PDIC (see Note 11).

On April 6, 2013, the BOD approved the conversion of advances from Neo Oracle Holdings, Inc. (NOHI) and Metro Tagaytay Land Company, Inc. (MTLCI) aggregating ₱600.5 million, into 240,184,770 common shares at ₱2.50 a share (see Note 12). On January 14, 2014, the SEC approved the valuation for the Company's debt to equity conversion.

In 2013, NOHI and MTLCI subscribed to additional ₱179.0 million or 71,600,000 common shares at ₱2.50 a share. The Company received the minimum subscription price amounting to ₱70.0 million in 2013.

On April 4, 2014, RYM Business Management Corporation (RYM) acquired 298,949,216 common shares owned by NOHI.

The major shareholders of the Company as at December 31, 2015 and 2014 are as follows: RYM (43%), MTLCI (31%) and NOHI (13%).

On March 2, 2015, the SEC approved the change of the Company's principal office address from 3 San Antonio Street, Barrio Kapitolyo, Pasig City to 16th Floor Citibank Tower, 8741 Paseo de Roxas, Makati City.

The financial statements of the Company as at and for the years ended December 31, 2015 and 2014 were approved and authorized for issuance by the BOD on April 13, 2016.

<u>Status of Operations</u>

The Company has a capital deficiency of ₱79.2 million and ₱48.6 million as at December 31, 2015 and 2014, respectively. The stockholders converted advances aggregating ₱600.5 million to additional capital in 2014 and infused additional capital aggregating ₱179.0 million in 2014 and 2013 to generate necessary working capital to pursue new businesses and settle its liabilities. The Company is also pursuing discussions with third party investors for additional capital.

2. Basis of Preparation and Statement of Compliance

The financial statements of the Company have been prepared on a historical cost basis, except for AFS investment which is carried at fair value. The financial statements are presented in Philippine Peso, which is the Company's functional currency. All values are in absolute amounts unless otherwise indicated.

The financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

3. Summary of Changes in PFRS

Adoption of New and Revised PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2015:

- Amendment to PAS 24, *Related Party Disclosures - Key Management Personnel* – The amendment clarifies how payments to entities providing key management personnel services are to be disclosed.

- Amendment to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables and Portfolio Exception* – The amendment clarifies that the portfolio exception in PFRS 13 - allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis - applies to all contracts (including non-financial) within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* or PFRS 9, *Financial Instruments*.

The adoption of the foregoing new and revised PFRS did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

New and Revised PFRS Not Yet Adopted

Relevant new and revised PFRS which are not yet effective for the year ended December 31, 2015 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2016

- Amendments to PAS 1, *Presentation of Financial Statements* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to PAS 16, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation,* and PAS 38*, Intangible Assets - Clarification of Acceptable Methods of Amortization* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.

- Amendment to PFRS 7, *Financial Instruments: Disclosures* – The amendment adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

Effective for annual periods beginning on or after January 1, 2018

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39 (and all the previous versions of PFRS 9). It provides requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

  PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

  For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

  For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will be no longer necessary for objective evidence of impairment before a credit loss is recognized.

  For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

  The derecognition provisions are carried over almost unchanged from PAS 39.

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS is not expected to have any material effect on the financial statements of the Company. Additional disclosures will be included in the financial statements, as applicable.

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

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Fair Value Measurement

The Company uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 - Quoted (unadjusted) market prices in active market 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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Financial Instruments

a. Recognition

Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provision of the instruments. Financial instruments are initially recognized at fair value. In the case of regular way purchase or sale of financial asset, recognition and derecognition, as applicable, is done using settlement date accounting. The initial measurement of the financial instruments, except for those classified at fair value through profit or loss (FVPL), includes transaction costs.

"Day 1" Differences. Where the transaction in a non−active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the statement of comprehensive income. In cases where there is no observable data on inception, the Company deemed the transactions price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

b. Classification

The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) held-to-maturity (HTM) investments, (c) loans and receivables and (d) AFS investments. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification depends on the purpose for which the financial instruments were acquired or incurred and whether or not the instruments are quoted in an active market.

As at December 31, 2015 and 2014, the Company does not have financial assets and liabilities at FVPL and HTM investments.

Loans and Receivables. Loans and receivables are financial assets with fixed or determinable payments and fixed maturities and that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS investment or financial asset at FVPL. Loans and receivables are included in current assets if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent assets.

Subsequent to initial measurement, loans and receivables are measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and any transaction cost which are directly attributable in the acquisition of the financial instrument. The amortization is included in profit or loss.

As at December 31, 2015 and 2014, this category includes cash and receivables (excluding advances to officers, employees and service providers).

AFS Investment. AFS investment are nonderivative financial assets that are either designated in this category or not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS investment is subsequently measured at fair value. Changes in fair value are recognized as other comprehensive income and the accumulated balance is included in "Net unrealized gain (loss) on AFS investment" within equity. These changes in fair value are recognized in equity until the investment is sold, collected, or otherwise disposed of or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is reclassified to profit or loss.

The Company classified its proprietary membership shares as an AFS investment as at December 31, 2015 and 2014.

Other Financial Liabilities at Amortized Cost. Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or through borrowing.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as when there is amortization process.

As at December 31, 2015 and 2014, this category includes accrued expenses and other current liabilities (excluding statutory payables) and due to a related party.

c. Derecognition

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized by the Company when:

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

Where the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset, if any, is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

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

d. Offsetting

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

e. Impairment of Financial Assets

Loans and Receivables. The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The carrying amount of the impaired account is reduced to the extent that it exceeds the asset's net realizable value. Impairment losses are recognized in full in profit or loss. If in a subsequent period, the amount of accumulated impairment losses has decreased because of an event occurring after impairment was recognized, the decline is allowed to be reversed to profit or loss to the extent that the resulting carrying value will not exceed the amortized cost determined had no impairment been recognized.

AFS Investment. For equity investments classified as AFS financial assets, impairment would include a significant or prolonged decline in the fair value of the investments below their cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed through income. Increases in fair value after impairment are recognized directly in the other comprehensive income and presented in the statements of changes in equity.

Other Current Assets

Other current assets, which includes prepayments, are expenses paid in advance and recorded as asset before they are utilized.

Prepayments that are expected to be realized for no more than twelve months after the reporting date are classified as other current assets. Otherwise, these are classified as other noncurrent assets.

CWTs are amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

Investment Properties

Investment properties consist of land and is measured initially at cost, including transaction costs. 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 property is carried at cost less impairment loss, if any.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the cost of property for subsequent accounting is the carrying amount at the date of change in use. If an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties are recognized in profit or loss in the period of retirement or disposal.

Computer Equipment

Computer equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of computer equipment comprises its purchase price, including import duties, non-refundable purchase taxes after deducting trade discounts and rebates and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

Expenditures incurred after the computer equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of computer equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of computer equipment. The cost of replacing a component of an item of computer equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When parts of an item of computer equipment have different useful lives, they are accounted for as separate items (major components) of computer equipment.

Depreciation is calculated on a straight-line basis over the following estimated useful lives of the computer equipment of 5 years.

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

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the accounts. Any resulting gain or loss is credited to or charged against current operations.

<u>Impairment of Investment Properties and Computer Equipment</u>
The Company assesses at each reporting date whether there is an indication that investment properties and computer equipment may be impaired when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and if the carrying amount exceeds the estimated recoverable amount, investment properties and computer equipment are written down to its recoverable amount, which is the greater of fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction. In assessing value in use, the estimated future cash flows are discounted to 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. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the 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. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

<u>Capital Stock and Additional Paid-in Capital</u>
Capital stock is measured at par value for all shares issued. The excess of proceeds from issuance of shares over the par value is credited to additional paid-in capital. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from proceeds.

<u>Deficit</u>
Deficit represents the cumulative balance of operating results, less any dividends declared.

<u>Revenue Recognition</u>
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is recognized as follows:

Rental Income. Rental income is recognized using the straight-line method over the term of the lease.

Interest Income. Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

Other Income. Income from other sources is recognized when earned.

<u>Expense Recognition</u>
Expenses constitute cost of administering the business. These costs are expensed upon receipt of goods, utilization of services, or when the expense is incurred.

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

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;

b. a renewal option is exercised or extension granted, unless 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).

Operating Lease - Company as a Lessee. Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Operating Lease - Company as a Lessor. Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight line basis over the lease term on the same basis as rental income.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate used to compute the amount is the one that has been enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of any unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and any unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate that has been enacted or substantively enacted at the reporting date.

Deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items directly recognized in equity as other comprehensive income.

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

Earnings (Loss) Per Share (EPS)

Basic EPS is computed by dividing net income (loss) for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends declared and stock split.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Where the EPS effect of potential dilutive ordinary shares would be anti-dilutive, basic and diluted EPS are stated at the same amount.

Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components.

Related Parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

Events after the Reporting Period
Post year-end events that provide additional information about the Company's financial position at the end of reporting period (adjusting events) are reflected in the financial statements when material. Post year-end events that are non-adjusting are disclosed in the notes to financial statements when material.

5. Significant Judgments, Accounting Estimates and Assumptions

PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognized in the financial statements.

Classifying Financial Instruments. The Company classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

The Company classified its proprietary membership shares as an AFS investment (see Note 9).

Determining Operating Lease Commitments

Company as a Lessor. Management exercises judgment in determining whether substantially all the significant risks and benefits of ownership of the assets held for lease are retained by the Company. Lease contracts which the Company retains substantially all the risks and benefits incidental to ownership of the leased item are accounted for as operating leases. Otherwise, these are considered as finance leases.

The Company, as a lessor, has entered into property leases where it has determined that it retains all the significant risks and benefits of ownership of those properties. As such, the lease agreements are accounted for as operating leases.

Rent income amounted to ₱1.2 million and ₱2.0 million in 2015 and 2014, respectively (₱1.7 million in 2013) (see Note 13).

Company as a Lessee. The Company, as a lessee, has an operating lease agreement for its office space. The Company has determined that the risks and benefits of ownership related to the leased properties are retained by the lessor. Accordingly, the lease is accounted for as an operating lease.

Rent expense amounted to ₱1.2 million and ₱0.6 million in 2015 and 2014, respectively (₱0.9 million in 2013) (see Note 13).

Determining Operating Segments. The Company determines and presents operating segments based on the information that is internally provided to the BOD. As at December 31, 2015 and 2014, being a holding company, the Company has not determined an operating segment.

Evaluating Contingencies. The Company is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Company's management and legal counsel believe that eventual liabilities under these lawsuits or claims, if any, will not have a material effect of the Company's financial statements.

<u>Estimations</u>

The key estimates concerning the future and other key sources of estimation uncertainty at the reporting date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimating Allowance for Impairment Losses on Receivables. The Company maintains allowance for receivable impairment at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the debtor, the debtor's payment behaviour and known market factors. The Company identifies and provides for specific accounts that are doubtful of collection and reviews the age and status of the remaining receivables and establishes a provision considering, among others, historical collection and write-off experience.

No impairment loss of receivables was recognized in 2015, 2014 and 2013. Allowance for impairment loss amounted ₱60.3 million as at December 31, 2015 and 2014. The carrying value of receivables amounted to ₱4.4 million and ₱4.7 million as at December 31, 2015 and 2014 (see Note 7).

Estimating the Useful Lives of Computer Equipment. The Company estimates the useful lives of computer equipment based on the period over which the assets are expected to be available for use. The Company annually reviews the estimated useful lives of computer equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental changes and anticipated use of the assets.

The carrying value of computer equipment amounted to ₱0.1 million as at December 31, 2015 (see Note 10).

Assessing Impairment Losses on Investments Properties and Computer Equipment. The Company assesses impairment on investment properties and computer equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

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

No impairment loss was recognized in 2015, 2014 and 2013. The carrying amounts of the investment properties and computer equipment are as follows:

	Note	**2015**	2014
Investment properties	8	**₱38,020,000**	₱38,020,000
Computer equipment	10	**74,360**	–

Assessing Impairment of AFS Investment. The impairment losses of AFS investment comprise the difference between their cost and their current fair value. The Company treats AFS investment as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment. The Company treats “significant” generally as 20% or more and “prolonged” as greater than 12 months for quoted equity securities. In addition, the Company evaluates other factors, including normal volatility in share price for quoted instruments and the future cash flows and the discount factors for unquoted instruments.

No impairment loss was recognized in 2015, 2014 and 2013. The carrying value of AFS investment amounted to ₱0.3 million and ₱0.2 million as at December 31, 2015 and 2014, respectively (see Note 9).

Assessing Realizability of Deferred Tax Assets. The Company reviews its deferred tax asset at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

No deferred tax assets were recognized on certain deductible temporary differences and carry forward benefits of NOLCO and MCIT amounting to ₱27.9 million and ₱18.6 million as at December 31, 2015 and 2014, respectively (see Note 14). Management believes that it may not be probable that future taxable profit will be available in the near future against which the deferred tax assets can be utilized.

6. Cash

This account consists of:

	2015	2014
Cash on hand	**₱5,277**	₱5,000
Cash in banks	**73,219,741**	110,048,912
	₱73,225,018	₱110,053,912

Cash in banks earn interest at bank deposit rates. Interest income from cash in banks amounted to ₱0.2 million and ₱0.1 million in 2015 and 2014, respectively (₱49,807 in 2013).

7. Receivables

This account consists of:

	Note	2015	2014
Loans receivable		**₱62,277,740**	₱62,277,740
Advances to officers, employees and service providers		**2,122,935**	2,125,503
Rent receivable	13	**261,932**	524,618
		64,662,607	64,927,861
Less allowance for impairment losses		**60,277,740**	60,277,740
		₱4,384,867	₱4,650,121

Loans receivable are related to the Company's previous bank operations. The unimpaired balance of loans receivable amounting to ₱2.0 million is left under an escrow fund as at December 31, 2015 and 2014.

Advances to officers, employees and service providers represent unliquidated, noninterest-bearing advances for processing of the transfer of title of properties to PDIC and BDO. These are liquidated upon the accomplishment of the purposes for which the advances were granted.

The Company collected accounts previously written-off amounting to ₱0.6 million and ₱1.9 million in 2015 and 2014, respectively.

8. Investment Properties

This account represents parcels of commercial land located in Legazpi City, Albay, which are held for capital appreciation and are carried at cost amounting to ₱38.0 million as at December 31, 2015 and 2014.

The fair value of the land amounted to ₱66.2 million as at December 31, 2015 and 2014. The fair value was determined based on valuation performed by independent and professionally qualified appraisers dated March 20, 2015.

The appraised value of the investment properties were arrived at using the Market Data Approach. In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. This requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the vicinity of the subject property. The comparison was premised on the factors of location, size, and shape of the lot, time element and others.

9. **AFS Investment**

Movements of this account follow:

	2015	2014
Cost	**₱200,000**	₱200,000
Unrealized gain (loss) on fair value changes		
Balance at beginning of year	**(50,000)**	(20,000)
Change in fair value	**100,000**	(30,000)
Balance at end of year	**50,000**	(50,000)
	₱250,000	₱150,000

10. **Computer Equipment**

Movements of this account in 2015 follow:

Cost	
Balance at beginning of year	₱–
Additions	85,800
Balance at end of year	85,800
Accumulated Depreciation	
Balance at beginning of year	–
Depreciation	11,440
Balance at end of year	11,440
Net Carrying Amount	₱74,360

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

This account consists of:

	2015	2014
Liabilities arising from the MOA	**₱171,959,972**	₱181,233,635
Dividends payable	**10,985,443**	10,985,443
Rental deposits	**5,972,642**	5,972,642
Accrued expenses	**1,663,298**	1,829,299
Others	**5,385,255**	2,256,379
	₱195,966,610	₱202,277,398

Liabilities arising from the MOA pertain to estimated transfer taxes and registration fees related to the transfer of assets to BDO/PDIC and other related liabilities, primarily from unremitted collection of assigned receivables and sale of foreclosed properties for the account of PDIC (see Note 1). This account includes provision for probable losses to cover estimated losses from claims. As allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, certain information is not disclosed until final settlement as it might prejudice the Company's position on the matter.

Dividends payable pertains to the Company's dividend for cumulative, nonparticipating, nonvoting, redeemable and convertible preferred shares that were declared prior to the Company's incurrence of deficit.

Rental deposits represent long-outstanding rental deposits that have not been claimed by the Company's previous tenants.

Accrued expenses pertain to accrual of outside services, professional fees and association dues, among others.

In 2013, the Company reversed ₱10.5 million pertaining to long outstanding accruals for rental, rental deposits and excess liability over actual amounts settled for the liabilities arising from the MOA.

12. **Equity**

Capital Stock

The movement in capital stock are as follows:

	2015		2014		2013	
	Number of Stocks	**Amount**	Number of Stocks	Amount	Number of Stocks	Amount
Common stock - ₱1 par value						
Authorized	**3,000,000,000**	**₱3,000,000,000**	3,000,000,000	₱3,000,000,000	3,000,000,000	₱3,000,000,000
Subscribed:						
Balance at beginning of year	**698,930,906**	**698,930,906**	458,746,136	458,746,136	387,144,437	387,144,437
Conversion of debt to equity	**–**	**–**	240,184,770	240,184,770	–	–
New subscription	**–**	**–**	–	–	71,600,000	71,600,000
Conversion of preferred to common	**–**	**–**	–	–	1,699	1,699
Balance at end of year	**698,930,906**	**₱698,930,906**	698,930,906	₱698,930,906	458,746,136	₱458,746,136
Paid-up:						
Balance at beginning of year	**698,930,906**	**₱698,930,906**	457,146,136	₱457,146,136	387,144,437	₱387,144,437
Conversion of debt to equity	**–**	**–**	240,184,770	240,184,770	–	–
Subscription	**–**	**–**	1,600,000	1,600,000	70,000,000	70,000,000
Conversion of preferred to common	**–**	**–**	–	–	1,699	1,699
Balance at end of year	**698,930,906**	**₱698,930,906**	698,930,906	₱698,930,906	457,146,136	₱457,146,136
Preferred stock - ₱1 par value						
Authorized	**2,000,000,000**	**₱2,000,000,000**	2,000,000,000	₱2,000,000,000	2,000,000,000	₱2,000,000,000
Issued and outstanding:						
Balance at beginning of year	**48,559,000**	**48,559,000**	48,559,000	48,559,000	48,601,490	48,601,490
Conversion of preferred to common shares	**–**	**–**	–	–	(42,490)	(42,490)
Balance at end of year	**48,559,000**	**₱48,559,000**	48,559,000	₱48,559,000	48,559,000	₱48,559,000

The Company has 1,881 and 1,886 stockholders as at December 31, 2015 and 2014 (1,898 as at December 31, 2013).

The high and low trading prices of the Company's shares are as follows:

Quarter	High	Low
January 2015 to December 2015		
First	**₱1.68**	**₱0.90**
Second	**1.68**	**1.30**
Third	**1.37**	**1.08**
Fourth	**1.49**	**1.16**
January 2014 to December 2014		
First	2.15	1.40
Second	2.00	1.66
Third	1.99	1.67
Fourth	1.70	1.25

The preferred stocks have the following salient features:

a. Cumulative, nonparticipating, nonvoting, redeemable and convertible at the option of the Company.

b. Cash dividend rate initially at 4.50% per annum based on par value, which shall be automatically adjusted to 9.00% per annum upon full payment of the subscription price.

c. The Company may, at any time at its option, wholly or partially redeem the outstanding preferred shares plus accrued dividends thereon. When such call for redemption is made, the holders of the preferred shares may opt to convert the preferred shares to common shares. The minimum amount of redemption shall be equivalent to ₱100.0 million and redemption in excess of the minimum shall likewise be in multiples of ₱100.0 million. All redemptions shall be applied in proportion to the outstanding preferred shares.

On October 10, 2001, the BOD approved an option to stockholders of preferred shares of extending the maturity of shares for another five years for a 2% additional dividend on the 9% regular dividend.

In 2013, 42,490 preferred shares were converted to 1,699 common shares.

Debt to Equity Conversion and Additional Subscription

On April 6, 2013, the BOD approved the conversion of advances from NOHI and MTLCI aggregating ₱600.5 million, into 240,184,770 common shares at ₱2.50 a share. On January 14, 2014, the SEC approved the valuation for the Company's debt to equity conversion.

On the same date, NOHI and MTLCI subscribed to additional ₱179.0 million or 71,600,000 common shares at ₱2.50 a share. The Company received the minimum subscription price amounting to ₱70.0 million which was used by the Company to pay its loan with BDO.

13. Leases

a. The Company entered into a cancellable lease agreement of a certain property for a period of 20 years that expired on August 31, 2015. The Company subleased the said property which commenced on January 16, 2003 and consequently ended on August 31, 2015.

   Rental income amounted to ₱1.2 million and ₱2.0 million in 2015 and 2014, respectively (₱1.7 million in 2013). Related rent expense amounted to ₱0.3 million and ₱0.6 million in 2015 and 2014, respectively (₱0.9 million in 2013).

   Rent receivable amounted to ₱0.3 million and ₱0.5 million as at December 31, 2015 and 2014, respectively (see Note 7).

b. On April 1, 2015, the Company entered into a cancellable lease agreement with Bright Kindle Resources & Investments, Inc. (BKR) for its office space. Rentals charged to expense amounted to ₱0.9 million (see Note 15).

14. Income Tax

The provision for current income tax represents MCIT in 2015 and 2014 (RCIT in 2013).

The Company did not recognize deferred tax assets on the following temporary differences since the management believes that there will be no sufficient future taxable income will be available to allow utilization of the following tax benefits:

	2015	2014
Allowance for impairment loss	**₱18,083,322**	₱18,083,322
NOLCO	**9,657,282**	395,873
MCIT	**114,446**	78,386
	₱27,855,050	₱18,557,581

As at December 31, 2015, unused NOLCO that can be claimed as deduction from future taxable income are as follows:

Year Incurred	Expiry Date	Amount	Applied	Expired	Balance
2015	2018	₱30,871,364	₱–	₱–	₱30,871,364
2014	2017	1,319,575	–	–	1,319,575
		₱32,190,939	₱–	₱–	₱32,190,939

As at December 31, 2015, unused MCIT that can be claimed as deduction from future taxable liability are as follows:

Year Incurred	Expiry Date	Amount	Applied	Expired	Balance
2015	2018	₱36,060	₱–	₱–	₱36,060
2014	2017	78,386	–	–	78,386
		₱114,446	₱–	₱–	₱114,446

The reconciliation between the income tax expense at statutory tax rate and effective income tax rate follows:

	2015	2014	2013
Income tax computed at statutory tax rate	**(₱9,198,765)**	(₱356,009)	₱2,561,969
Movement in unrecognized deferred tax assets	**9,297,469**	474,258	(2,447,785)
Tax effects on:			
Interest income already subjected to final tax	**(62,644)**	(39,863)	(14,942)
Nondeductible expenses	**–**	–	28,173
	₱36,060	₱78,386	₱127,415

15. **Related Party Transactions**

Outstanding balances and transaction with related parties are as follows:

	Nature of Transaction	Amount of Transaction **2015**	Amount of Transaction 2014	Outstanding Balance **2015**	Outstanding Balance 2014
Accrued expense -					
Under common management -					
BKR	Rent	**₱898,953**	₱–	**₱898,953**	₱–
Due to related parties -					
Under common management:					
Marcventures Mining and Development Corp.	Advances for working capital	**₱22,475**	₱–	**₱22,475**	₱–
RYM	Advances for working capital	**199,466**	–	**–**	–
	Management fee	**23,103,984**	–	**–**	–

Outstanding balances are unsecured, noninterest-bearing, and payable on demand.

On December 22, 2015, the Company entered into a management agreement with RYM to oversee and supervise the Company's business matters until December 31, 2017.

Compensation of Key Management Personnel
The Company has no compensation for key management personnel.

16. **Commitments and Contingencies**

a. In the normal course of the Company's prior operations, there are outstanding commitments, pending litigations and contingent liabilities such as commitments to extend credit, pending litigations and others which are not reflected in the financial statements. The Company does not anticipate significant losses as a result of these transactions.

b. Under a MOA dated September 12, 2002 between the Company and BDO, the Company transferred its assets and liabilities from its development operations. The Company agreed to hold BDO free from any contingent claims, labor and minority issues and concerns arising from related assets and liabilities still managed by the Company until these are assumed by BDO. Further, the Company agreed to indemnify BDO against losses, claims and damages BDO may suffer in the event such contingent claims, labor and minority issues affect BDO's rights under the MOA and the Deed of Assignment until the maturity of the deposits are assumed by BDO.

c. The Company is a defendant in legal actions arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from these will not materially affect the Company's financial position and results of operations.

17. Earnings (Loss) Per Share

The basic and diluted earnings per share were computed as follows:

	2015	2014	2013
Net income (loss)	**(₱30,698,611)**	(₱1,265,084)	₱8,412,482
Less dividend rights of the preferred shares for the year	**5,346,164**	5,346,164	5,346,164
Income (loss) attributable to common stockholders	**(36,044,775)**	(6,611,248)	3,066,318
Divided by weighted average number of common shares	**569,020,585**	569,020,585	387,145,287
Income (loss) per share - basic/diluted	**(₱0.06)**	(₱0.01)	₱0.01

18. Financial Risk Management, Objectives and Policies

The Company's principal financial instruments comprise of cash, receivables, AFS investment, accrued expenses and other current liabilities and due to a related party.

The main risks arising from the financial instruments of the Company are credit risk and liquidity risk. The BOD reviews and approves policies for managing the risks.

<u>Credit Risk</u>
Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation. The Company's exposure to credit risk arises primarily from cash in banks and receivables (excluding advances to officers, employees and service providers).

Exposure to Credit Risk. The carrying amount of the financial assets represent the Company's maximum exposure to credit risk in relation to financial assets.

Credit Risk Concentration Profile. The credit risk of the Company is concentrated in its loans receivables.

The aging analyses of financial assets as at December 31, 2015 and 2014 are as follows:

	2015				
	Neither Past Due Nor Impaired	**Past Due But Not Impaired**			
		Less Than 30 Days	**31-60 Days**	**Past Due and Impaired**	**Total**
Cash in banks	**₱73,219,741**	**₱–**	**₱–**	**₱–**	**₱73,219,741**
Receivables*	**2,261,932**	**–**	**–**	**60,277,740**	**62,539,672**
AFS investment	**250,000**	**–**	**–**	**–**	**250,000**
	₱75,731,673	**₱–**	**₱–**	**₱60,277,740**	**₱136,009,413**

**Excluding advances to officers, employees and service providers.*

	2014				
	Neither Past Due Nor Impaired	Past Due But Not Impaired			
		Less Than 30 Days	31-60 Days	Past Due and Impaired	Total
Cash in banks	₱110,048,912	₱–	₱–	₱–	₱110,048,912
Receivables*	2,524,618	–	–	60,277,740	62,802,358
AFS investment	150,000	–	–	–	150,000
	₱112,723,530	₱–	₱–	₱60,277,740	₱173,001,270

**Excluding advances to officers, employees and service providers.*

Cash in banks are entered into with reputable financial institutions duly approved by the BOD.

Credit Quality. The credit quality of the Company's financial assets that are neither past due nor impaired are considered to be of high grade and expected to be collectible without incurring any credit losses.

High grade financial assets are those financial assets from counterparties with good financial condition and with relatively low defaults.

<u>Liquidity Risk</u>
Liquidity risk is the risk that the Company will not be able to settle or meet its financial obligations when they fall due. The Company aims to maintain flexibility by maintaining sufficient cash to meet all foreseeable cash needs.

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2015 and 2014 based on contractual undiscounted cash flows:

	2015			
	On demand	**Less than One year**	**More than One year**	**Total**
Accrued expenses and other current liabilities*	**₱192,837,989**	**₱–**	**₱–**	**₱192,837,989**
Due to a related party	**22,475**	**–**	**–**	**22,475**
	₱192,860,464	**₱–**	**₱–**	**₱192,860,464**

**Excluding statutory payables.*

	2014			
	On demand	Less than One year	More than One year	Total
Accrued expenses and other current liabilities*	₱202,255,177	₱–	₱–	₱202,255,177

**Excluding statutory payables.*

Fair Values

The table below presents a comparison by category of carrying amount and fair value of all of the Company's financial assets and liabilities as at December 31, 2015 and 2014:

	2015		2014	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash in banks	**₱73,219,741**	**₱73,219,741**	₱110,048,912	₱110,048,912
Receivables*	**2,261,932**	**2,261,932**	2,524,618	2,524,618
AFS investment	**250,000**	**250,000**	150,000	150,000
	₱75,731,673	**₱75,731,673**	₱112,723,530	₱112,723,530
Financial Liabilities				
Accrued expenses and other current liabilities**	**₱192,837,989**	**₱192,837,989**	₱202,255,177	₱202,255,177
Due to a related party	**22,475**	**22,475**	–	–
	₱192,860,464	**₱192,860,464**	₱202,255,177	₱202,255,177

**Excluding advances to officers, employees and service providers.*
***Excluding statutory payables.*

Current Financial Assets and Liabilities. The carrying amounts of cash in banks, receivables, accrued expenses, and other current liabilities and due to related parties approximate their fair values due to the short-term nature of the transactions. The fair value measurement of current financial assets and liabilities is classified as Level 3 (significant unobservable inputs).

AFS Investment. The fair value of this financial asset is determined by reference to quoted market bid prices at the close of business at the reporting date. The fair value measurement of AFS investment is classified as Level 1 (quoted in an active market).

Capital Management

The primary objective of the Company's capital management is to safeguard the Company's ability to continue its operations as a going concern and to maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders, or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2015 and 2014.

19. **Supplementary Information Required by the Bureau of Internal Revenue (BIR)**

Revenue Regulations No. 15-2010

Value-added Tax
The Company is not a VAT-registered entity and therefore not subject to input and output VAT.

Percentage Tax
The Company paid and accrued percentage taxes amounting to ₱53,103 in 2015.

All Other Local and National taxes
The Company's local and national taxes for the year ended December 31, 2015 consist of:

Real estate tax	₱1,005,744
Business permit tax	493,828
Percentage tax	58,103
Annual registration fee	500
Others	8,238
	₱1,566,413

Percentage tax and all other local and national taxes are classified under "Taxes and licenses" account.

Withholding Taxes
The Company paid and accrued withholding taxes amounting to ₱74,427 for the year ended December 31, 2015.

Tax Assessments and Cases
The Company has no outstanding tax assessments and cases as at December 31, 2015.

Revenue Regulations No. 19-2011

Taxable Income

Rent income	₱1,219,730
Recovery of assets written-off	583,281
	₱1,803,011

The difference between the taxable income above and the income presented in statement of comprehensive income amounting to ₱208,813 pertains to interest income already subjected to final tax.

Expenses

Management fee	₱23,103,984
Professional fees	2,503,119
Outside services	2,086,595
Taxes and licenses	1,566,413
Rent	1,246,714
Penalties	274,200
Depreciation expense	11,440
Insurance	3,478
Others	1,878,432
	₱32,674,375

PRIME MEDIA HOLDINGS, INC.

SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

DECEMBER 31, 2015

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary			✓

Philippine Financial Reporting Standards (PFRSs)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Operating Segments- Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets			✓
	Financial Instruments: Classification and Measurement of Financial Liabilities			✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		

Philippine Accounting Standards (PASs)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1 (Revised): Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1 (Revised): Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Property Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits			✓
	Amendment to PAS 19 (Revised): Defined Benefit Plans: Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Related Party Disclosures - Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27 (Amended): Investment Entities			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendment to PAS 38: Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: Reclassification of Financial Assets	✓		
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property – Clarifying the Interrelationship between PFRS 3, Business Combination and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✓
PAS 41	Agriculture			✓

Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		

PHILIPPINE INTERPRETATIONS - SIC

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

PRIME MEDIA HOLDINGS, INC.

FINANCIAL RATIOS

DECEMBER 31, 2015

Below is a schedule showing financial soundness indicators in the years 2015 and 2014.

	2015	2014
Current/Liquidity Ratio	**0.40**	0.57
Current assets	**₱78,439,864**	₱115,501,148
Current liabilities	**195,989,085**	202,277,398
Solvency Ratio	**(0.16)**	(0.01)
Income before income tax, depreciation, and amortization	**(₱30,651,111)**	(₱1,186,698)
Total liabilities	**195,989,085**	202,277,398
Debt-to-equity Ratio	**(2.47)**	(4.16)
Total liabilities	**₱195,989,085**	₱202,277,398
Total equity	**(79,204,861)**	(48,606,250)
Asset-to-equity Ratio	**(1.47)**	(3.16)
Total assets	**₱116,784,224**	₱153,671,148
Total equity	**(79,204,861)**	(48,606,250)
Interest rate coverage Ratio	–	–
Pretax income before interest	**(₱30,662,551)**	(₱1,186,698)
Interest expense	**–**	–
Profitability Ratio	**0.39**	0.03
Net income	**(₱30,598,611)**	(₱1,265,084)
Total equity	**(79,204,861)**	(48,606,250)

PRIME MEDIA HOLDINGS, INC.

SUPPLEMENTARY SCHEDULE OF COMPANY'S RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2015

	Amount
Unappropriated retained earnings available for dividend declaration (deficit) at the beginning of year	(₱2,878,142,995)
Net loss during the year	(30,698,611)
Total retained earnings available for dividend declaration (deficit) at end of year	(₱2,908,841,606)