

# COVER SHEET

P	R	E	W	A	R	4	7	6
---	---	---	---	---	---	---	---	---

S.E.C. Registration Number

B	E	R	J	A	Y	A		P	H	I	L	I	P	P	I	N	E	S			
---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	---	---	---	--	--	--

I	N	C	.																		
---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

(Company's Full Name)

9	F		R	U	F	I	N	O		P	A	C	I	F	I	C		T	O	W	E	R
---	---	--	---	---	---	---	---	---	--	---	---	---	---	---	---	---	--	---	---	---	---	---

6	7	8	4		A	Y	A	L	A		A	V	E	N	U	E		C	O	R	.	
---	---	---	---	--	---	---	---	---	---	--	---	---	---	---	---	---	--	---	---	---	---	--

H	E	R	R	E	R	A		S	T	R	E	E	T		M	A	K	A	T	I		
---	---	---	---	---	---	---	--	---	---	---	---	---	---	--	---	---	---	---	---	---	--	--

Business Address: No. Street City/Town/Province

Atty. Malu Sia-Bernas Contact Person
---

811-0668/810-1814 Company/Telephone Number
---

--	--

Month

--	--

Day

SEC Form - 20IS Definitive Information Statement
---

FORM TYPE

--	--

Month

--	--

Day

--

Secondary License Type, If Applicable

--	--	--

Dept. Requiring this Doc.

--

Amended Articles Number/Section

--

Total No. of Stockholders

--

Domestic

--

Foreign

Total Amount of Borrowings

-----  
**To be accomplished by SEC Personnel concerned**

--	--	--	--	--	--	--	--	--	--

File Number

\_\_\_\_\_

LCU

--	--	--	--	--	--	--	--	--	--

Document I.D.

\_\_\_\_\_

Cashier

▪

S T A M P S

Remarks - pls. use black ink for scanning purposes



30 August 2016

Dear Stockholder,

Please take notice that this year's annual meeting of the stockholders of BERJAYA PHILIPPINES INC. will be held on 4 October 2016 at 9:00 a.m. at the Function Room of the Berjaya Makati Hotel, Philippines located at the corner of Makati Avenue and Eduque Street, Makati City, Metro Manila. The Agenda for the meeting is as follows:

1. Call to Order
2. Certification of Notice and Quorum
3. Ratification of the Minutes of the Annual Stockholders Meeting held on 6 October 2015
4. Ratification of Corporate Acts of the Board of Directors for the year ended 30 April 2016
5. Report of the Chairman
6. Amendment of the Sixth Article of the Corporation's Articles of Incorporation to increase the number of directors from six to seven
7. Election of the Board of Directors of the Corporation
8. Appointment of External Auditors
9. Other Matters
10. Adjournment



**JOSE A. BERNAS**  
Corporate Secretary

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 20-IS**

**Information Statement Pursuant to Section 20  
of the Securities Regulation Code**

1. Check the appropriate box:

Preliminary Information Statement  
 Definitive Information Statement

2. Name of Registrant as specified in its charter – BERJAYA PHILIPPINES INC.

3. Province, country or other jurisdiction of incorporation or organization - Manila, Philippines

4. SEC Identification Number – pre war 476

5. BIR Tax Identification Code - 001-289-374

6. Address of principal office - 9/F Rufino Pacific Tower, 6784 Ayala Avenue corner  
V.A. Rufino (formerly Herrera) Street,  
Makati City, Metro Manila 1229

7. Registrant's telephone number, including area code - (632) 811-0668

8. Date, time and place of meeting of security holders -  
The Annual Meeting of the Stockholders of Berjaya Philippines, Inc. (the Corporation) will  
be held on 4 October 2016, at 9:00 a.m. at the Function Room of the Berjaya Makati  
Hotel, Philippines located at the corner of Makati Avenue and Eduque Street, Makati  
City, Metro Manila.

9. Approximate date on which the Information Statement is first to be sent or given to  
security holders - 13 September 2016

10. *In case of Proxy Solicitations: Not applicable*

Name of Person Filing the  
Statement/Solicitor: \_\_\_\_\_  
Address and Telephone No.: \_\_\_\_\_

11. Securities registered pursuant to Code or Sections 4 and 8 of the RSA (Information on  
number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
---------------------	---

**COMMON**

**953,984,448** (as of 30 April 2016)

**4,427,009,132** (as of 31 May 2016)

Amount of Debt Outstanding  
as of 30 April 2016

12. Are any or all of registrant's securities listed on the Philippine Stock Exchange?

Yes  No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

The shares are listed in the Philippine Stock Exchange and are classified either as common or treasury shares.

### **GENERAL INFORMATION**

#### Date, time and place of meeting of security holders

The Annual Meeting of the Stockholders of Berjaya Philippines, Inc. (the Corporation) shall be held on 4 October 2016, at 9:00 a.m. at the Function Room of the Berjaya Makati Hotel located at the corner of Makati Avenue and Eduque Street, Makati City, Metro Manila.

The complete mailing address of the principal office of the registrant is 9/F Rufino Pacific Tower, 6784 Ayala Avenue corner V. A. Rufino (formerly Herrera) Street, Makati City, Metro Manila.

The Information Statement will approximately be sent or given first to stockholders of record on 13 September 2016 or at least fifteen (15) business days before the meeting date.

<b>WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.</b>
--

### Dissenters' Right of Appraisal

Pursuant to Section 81 of the Corporation Code of the Philippines (the Corporation Code), any stockholder of the Corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and
3. In case of merger or consolidation.

The agenda for the Annual Meeting on 4 October 2016 does not include any of the foregoing instances.

### Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No current director or officer of the Corporation, or nominee for election as directors of the Corporation, or any associate thereof, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon.

No director has informed the Corporation in writing that he intends to oppose any action to be taken by the registrant at the meeting.

## **CONTROL AND COMPENSATION INFORMATION**

### Voting Securities and Principal Holders Thereof

There are four billion four hundred twenty seven million nine thousand one hundred thirty two (4,427,009,132) issued and outstanding common shares of stock of the Corporation entitled to vote at the Annual Meeting, each of which is entitled to one (1) vote.

Foreign membership amounts to 3,836,755,131 shares equivalent to 88.37 % broken down per nationality as follows:

CITIZENSHIP	SUBSCRIBED/ OUTSTANDING	AMOUNT	PAID-UP	PERCENTAGE HOLDINGS	NUMBER OF STOCKHOLDERS
SPANISH	1,834,960	1,834,960.00	1,834,960.00	0.04	18
MALAYSIAN	610,205,316	610,205,316.00	610,205,316.00	14.06	5
OTHER ALIEN	2,833,655	2,833,655.00	2,833,655.00	0.07	7
FILIPINO	590,257,001	504,528,724.00	504,528,724.00	11.62	97
SWISS	2,400	2,400.00	2,400.00	0.00	1
BRITISH	229,920	229,920.00	229,920.00	0.00	2
AMERICAN	276,000	276,000.00	276,000.00	0.01	5
CHINESE	3,221,369,880	3,221,369,880.00	3,221,369,880.00	74.20	3
TOTALS	4,427,009,132	4,341,280,855.00	4,341,280,855.00	100.00	138

The cut-off date of presented information in this Statement is as of 26 August 2016.

The record date for closing the stock and transfer book of the Corporation in order to determine the stockholders entitled to vote at the Annual Meeting is 2 September 2016.

For purposes of the election of directors, all stockholders of record are entitled to cumulative voting rights as provided by the Corporation Code, and there are no conditions precedent to the exercise thereof. Further, no discretionary authority to cumulate votes is being solicited. A stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many candidates as he shall see fit.

#### Security Ownership of Certain Record and Beneficial Owners

##### Holders

As of 26 August 2016, there are four billion four hundred twenty seven million nine thousand one hundred thirty two (4,427,009,132) issued and outstanding common shares of stock of the Corporation. Out of the issued and outstanding capital, 85,728,277 shares of 0.019% is held by the Berjaya Philippines Inc.

The top twenty (20) stockholders of Berjaya Philippines Inc., including their shares and their percentage of total common shares outstanding held by each as of 26 August 2016 are as follows:

Name	Number of Shares Held	Percentage of Total Shares Held
Berjaya Lottery Management (H.K.)	3,221,238,280	74.20%
Berjaya Sports Toto (Cayman)	610,205,150	14.06%
Berjaya Philippines Inc.	85,728,277	1.97%
PCD Nominee Corp. (Filipino)	399,859,200	9.21%
Abacus Security Corp.	100,000,000	2.30%
PCD Nominee Corp (Non-Filipino)	2,645,015	0.06%
Far East Molasses Corporation	1,554,880	0.04%
Concepcion, Teus Vda.	650,000	0.01%
Dolores Teus De M. Vara	552,000	0.01%
Steiner, Norma O.	300,320	0.01%
Corporacion Franciscana	293,920	0.01%
The Phil. American Gen.	226,400	0.01%
Phil. Remnants Co., Inc.	224,160	0.01%
Elizalde, Francisco J.	206,800	0.00%
Zernichow, Christian	174,160	0.00%
Elizalde, Joaquin M.	168,800	0.00%
Ma. Dolores Vara De	148,320	0.00%
Ma. Teresa Vara De Rey Y. Teus	148,320	0.00%
Echegoyen, Luis C.	147,280	0.00%
Ledesma, Anita L. De	136,320	0.00%
Hodsoll, Gwendoline Marion	129,920	0.00%

### Treasury Shares

As of 26 August 2016 the Issuer holds in its name a total of eighty five million seven hundred twenty eight thousand two hundred seventy seven (85,728,277) treasury shares.

### Dividends

#### A. Dividends declared by Berjaya Philippines Inc.

On 28 October 2004 the company declared cash dividends to all stockholders on record as of November 17, 2004 amounting to ₱ 87,138,872.

On 5 January 2012, the Issuer declared cash dividends amounting to ten centavos per share to all stockholders of record as of 19 January 2012.

On 5 October 2015, the Issuer declared stock dividends at a rate of 4 common shares for every common share held to taken from the increase in authorized capital stock. On the same date, the Issuer caused the reversal of previously allocated funds for capex

and corporate expansion and appropriated ₱ 3.47 billion from the Issuer's retained earnings for the distribution of stock dividends. The stock dividend declaration by the Board was ratified by stockholders representing at least 2/3 of the capital stock of the Corporation on 6 October 2015.

There were no sales of unregistered securities over the last four (4) fiscal years.

#### B. Dividends Declared by the Issuer's wholly owned subsidiary – PGMC

From 2007 to 2011, the Corporation's subsidiary, PGMC, issued cash dividends amounting to two billion sixty three million pesos (₱ 2.63 billion).

In 2012, the Corporation declared cash dividends amounting to one billion two hundred million pesos (₱1,200,000,000.00).

In July 2013, the Corporation declared cash dividends amounting to one billion four hundred ten million pesos (₱1,410,000,000.00).

On 1 April 2014, the Corporation declared cash dividends amounting to seven hundred eighty million pesos (₱ 780,000,000.00)

On 1 October 2014, the Corporation declared cash dividends amounting to two hundred million pesos (₱ 200,000,000.00).

On 8 December 2014, the Corporation declared cash dividends amounting to two hundred forty million pesos (₱ 240,000,000.00).

On 16 July 2015, the Corporation declared cash dividends amounting to one hundred million pesos (₱ 100,000,000.00).

On 1 September 2015, the Corporation declared cash dividends amounting to one hundred eighty million pesos (₱ 180,000,000.00).

On 2 October 2015, the Corporation declared cash dividends amounting to two hundred million pesos (₱ 200,000,000.00 million).

On 8 January 2016, the Corporation declared cash dividends amounting to two hundred million pesos (₱ 200,000,000.00 million).

On 22 August 2016, the Corporation declared cash dividends amounting to three hundred fifty million pesos (₱ 350,000,000.00 million).

#### C. Dividends Declared by the Issuer's wholly owned subsidiary – PHPI

In April 2012, the Corporation declared cash dividends amounting to ten million pesos (₱10,000,000.00).

In August 2013, the Corporation declared cash dividends amounting to four million pesos (₱4,000,000.00).

### Recent Sales of Unregistered Securities

There were no sales of unregistered securities over the last four (4) fiscal years.

### Security Ownership of Holders of more than 5%

According to the records of the Issuer's stock and transfer agent, security ownership of holders of more than five percent (5%) of the Company's securities as of 26 August 2016 are as follows:

Title of Class	Name and Address of Record Owner	Name of Beneficial Owner / Relationship with Record Owner	Citizenship	Number of Shares Held	Percentage Held
Berjaya Lottery Management (H.K.) Ltd	Level 54, Hopewell Centre, 183 Queen's Road East, Hongkong	Berjaya Lottery Management (HK) Ltd. (same as record owner) *persons entitled to vote is Messrs. Seow Swee Pin or Tan Eng Hwa, in the said order of preference.	Chinese	3,221,238,280 (common shares)	74.20%
Berjaya Sports Toto (Cayman) Ltd	190 Elgin Avenue, George Town, Grand Cayman KYI 9005 Cayman Islands	Berjaya Sports Toto Cayman) Limited (same as record owner) *person entitled to vote is Seow Swee Pin	Malaysian	610,205,150 (common shares)	14.06%
Berjaya Philippines Inc	9 <sup>th</sup> Floor Rufino Pacific Tower 6784 Ayala corner V.A. Rufino (Herrera) St. Makati City	Berjaya Philippines Inc. (same as record owner) * person entitled to vote is the Acting President of the Corporation, Tan Sri Ibrahim B. Saad	Filipino	85,728,277 (treasury shares)	0.019%

There has been no change in the control of the Corporation since the beginning of its last fiscal year. The transfer price of the Corporation's outstanding common listed shares decreased as can be seen from its posted prices at the Philippine Stock Exchange. The decrease may be due to the general or prevailing economic situation in the country.

### Security Ownership of Management

Security ownership of the directors and officers of the Corporation as of 26 August 2016 are as follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Number of Shares Held	Percentage Held
Common	Tan Sri Ibrahim Saad	₱ 29.00	Malaysian	5	0.00%
Common	Seow Swee Pin	₱ 464.00	Malaysian	80	0.00%
Common	George T. Yang	₱ 92.80	Filipino	16	0.00%
Common	Jaime Y. Ladao	₱ 464.00	Filipino	80	0.00%
Common	Jimmy S. Soo	₱ 435.00	Filipino	75	0.00%
Common	Wong Ee Coln	₱ 5.80	Malaysian	1	0.00%
Common	Tan EngHwa	₱ 464.00	Malaysian	80	0.00%
Common	Jose A. Bernas	₱ 464.00	Filipino	80	0.00%
Common	Marie Lourdes Bernas	₱ 580.00	Filipino	100	0.00%

There are no voting trust holders of five percent (5%) or more of the Corporation's securities. The figures above are based on the current market price as of 26 August 2016 which is Five Pesos and Eighty Centavos Pesos (₱ 5.80) per share.

There are no arrangements which may result in a change in control of the Corporation.

### Directors and Executive Officers

The current directors and officers of the Corporation are listed below:

Directors / Officers	Designation	Citizenship
1. Tan Sri Ibrahim B Saad *	Director / Chairman / Acting President	Malaysian
2. Seow Swee Pin	Director	Malaysian
3. George T. Yang*	Director	Filipino
4. Jaime Y. Ladao *	Director	Filipino
5. Jimmy S. Soo	Director	Filipino
6. Wong Ee Coln	Director	Malaysian
7. Tan Eng Hwa	Treasurer	Malaysian
8. Jose A. Bernas	Corporate Secretary	Filipino
9. Marie Lourdes Bernas	Assistant Corporate Secretary	Filipino

\* The independent directors, Tan Sri Ibrahim Saad, Messrs. George T. Yang, and Jaime Y. Ladao are independent minority stockholders who are not employees nor officers of the Corporation, and whose shareholdings are less than two percent (2%) of the Corporation's equity pursuant to Section 38 of the Securities Regulation Code.

Mr. George T. Yang is an independent director of the Issuer. The former treasurer of the Corporation, Mr. Low Siaw Peng, nominated Mr. Yang as independent director. Messrs. Yang and Low are not related to each other.

Mr. Jaime Y. Ladao is the second independent director of the Issuer. Mr. Jose A. Bernas, a stockholder and the Corporate Secretary nominated Mr. Jaime Y. Ladao in a meeting of the Board, to serve the unexpired term of Mr. Val Antonio B. Suarez, Esq. Messrs. Ladao and Bernas are not related to each other.

Tan Sri Ibrahim Saad is the third independent director of the Issuer and is the former Ambassador of Malaysia to the Republic of the Philippines. The President and former Chairman of the Corporation, Mr. Lim Meng Kwong, nominated Tan Sri Ibrahim Saad as Chairman in order for the positions of Chairman and President to be lodged in two persons. Mr. Lim and Dato Seri are not related to each other.

Procedures of SRC Rule 38 have been followed in the nomination and qualification of independent directors.

The Corporation will observe the term limits for independent directors imposed by SEC Memorandum Circular No. 9, Series of 2011 which became effective on 2 January 2012. The Corporation's two current independent directors may serve as independent directors until 2017 in compliance with the first five-year limit.

The independent directors undertake to submit an updated *Certification of Qualification and Disqualification* thirty (30) days after the date of the Annual Stockholders' Meeting.

The term of a Director is for one (1) year and Directors are elected annually during the annual stockholders meeting.

The current Board of Directors are as follows:

<b>Name</b>	<b>Age</b>	<b>Positions/Offices/Directorships Held for the past Five (5) years</b>
1. Tan Sri Ibrahim Saad	70	Independent Director, Chairman of the Board, Acting President (temporarily from June 1996 to Oct 2016 due to the retirement of the President and until the next ASM) Berjaya Philippines Inc. Former Ambassador of Malaysia to the Philippines Former President (Vice Chancellor) University Kuala Lumpur Former Chairman: Penang Regional Development Authority Former Deputy Transport Minister Former Deputy Chief Minister of the State of Penang Former Member of Parliament, Malaysia Chairman of the Governing Board of Directors National University of Malaysia

2. Seow Swee Pin 59 Director:  
Berjaya Philippines Inc.  
Director and Chairman of the Board:  
Philippine Gaming Management Corporation  
Executive Director:  
Sports Toto Malaysia Sdn. Bhd.  
Berjaya Sports Toto Berhad  
Member:  
Malaysian Institute of Accountants and  
Certified Practicing Accountants,  
Australia  
Malaysian Institute of Certified Public  
Accountants
3. George T. Yang 76 Independent Director:  
Berjaya Philippines Inc.  
Philippine Gaming Management Corporation  
Director:  
First Georgetown Ventures, Inc.  
Ronald McDonald House Charities  
Trojan Computer Forms, Inc.  
Klassikal Music Foundation Inc.  
MDS Call Solutions Inc.  
Clark Mac Enterprises Inc.  
Fast Serve Solutions Systems Inc.  
Golden Laoag Foods Corp.  
First Golden Laoag Ventures Inc.  
Retro Golden Foods Inc.  
Advance Food Concepts Mfg. Inc.  
Golden City Food Industries Inc.  
Davao City Food Industries Inc.  
Vice Chairman:  
Oceonfront Properties Inc.  
TransAire Development Holdings Corporation  
President:  
Golden Arches Realty Corporation  
Member of the Board of Governors:  
Ayala Center Association  
The Tower Club, Inc.  
Member of the Board of Trustees  
San Beda College Manila  
Member:  
Asian Executive Board of the Wharton School,  
University of Pennsylvania  
Consul General *ad honorem*:  
State of Eritrea

4. Jaime Y. Ladao 77

Independent Director:  
Berjaya Philippines Inc.  
Member:  
Audit Committee, Berjaya Philippines Inc.  
Philippine Dispute Resolution Center, Inc.  
Director:  
Corporate Governance Institute of the Phils.  
Dun Bradstreet Philippines. Inc.  
Founder and Member:  
Financial Executive Institute of the Philippines  
National President (1991-1992) and Member:  
Boy Scouts of the Philippines  
Past Board Member and Treasurer:  
Management Association of the Philippines  
Member:  
Philippine Dispute Resolution Inc.  
Fellow:  
Australian Institute of Corporate Directors  
Founder and Executive Chairman:  
Consumer Credit Score Philippines Inc.  
licensed to issue FICO Consumer and  
SME Scores in for the  
Philippines  
Director, Member of the Executive Committee and  
Former Chair of the Audit Committee (1990-1991):  
San Miguel Corporation

5. Jimmy S. Soo 59

Director:  
Berjaya Philippines Inc.  
Berjaya Pizza (Philippines) Inc.  
First Abacus Financial Holdings Corporation  
Kailash PMN Management, Inc.  
Better Options Restaurants Inc.  
Chairman and President:  
Tortola Resources, Inc.  
Trimante Holdings Phils., Inc.  
Director and Corporate Secretary:  
Abacus Capital & Investment Corporation  
St. Giles Hotel (Manila), Inc.  
Vista Hildings Corporation  
Van der Horst Technologies Phils., Inc.  
Bagan Resources Pte Inc.  
Corporate Secretary:  
Limketkai Manufacturing Corporation  
Limketkai Sons, Inc.  
Paramount Life & General Holdings Corp.  
Paramount Life & General Insurance Corp.  
Resident Agent:  
IDP Education Pty Limited

Member of the Board of Trustees:  
Berjaya Foundation Inc.  
Managing Partner:  
Soo Gutierrez Leogardo & Lee Law Offices

6. Wong Ee Coln 37 Director:  
Berjaya Philippines Inc.  
General Manager of the Group Properties and  
Development Department of Berjaya Land Berhad  
Chartered Financial Analyst (CFA) and member of the  
CFA Institute
7. Tan Eng Hwa 46 Treasurer:  
Berjaya Philippines Inc.  
Director, Vice President and Treasurer:  
Philippine Gaming Management Corporation  
Director and Treasurer:  
Friendster Philippines Inc.  
Perdana Hotel Philippines Inc.  
Perdana Land Philippines Inc.  
Berjaya Pizza (Philippines) Inc.  
Berjaya Auto Philippines Inc.  
MOL AccessPortal Inc.  
Uniwiz Trade Sales Inc.  
Cosway Philippines Inc.  
Ssangyong Berjaya Motor Philippines  
Beautiful Creation Holdings Inc.  
Treasurer:  
Sanpiro Realty & Development Corporation  
Landphil Management and Development Corp.  
Member of the Board of Trustees and Treasurer:  
Berjaya Foundation, Inc.  
Member:  
Malaysian Institute of Accountants
8. Jose A. Bernas 55 Corporate Secretary:  
Berjaya Philippines Inc.  
Philippine Gaming Management Corporation  
Berjaya Pizza (Philippines) Inc.  
Berjaya Auto Philippines Inc.  
Friendster Philippines Inc.  
Perdana Hotel Philippines Inc.  
MOL AccessPortal Inc.  
Uniwiz Trade Sales Inc.  
Cosway Philippines Inc.  
Swift Foods, Inc.  
Philippine National Construction Corporation  
Director and President:  
Discovery Centre Condominium Corporation

Chairman of the Board and Director:  
Dun and Bradstreet Philippines, Inc.  
Automation Specialists & Power Exponents Inc.  
Perdana Land Philippines Inc.  
Director and Corporate Secretary:  
Better Options Restaurants Inc.  
Director:  
MSI-ECS Philippines Inc.  
Trustee and Corporate Secretary:  
Berjaya Foundation, Inc.  
Resident Agent:  
National Instruments (Singapore) Pte. Ltd.  
Professorial Lecturer:  
Ateneo de Manila University School of Law  
Managing Partner:  
Bernas Law Offices

9. Marie Lourdes Sia-Bernas 50

Assistant Corporate Secretary:  
Berjaya Philippines Inc.  
Philippine Gaming Management Corporation  
Berjaya Pizza (Philippines) Inc.  
Berjaya Foundation Inc.  
Berjaya Auto Philippines Inc.  
Friendster Philippines Inc.  
Perdana Land Philippines Inc.  
Perdana Hotel Philippines Inc.  
MOL AccessPortal Inc.  
Uniwiz Trade Sales Inc.  
Cosway Philippines Inc.  
Swift Foods, Inc.  
MSI-ECS Philippines Inc.  
Sanpiro Realty & Development Corporation  
Corporate Secretary:  
Nera Solutions Philippines Inc.  
Honestbee Philippines Inc.  
Automation Specialists & Power Exponents Inc.  
Juillet Trading Corporation  
Ultasaurus Philippine Trading Inc  
Neptune Holdings Inc.  
Discovery Centre Condominium Corporation  
President:  
Sanpiro Realty & Development Corporation  
Corporate Secretary and Treasurer:  
Noblesse Holdings Inc.  
Administrative Partner:  
Bernas Law Offices

There are no family relationships between and among the directors and officers of the Corporation, except for the Corporate Secretary Jose A. Bernas and the Assistant Corporate Secretary Marie Lourdes T. Sia-Bernas who are married to each other; and director Jimmy S. Soo who is a brother of the President of the Corporation's wholly-owned subsidiary Philippine Gaming Management Corporation.

There is no person who is not an officer who is expected by the Corporation to make a significant contribution to the business. Neither is there an arrangement that may result in the change in control of the Corporation.

None of the current directors and officers work in government. Neither does the proposed additional director enumerated below work in government.

#### Involvement in legal proceedings of directors

None of the directors are involved in any bankruptcy petition, have been convicted by final judgment or are subject to any court order, judgment or decree, including the violation of a securities or commodities law during the past five (5) years up to the filing of this report.

#### Directors and Executive Officers as a Group

As of 26 August 2016 :

(1) Title of Class	(2) Name of Record/ Beneficial Owner	(3) Amount and Nature of Record/ Beneficial Ownership	(4) Percentage Held
common shares	Directors and Executive Officers As a Group	517	0.00 %
	<b>T o t a l :</b>	<b>517</b>	<b>0.00 %</b>
		=====	=====

#### Certain Relationships and Related Transactions

There has been no material related transactions during the past two years, nor is any material transaction presently proposed, to which any director, executive officer of the Corporation or security holder of more than five percent (5%) of the Corporation's voting securities, any relative or spouse of any director or executive officer or owner of more than five percent (5%) of the Corporation's voting securities had or is to have direct or indirect material interest.

Seventy Four point Twenty Percent (74.20%) of the equity of the Corporation is owned by Berjaya Lottery Management (H.K.) Limited. Berjaya Lottery Management (H.K.) Limited is one hundred percent (100%) owned by Berjaya Sports Toto (Cayman) Ltd. who is in turn one hundred percent (100%) owned by Magna Mahsuri Sdn Bhd.

No voting trusts or change in control arrangements are recorded in the books of the Corporation.

#### Compensation of Directors and Executive Officers

The members of the Board of Directors of the Corporation are entitled to reasonable per diem for actual attendance of any regular or special meeting of the Board of Directors. The directors as a group were paid a total of Two Million Fifty Thousand Pesos (₱2,050,000.00) in fiscal year ended 30 April 2016. Members of the Audit Committee were paid a total of Six Hundred Thousand Pesos (₱600,000.00) in fiscal year ended 30 April 2016.

There is no need to disclose a summary compensation table because the Issuer does not have employees and does not pay out salaries. There are no standard agreements for the compensation of directors and the top four executive officers as there are no salaries paid, except for Tan Sri Seri Ibrahim Saad who receives a monthly compensation of Ten Thousand Ringgit Malaysia (RM10,000.00) or its equivalent in Philippine pesos. Tan Sri Seri Ibrahim Saad was paid the same amount in monthly compensation for the past three (3) years. The officers are either directors who receive only their reasonable per diems issued to all directors or are engaged by the corporation on a professional basis like the law firm of the corporate secretary and assistant corporate secretary who are not employees of the Corporation.

There are no warrants or options on re-pricing or employment contracts or termination of employment contracts entered into by the Corporation. , Neither is there a change in the control arrangement between the Corporation and the executive officers.

There is no pending litigation in which the Corporation is involved either directly or indirectly in the past five years. Neither has the Corporation filed a petition for bankruptcy, been subject to any order, judgment or decree or convicted by final judgment.

#### Material Pending Legal Proceedings

There is no material pending legal proceeding to which the Corporation is a party to up to the time of the preparation of this report that undersigned is aware of, except for a suit filed by Philippine Gaming Management Corporation (PGMC), the Corporation's wholly owned subsidiary against the Philippine Charity Sweepstakes (PCSO).

#### Violation of a Securities or Commodities Law

To its knowledge, the Corporation is not in violation of a Securities or Commodities Law.

#### Independent Public Accountants

For professional services rendered on the audit of the financial statements of the Corporation and its subsidiary, Punongbayan & Araullo was paid the amounts of Php165,000.00 for its audit on the Corporation, Php420,000.00 and Php185,000.00 for its audit on PGMC and PHPI, the wholly owned subsidiaries of the corporation for the financial

year ended 30 April 2016. The same amounts were paid to Punongbayan & Araullo for its audit of the Corporation, PGMC and PHPI for the financial year ended 30 April 2015.

There are no other services other than the audit and review of the Corporation's financial statements rendered by the external auditor for tax accounting, compliance, advice, planning and other form of tax services.

The election, approval or ratification of the registrant's public accountant shall be discussed during the Annual Meeting. Punongbayan & Araullo, which is the principal accountant for the fiscal year ending 30 April 2016, was selected during the Annual Meeting held on 6 October 2015 and is being recommended for re-appointment.

Representatives of Punongbayan & Araullo are expected to be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and they are expected to be available to respond to appropriate questions.

As a matter of procedure, Punongbayan & Araullo submits the corporation's Audited Financial Statements to the Audit Committee, which in turn submits the same Audited Financial Statements to the Board of Directors for approval.

There are no changes in or disagreements with accountants on accounting and financial disclosure.

The partner at Punongbayan & Araullo assigned to the Issuer is changed or rotated in compliance with SRC Rule 68 (3) (b) (iv).

#### Recent Sales of Unregistered or Exempt Securities

There is no sale of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

#### Audit Committee

The members of the Audit Committee are as follows:

Chairman	-	Jaime Y. Ladao
Member	-	Tan Sri Seri Ibrahim Bin Saad
Member	-	Seow Swee Pin

There is no Nomination Committee but the Board screens nominees for independent directors pursuant to Sec. 38 of the Securities Regulation Code on the qualification and disqualification of independent directors.

#### Compensation Plans

There are no compensation plans.

### Amendments of Charter, By-Laws and Other Documents

The proposed amendment in the Articles of Incorporation of the Corporation, as included in the Agenda is the increase in the number of directors from six (6) to seven (7).

The proposed increase in the number of directors is in compliance with Article III Part A Section 11 of the Revised Listing Rules which requires listed companies to maintain a minimum of seven (7) directors.

### **OTHER MATTERS**

The Chairman will render a Report during the Annual Meeting.

The stockholders will be asked to ratify the corporate acts of the Board for the fiscal year ended 30 April 2016, all of which are operational matters, in accordance with the purposes of the Corporation, and have been disclosed in the current reports submitted to the Securities and Exchange Commission and the Philippine Stock Exchange.

Other than the election of the board members and members of the audit committee, and the amendment of the Articles of Incorporation to increase the number of directors from six (6) to seven (7), there are no material matters that need approval by the stockholders in the stockholders meeting.

### Plans to Improve Corporate Governance of the Corporation

The Corporation will continue monitoring compliance with its *Manual on Corporate Governance* to ensure full compliance thereto.

The Corporation shall implement its corporate governance rules in accordance with the Revised Code of Corporate Governance under SEC Memorandum Circular No. 06-2009. The Revised Manual on Corporate Governance is available for inspection by and shareholder at reasonable hours on business days.

### Voting Procedures

The election of the Board of Directors, as well as the appointment of the external auditors shall be decided by the plurality vote of stockholders present in person and entitled to vote thereat by cumulative voting, provided that quorum is present.

The vote of at least two-thirds of the stockholders representing the outstanding capital stock of the Corporation will be required in order to amend the Corporation's Articles of Incorporation in order to increase the number of directors from six to seven.

Voting shall be by ballot unless the number of nominees does not exceed the number of directors to be elected in which case, voting by ballot may be dispensed with. Each ballot shall be signed by the stockholder voting, and shall state the number of shares voted by him. The votes will be counted manually and will be supervised by the transfer agent.

Voting shall be by ballot. Each ballot shall be signed by the stockholder voting, and shall state the number of shares voted by him. The votes will be counted manually and will be supervised by the transfer agent.

The Quarterly Report under SEC Form 17-Q for the quarter ended 31 July 2016 shall be available without charge to stockholders requesting for a copy.

#### **SIGNATURE**

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned hereunto authorized on 13 September 2016.

**BERJAYA PHILIPPINES INC.**



By: **JOSE A. BERNAS**  
Corporate Secretary



## MANAGEMENT REPORT

Dear Stockholders,

### **Business**

Berjaya Philippines, Inc. (the Corporation) was incorporated on 31 October 1924 as *Central Azucarera de Pilar* mainly for the purpose of production of sugar.

It subsequently changed its primary purpose to a holding corporation and changed its name to Prime Gaming Philippines, Inc. (PGPI) and completed the acquisition of its subsidiary corporation, Philippine Gaming Management Corporation ("PGMC") in 1998.

There is no change during the year in PGMC's principal activity as a domestic corporation involved principally in the business of leasing on-line lottery equipment and providing software support. Revenue from the lease of on-line lottery equipment, and maintenance and repair services are recognized based on certain percentage of gross receipts from lottery ticket sales.

In July 2010, the Corporation invested thirty percent (30%) equity interest in Berjaya Pizza Philippines Inc. (BPPI), a company engaged in the manufacture, sale and distribution of food and beverages, and to operate, own, franchise, license or deal in restaurant related business operations. The current Corporation's equity or interest in BPPI is 41.4% as of 30 April 2016.

In December 2009, the Corporation acquired a 223 room hotel which operated previously as Best Western Astor Hotel. The acquisition was made by the Corporation's subsidiary Perdana Hotel Philippines Inc. (PHPI) under the business name Berjaya Makati Hotel. The Corporation subscribed to forty percent (40%) of the shares of stock of Perdana Land Philippines Inc., which owns the land leased by Perdana Hotel Philippines Inc.

In August 2012, the Corporation invested in Berjaya Auto Philippines Inc., a corporation engaged in the sale and distribution of all types of motor vehicles. On 12 September 2012, Berjaya Auto Philippines Inc. entered into a Distributorship Agreement with Mazda Motor Corporation of Japan for the distribution of vehicles bearing the Mazda brand within the territory of the Philippines. In fiscal year 2016, BPI purchased 5% holdings from an existing stockholder of BAPI resulting to BPI's increase in ownership over BAPI to 35%.

In September 2012, the Corporation invested in Cosway Philippines Inc. (CPI), primarily to engage in wholesale of various products. As of 30 April 2016, CPI has not yet started commercial operations. The Corporation's equity or interest in CPI is equivalent to 40%.

In 2014, the Corporation obtained control over H.R. Owen Plc (HROwen) after a series of cash offers from HR Owen's existing stockholders from July to October 2013. HROwen, incorporated in England, operates a number of vehicle franchises in the prestige and specialist car market for both sales and aftersales, predominantly in the London area. HROwen is an investment holding company that provides group services to its four trading subsidiaries that operate HROwen's motor vehicle dealerships. On 4 December 2015, HR Owen acquired 100% ownership over Bodytechnics in order to enhance its aftersales operations.

In July 2015, the Corporation invested in Ssangyong Berjaya Motor Philippines Inc. (SBMPI), a corporation engaged in the sale and distribution of all types of motor vehicles. The Corporation's equity interest in SBMPI is equivalent to 20%.

As of 30 April 2016, the Corporation does not have employees. Its subsidiaries, PGMC, PHPI, and HRO have eighty four (84), one hundred seven (107), and four hundred ninety nine (499) employees, respectively. The Corporation does not anticipate any substantial increase in the number of its employees within the ensuing twelve (12) months. The number of employees in PGMC's operations and administrative are forty eight (48) and thirty six (36), respectively. PHPI's number of employees in operations and administrative are seventy nine (79) and twenty eight (28). As for HROwen, there are four hundred sixteen (416) and eighty three (83) employees for operations and administrative, respectively. There are no supplemental benefits or incentive arrangements the subsidiaries have or will have with its employees.

### **Financial Statements**

The Audited Financial Statements of the Corporation as of 30 April 2016 is attached.

### **Disagreements with Accountants on Accounting and Financial Disclosures**

There are no disagreements with the accountants on accounting and financial disclosures.

### **Management's Discussion and Analysis of Financial Conditions and Results of Operations**

The Corporation's principal activity is investment holding. Since 1998, it owns 100% equity ownership of Philippine Gaming Management Corporation (PGMC), which operates the business of leasing online lottery equipment and providing software support in the Luzon Region to the Philippine Charity Sweepstakes Office (PCSO), a Philippine government agency responsible for lotteries and sweepstakes; 72.0% equity interest in H.R. Owen Plc (HR Owen), a luxury motor retailer, which operates a number of vehicle dealerships in the prestige and specialist car market for both sales and aftersales, predominantly in London, UK; and the wholly-owned Perdana Hotel Philippines Inc. (PHPI) which operates Berjaya Makati Hotel in Makati City, Metro Manila.

## **2016 Compared to 2015**

### **Results of Operations**

The Corporation and its subsidiaries (the Group) generated total revenues from operating sources of about ₱26.50 billion for the year ended 30 April 2016, an increase of ₱33.67 million (0.1%) over total revenues of ₱26.47 billion in the previous financial year. The increase was primarily due to a higher revenue contribution from H.R. Owen in the financial year under review.

PGMC recorded revenue of ₱1.58 billion, a decrease of ₱30.46 million (1.9%) from ₱1.61 billion in the previous financial year due to net decrease in lease rental income as a result of a revision of equipment lease rate in the equipment lease agreement which was renewed through a supplemental agreement signed on 13 August 2015.

PHPI which operates Berjaya Makati Hotel in Makati City, recorded an increased revenue of ₱146.45 million compared to ₱143.51 million in the previous financial year. The increase of ₱2.94 million (2.0%) in revenue was mainly due to an increase in average room rate compared to the previous financial year.

HR Owen's recorded a revenue of ₱24.77 billion in the financial year under review compared to ₱24.71 billion in the previous financial year. The increase of ₱61.20 million (0.2%) was due to the increase in the number of new and pre-owned prestige cars sold as well as service cars sold during the financial year under review.

The Group's total cost and operating expenses for the year ended 30 April 2016 increased by ₱272.57 million (1.1%) or ₱25.55 billion from ₱25.27 billion for the same period in 2015. The increase is attributed to the following: (i) cost of vehicles sold and body shop repairs and parts increased by ₱126.82 million (0.6%), (ii) salaries and employee benefits increased by ₱60.68 million (3.9%), (iii) rental increased by ₱32.69 million (11.0%), (iv) professional fees increased by ₱101.61 million (37.6%) (v) maintenance of computer equipment increased by ₱1.93 million (2.5%), (vi) transportation and travel increased by ₱7.44 million (19.1%). These increases were offset by the following decreases of expenses: (i) depreciation expense decreased by ₱80.87million (25.3%), (ii) taxes and licenses decreased by ₱12.01 million (7.5%), (iii) telecommunications decreased by ₱13.61 million (11.9%), (iv) communication, light and water decreased by ₱16.24 million (18.5%), (v) representation and entertainment decreased by ₱18.15 million (48.5%).

Other Charges – net of other income amounted to ₱23.09 million for the financial year 30 April 2016, a decrease of ₱68.13 million (151.3%) from the Other Income (net charges) of ₱45.03 million in the same period in 2015, due to impairment loss recognized on certain investments and net loss on sale of available-for-sale financial assets.

The Group's net income decreased by ₱244.64 million (25.7%) to ₱706.33 million in financial year 2016 from ₱950.97 million in financial year 2015 under review.

### **Financial Position**

Total assets of the Group increased by ₱2.47 billion (18.8%) to ₱15.60 billion as of 30 April 2016, from ₱13.13 billion as of 30 April 2015.

Trade and other receivables (net) increased by ₱804.42 million (37.1%) to ₱2.97 billion in 2016 compared to ₱2.17 billion in 2015, mainly due to payments for future acquisition of investments.

Inventories (net) increased by ₱906.12 million (20.7%) to ₱5.28 billion in 2016 compared to ₱4.37 billion in 2015, mainly due to increase in vehicle stocks of HROwen.

Prepayments and other current assets (net) increased by ₱202.45 million (31.9%) to ₱836.83 million in 2016 compared to ₱634.38 million in 2015, mainly due to increase in prepaid expenses.

Available-for-sale financial assets decreased by ₱261.35 million (23.1%) to ₱869.41million in 2016 compared to ₱1.13 billion in 2015, mainly due to certain investments which were found to be impaired, due to prolonged or significant decline in the fair value of the securities below cost.

Property and equipment (net) increased by ₱569.40 million (39.8%) to ₱2.0 billion in 2016 compared to ₱1.43 billion in 2015, mainly due to additions to workshop equipment, leasehold improvements and renovations.

Investments in associates increased by ₱249.95 million (115.3%) to ₱466.71 million in 2016 compared to ₱216.77million in 2015, mainly due to acquisition of investment in associates.

Intangible assets increased by ₱99.84 million (5.5%) to ₱1.91 billion in 2016 compared to ₱1.81 billion in 2015, primarily due to goodwill and customer relationship arising from acquisition of Bodytechnics.

Deferred tax assets increased by ₱33.13 million (289.0%) to ₱44.60 million in 2016 compared to ₱11.46 million in 2015, mainly due to deferred tax assets arising from impairment loss on certain AFS financial assets.

Meanwhile, Other non-current assets increased by ₱1.29 million (42.2%) to ₱4.35 million in 2016 compared to ₱3.06 million in 2015 due to additional security deposits refundable from various lessors and utility companies.

Total liabilities of the Group increased by ₱1.91 billion (31.6%) to ₱7.93 billion as of 30 April 2016, from ₱6.03 billion as of 30 April 2015 mainly due to increase in Trade and other Payables and Loans payable and Borrowings.

The Group has no long-term debt. Post-employment benefit obligation increased by ₱6.93 million (14.5%) to ₱40.80 in 2016 compared to ₱47.72 in 2015.

Total stockholders' equity of the Group increased by ₱563.04 billion (7.9%) to ₱7.67 billion as of 30 April 2016, from ₱7.10 billion as of 30 April 2015 under review. The book value per share increased to ₱8.04 in 2016 from ₱7.44 in 2015.

### **Key Performance Indicators**

The top five key performance indicators (KPIs) of the Corporation and its subsidiaries are: (1) to ensure the prompt collection of receivables from the customers, (2) review the annual budget to monitor and explain any material variances above 10% in the overall operating results, (3) scrutinize and monitor all

the controllable budgeted expenses and analyze any material variances above 10%, (4) review all capital expenditures in compliance with the approved budget, and (5) to manage the timely placements of surplus funds to ensure the highest possible bank interest income in view of the appropriate tolerable risks.

The Corporation uses the following computations in obtaining key indicators:

	30 April 2016	30 April 2015
Liquidity Ratio - Current ratio	1.31 : 1.00	1.41 : 1.00
Leverage Ratio - Debt to Equity	1.03 : 1.00	0.85 : 1.00
Activity Ratio - Annualized PPE Turnover	13.24 times	18.48 times
Profitability Ratios		
Return on Equity	9.21%	13.39%
Return on Assets	4.53%	7.24%

The Corporation uses the following computations in obtaining key indicators:

Key Performance Indicator	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Long Term Liabilities}}{\text{Stockholders' Equity}}$
PPE Turnover	$\frac{\text{Revenues}}{\text{Property, Plant \& Equipment (Net)}}$
Return on Equity	$\frac{\text{Net Income}}{\text{Equity}}$
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$

## **2015 Compared to 2014**

### **Results of Operations**

The Corporation and its subsidiaries (the Group) generated total revenues from operating sources of about ₱26.47 billion for the year ended 30 April 2015, an increase of ₱13.98 million (112.0%) over total revenues of ₱12.49 billion in the previous financial year. The increase was primarily due to additional revenue from its subsidiary, H.R. Owen.

PGMC recorded revenue of ₱1.61 billion, a decrease of ₱111.13 million (6.5%) from ₱1.72 billion in the previous financial year due to decrease in lottery ticket sales.

PHPI which operates Berjaya Makati Hotel in Makati City, recorded an increased in revenue of ₱143.51 million compared to ₱139.54 million in the previous financial year. The increase of

₱3.95 million (2.8%) was mainly due to a higher occupancy rate compared to the previous financial year.

HR Owen recorded revenue of ₱24.71 billion in the financial year under review, an increase of ₱14.09 billion (132.6%) compared to ₱10.62 billion in the comparative six-month period ended 30 April 2014.

The Group's total cost and operating expenses for the year ended 30 April 2015 increased by ₱13.77 million (119.6%) to ₱25.27 billion from ₱11.51 billion for the same period in 2014. The increase is attributed to the following: (i) cost of vehicles sold and body shop repairs and parts increased by ₱12.21 billion (134.5%), (ii) salaries and employee benefits increased by ₱754.96 million (93.3%), (iii) depreciation expense increased by ₱52.43million (19.7%), (iv) rental increased by ₱150.30 million (102.2%), (v) taxes and licenses increased by ₱73.47 million (86.0%), (vi) communication, light and water increased by ₱28.52 million (48.2%), (vii) maintenance of computer equipment increased by ₱23.09 million (43.2%), (viii) transportation and travel increased by ₱14.73 million (60.6%), (ix) representation and entertainment increased by ₱16.23 million (76.7%) and (x) other operating costs increased by ₱538.25 million (115.6%). These increases were offset by the following decreases of expenses: (i) professional fees decreased by ₱62.40 million (18.8%), (ii) telecommunications decreased by ₱5.57 million (4.7%), and (iii) charitable contributions decreased by ₱31.78 million (100.0%).

Other Income – net of other charges amounted to ₱45.03 million for the financial year 30 April 2015, a decrease of ₱439.43 million (90.7%) from ₱484.46 million in the same period in 2014, due to a decrease of other income contributed by parent company, BPI.

The Group's net income decreased by ₱179.63 million (15.9%) to ₱950.97 million in financial year 2015 from ₱1.13 billion in financial year 2014 under review.

### **Financial Position**

Total assets of the Group increased by ₱970.73 million (8.0%) to ₱13.12 billion as of 30 April 2015, from ₱12.16 billion as of 30 April 2014.

Trade and other receivables (net) increased by ₱71.76 million (3.4%) to ₱2.17 billion in 2015 compared to ₱2.10 billion in 2014, mainly due to trade receivables attributed by H.R. Owen.

Inventories (net) increased by ₱807.41 million (22.6%) to ₱4.37billion in 2015 compared to ₱3.56 billion in 2014, mainly due to the increased in vehicle stocks of H.R.Owen.

Prepayments and other current assets (net) increased by ₱93.44 million (17.3%) to ₱634.38 million in 2015 compared to ₱540.94 million in 2014, mainly due to an increase in prepaid expenses.

Available-for-sale financial assets increased by ₱151.01 million (15.4%) to ₱1.13billion in 2015 compared to ₱979.76 million in 2014, mainly due to the acquisition of investments during the year.

Property and equipment (net) decreased by ₱61.11 million (4.1%) to ₱1.43 billion in 2015 compared to ₱1.49 billion in 2014, mainly due to depreciation charges for the financial year.

Investments in associates increased by ₱77.82 million (56.0%) to ₱216.77million in 2015 compared to ₱138.95million in 2014, mainly due to acquisition of investment in associates.

Intangible assets decreased by ₱38.0 million (2.1%) to ₱1.81 billion in 2015 compared to ₱1.85 billion in 2014, primarily due to translation adjustment on goodwill and dealership rights arising from acquisition of Bentley dealership.

Deferred tax assets increased by ₱2.0 million (21.1%) to ₱11.46 million in 2015 compared to ₱9.47 million in 2014.

Meanwhile, Other non-current assets increased by ₱0.62 million (25.5%) to ₱3.06 million in 2015 compared to ₱2.43 million in 2014 due to additional security deposits.

Total liabilities of the Group increased by ₱313.66 billion (5.5%) to ₱6.03 billion as of 30 April 2015, from ₱5.71 billion as of 30 April 2014 mainly due to increase in Trade and other Payables.

The Group has no long-term debt. Post-employment benefit obligation increased by ₱0.48 million (1.0%) to ₱47.72 in 2015 compared ₱47.24 in 2014.

Total stockholders' equity of the Group increased by ₱657.07 billion (10.2%) to ₱7.10 billion as of 30 April 2015, from ₱6.45 billion as of 30 April 2014 under review. The book value per share increased to ₱7.44 in 2015 from ₱6.76 in 2014.

### **Key Performance Indicators**

The top five key performance indicators (KPIs) of the Corporation and its subsidiaries are: (i) to ensure the prompt collection of receivables from the customers, (ii) review the annual budget to monitor and explain any material variances above 10% in the overall operating results, (iii) scrutinize and monitor all the controllable budgeted expenses and analyze any material variances above 10%, (iv) review all capital expenditures in compliance with the approved budget, and (v) to manage the timely placements of surplus funds to ensure the highest possible bank interest income in view of the appropriate tolerable risks.

The Corporation uses the following computations in obtaining key indicators:

	30 April 2015	30 April 2014
Liquidity Ratio - Current ratio	1.41 : 1.00	1.35 : 1.00
Leverage Ratio - Debt to Equity	0.85 : 1.00	0.89 : 1.00
Activity Ratio - Annualized PPE Turnover	18.48 times	8.36 times
Profitability Ratios		
Return on Equity	13.39%	17.54%
Return on Assets	7.24%	9.30%

The Corporation uses the following computations in obtaining key indicators:

Key Performance Indicator	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$

Debt to Equity Ratio	$\frac{\text{Total Long Term Liabilities}}{\text{Stockholders' Equity}}$
PPE Turnover	$\frac{\text{Revenues}}{\text{Property, Plant \& Equipment (Net)}}$
Return on Equity	$\frac{\text{Net Income}}{\text{Equity}}$
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$

### **2014 Compared to 2013**

#### **Results of Operations**

The Corporation and its subsidiaries (the Group) generated total revenues from operating sources of about ₱12.49 billion for the year ended 30 April 2014, an increase of ₱10.37 million (489.1%) over total revenues of ₱2.12 billion in the previous financial year. This is attributed to the additional revenue from newly acquired subsidiary, H.R. Owen.

PGMC recorded revenue of ₱1.72 billion, a decrease of ₱251.53 million (12.7%) from ₱1.97 billion in the previous financial year due to decrease in lottery ticket sales.

PHPI which operates Berjaya Makati Hotel in Makati City, recorded a decreased revenue of ₱139.54 million compared to ₱146.42 million in the previous financial year. The decrease of ₱6.85 million (4.7%) in revenue was mainly due to reduction in room revenue and as a result of lower occupancy rate compared to the previous financial year.

HR Owen's recorded revenue for the six month period of ₱10.62 billion in the financial year under review.

The Group's total cost and operating expenses for the year ended 30 April 2014 increased by ₱10.57 billion (1123.5%) to ₱11.51 billion from ₱940.58 million for the same period in 2013. The increase is attributed to the following: (i) cost of vehicles sold and body shop repairs and parts increased by ₱9.08 billion (100.0%), (ii) salaries and employee benefits increased by ₱696.60 million (616.6%), (iii) professional fees increased by ₱146.96 million (79.2%), (iv) depreciation expense increased by ₱47.50million (21.7%), (v) rental increased by ₱129.29 million (728.7%), (vi) telecommunications increased by ₱16.47 million (16.0%), (vii) taxes and licenses increased by ₱60.88 million (247.5%), (viii) communication, light and water increased by ₱26.38 million (80.5%), (ix) representation and entertainment increased by ₱4.25 million (25.1%), and (x) other operating costs increased by ₱373.11 million (403.8%). These increases were offset by the following decreases of expenses: (i) charitable contributions decreased by ₱12.22 million (27.8%) and (ii) transportation and travel decreased by ₱1.17 million (4.6%).

Other Income – net of other charges amounted to ₱484.46 million for the financial year 30 April 2014, an increase of ₱252.92 million (109.2%) from ₱231.54 million in the same period in 2013, due to gain in fair value of investment arising from acquisition of H.R. Owen.

The Group's net income increased by ₱27.05 million (2.5%) to ₱1.13 billion in financial year 2014 from ₱1.10 billion in financial year 2013 under review.

### **Financial Position**

Total assets of the Group increased by ₱7.17 billion (143.6%) to ₱12.16 billion as of 30 April 2014, from ₱4.99 billion as of 30 April 2013 mainly due to assets from newly acquired subsidiary, H.R. Owen.

Trade and other receivables (net) increased by ₱923.70 million (78.6%) to ₱2.10 billion in 2014 compared to ₱1.17 billion in 2013, mainly due to trade receivables attributed by H.R. Owen.

Inventories (net) increased by ₱3.52 billion (7006.2%) to ₱3.57 billion in 2014 compared to ₱50.18 million in 2013, mainly due to vehicle stocks from H.R.Owen.

Prepayments and other current assets (net) increased by ₱450.39 million (497.4%) to ₱540.94 million in 2014 compared to ₱90.55 million in 2013, mainly due to increase prepaid expenses from H.R. Owen.

Available-for-sale financial assets increased by ₱403.83 million (70.1%) to ₱979.76million in 2014 compared to ₱575.93 million in 2013, mainly due to acquisition of investments during the year.

Property and equipment (net) increased by ₱421.65 million (39.3%) to ₱1.49 billion in 2014 compared to ₱1.07 billion in 2013, mainly due to property and equipment (net) attributed by H.R. Owen.

Investments in associates increased by ₱37.0 million (36.3%) to ₱138.95million in 2014 compared to ₱101.94million in 2013, mainly due to acquisition of investment in associates.

Intangible assets increased by ₱1.49 billion (414.6%) to ₱1.85 billion in 2014 compared to ₱360.11 million in 2013, primarily due to goodwill arising from acquisition of H.R. Owen.

Deferred tax assets decreased by ₱0.70 million (6.6%) to ₱9.47 million in 2014 compared to ₱10.13 million in 2013.

Meanwhile, Other non-current assets decreased by ₱0.23 million (8.5%) to ₱2.43 million in 2014 compared to ₱2.67 million in 2013 due to refund of security deposits.

Total liabilities of the Group increased by ₱5.52 billion (2880.6%) to ₱5.71 billion as of 30 April 2014, from ₱191.62 billion as of 30 April 2013 mainly due to increase in Trade and other Payables attributed by H.R. Owen.

The Group has no long-term debt. Post-employment benefit obligation increased by ₱14.56 million (44.5%) to ₱47.24 in 2014 compared ₱32.68 in 2013.

Total stockholders' equity of the Group increased by ₱1.65 billion (34.3%) to ₱6.45 billion as of 30 April 2014, from ₱4.80 billion as of 30 April 2013 under review. The book value per share increased to ₱6.76 in 2014 from ₱5.03 in 2013.

### **Key Performance Indicators**

The top five key performance indicators (KPIs) of the Corporation and its subsidiaries are: (i) to ensure the prompt collection of receivables from the customers, (ii) review the annual budget to monitor and explain any material variances above 10% in the overall operating results, (iii) scrutinize and monitor all the controllable budgeted expenses and analyze any material variances above 10%, (iv) review all capital expenditures in compliance with the approved budget, and (v) to manage the timely placements of surplus funds to ensure the highest possible bank interest income in view of the appropriate tolerable risks.

The Corporation uses the following computations in obtaining key indicators:

	30 April 2014	30 April 2013
Liquidity Ratio - Current ratio	1.35 : 1.00	17.31 : 1.00
Leverage Ratio - Debt to Equity	0.89 : 1.00	0.04 : 1.00
Activity Ratio - Annualized PPE Turnover	8.36 times	1.98 times
Profitability Ratios		
Return on Equity	17.54%	23.0%
Return on Assets	9.30%	22.11%

The Corporation uses the following computations in obtaining key indicators:

<u>Key Performance Indicator</u>	<u>Formula</u>
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Long Term Liabilities}}{\text{Stockholders' Equity}}$
PPE Turnover	$\frac{\text{Revenues}}{\text{Property, Plant \& Equipment (Net)}}$
Return on Equity	$\frac{\text{Net Income}}{\text{Equity}}$
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$

Barring any unforeseen circumstances, the Corporation's Board of Directors is confident that the operating financial performances of the Corporation and its subsidiaries are expected to be satisfactory in the coming year.

- i) There is no known trend, event or uncertainty that has or is reasonably likely to have an impact on the Corporation' short term or long-term liquidity.
- ii) The liquidity of the subsidiaries would continue to be generated from the collections of revenues from customers. There is no requirement for external funding for liquidity.
- iii) There is no known trend, event or uncertainty that has or that is reasonably expected to have a material impact on the net sales or revenues or income from continuing operations.
- iv) There is no significant element of income or loss that would arise from the Group's continuing operations.
- v) There is no cause for any material change from period to period in one or more of the line items of the Corporation's financial statements.
- vi) There were no seasonal aspects that had a material impact effect on the financial conditions or results of operations.
- vii) There is no event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation; and
- viii) There is no material off-balance sheet transactions, arrangements, obligations (including contingent liabilities), and other relationships of the company with unconsolidated entities or persons created during the reporting period.

### **Information on Independent Accountant**

For professional services rendered on the audit of the financial statements of the Corporation and its subsidiaries, Punongbayan & Araullo was paid the amounts of Php165,000.00 for its audit on the Corporation, Php420,000.00 and Php185,000.00 for its audit on PGMC and PHPI, the wholly owned subsidiaries of the corporation for the financial year ended 30 April 2016. The same amounts were paid to Punongbayan & Araullo for its audit on the Corporation, PGMC and PHPI for the financial year ended 30 April 2015.

Punongbayan & Araullo (P&A), the independent auditors of Berjaya Philippines Inc., have affixed their signature on the financial statements of Berjaya Philippines Inc. P&A issued an unqualified opinion on the consolidated financial statements. The audits were conducted in accordance with the Philippine Standards on Auditing.

As part of the audit process, Punongbayan & Araullo made specific inquiries from the Management of the Corporation and its subsidiaries and requested Management's written confirmation concerning representations contained in the

financial statements and the effectiveness of the internal control structure. The responses to the inquiries, the written representations, and the results of their audit tests comprised the evidential matter relied upon in forming an opinion on the financial statements.

The income tax return (ITR), other tax returns and the publicly held financial statements (PHFS) and the information contained therein were the responsibilities of the Corporation. Punongbayan & Araullo ascertained that the income and expenses agree with the Corporation's and its subsidiaries' books of accounts.

### **Discussion on Compliance with leading practice on Corporate Governance**

The Corporation's evaluation system is headed by its Chief Financial Officer Mr. Tan Eng Hwa assisted by the Assistant Corporate Secretary Ms. Marie Lourdes Sia-Bernas in determining the level of compliance of the Board of Directors with its *Manual of Corporate Governance*.

The Corporation shall implement its Corporate Governance Rules in accordance with the Revised Code of Corporate Governance under SEC Memorandum Circular No. 06-2009. The Corporation submitted its Revised *Manual on Corporate Governance* on 31 July 2014 and 18 January 2010. The Revised Manual is available for inspection by shareholders at reasonable hours on business days.

The Corporation submitted its Annual Corporate Governance Report on 30 August 2016. The Annual Corporate Governance Report is available for inspection by shareholders at reasonable hours on business days.

There is no deviation from the corporation's *Revised Manual on Corporate Governance*.

### **Market Price of the Company's Shares of Stock**

The shares of stock of Berjaya Philippines Inc. are traded on the Philippine Stock Exchange (PSE). The high and low sales prices for certain dates commencing January 2015 to August 2016 are as follows:

<u>Date</u>	<u>High</u>	<u>Low</u>	<u>Close</u>
5 Jan. 2015	₱ 28.50	₱ 18.10	₱ 28.00
6 Mar. 2015	₱ 28.50	₱ 18.20	₱ 27.95
1 Jun. 2015	₱ 28.50	₱ 20.50	₱ 27.00
6 Aug 2015	₱ 28.50	₱ 20.25	₱ 27.00
12 Oct 2015	₱ 30.00	₱ 20.25	₱ 29.00
28 Dec 2015	₱ 30.00	₱ 22.60	₱ 26.00
11 Jan 2016	₱ 30.00	₱ 20.00	₱ 28.00
7 Mar 2016	₱ 30.00	₱ 20.00	₱ 28.50
16 May 2016	₱ 30.00	₱ 20.00	₱ 28.50
15 Jul 2016	₱ 38.00	₱ 6.41	₱ 6.70
1 Aug 2016	₱ 38.00	₱ 5.70	₱ 5.80
12 Aug 2016	₱ 38.00	₱ 5.60	₱ 5.79
16 Aug 2016	₱ 38.00	₱ 5.55	₱ 5.55
26 Aug 2016	₱ 5.80	₱ 5.50	₱ 5.80

The price as of the last trading date for this report is Five Pesos and Eighty Centavos (₱ 5.80) on 26 August 2016.

There are no restrictions or limitations on Berjaya Philippines Inc.'s ability to pay dividends on common equity. There are no such likely restrictions or limitations foreseen in the future.

**Upon the written request of any stockholder, the Company will provide without charge to the requesting stockholder, a copy of the Company's annual report on SEC Form 17-A.**

***ALL REQUESTS MUST BE ADDRESSED TO:***

***JOSE A. BERNAS, Esq.  
The Corporate Secretary  
Berjaya Philippines Inc.  
c/o Bernas Law Offices  
8/F RahaSulayman Building  
108 Benavidez Street, Legaspi Village, Makati City  
Metro Manila, 1229***

**BERJAYA PHILIPPINES INC.**  
For and on behalf of the Board:



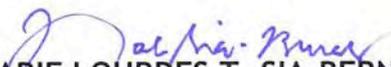
**TAN SRI IBRAHIM SAAD**  
Acting President

## CERTIFICATION

KNOW ALL MEN BY THESE PRESENTS:

I, **MARIE LOURDES SIA-BERNAS**, of legal age, Filipino, being the Assistant Corporate Secretary of **BERJAYA PHILIPPINES INC.** (the "Corporation"), a corporation duly organized and existing under the laws of the Philippines, with address at the 9<sup>th</sup> Floor Rufino Pacific Tower, 6784 Ayala Avenue corner V.A. Rufino Street, Makati City, Metro Manila, hereby certify that none of the directors and officers of the Corporation work for the government of the Republic of the Philippines.

**IN WITNESS WHEREOF**, this Certificate has been signed this 9<sup>th</sup> day of September 2016 at Makati City, Metro Manila.

  
**MARIE LOURDES T. SIA-BERNAS**  
Assistant Corporate Secretary

**SUBSCRIBED AND SWORN TO** before me in the City of Makati this 9<sup>th</sup> day of September 2016, affiant exhibiting to me her IBP ID with Lifetime Membership Number 02165.

Doc. No. 454  
Page No. 92  
Book No. I  
Series of 2016.

  
**ROMAN CARLO R. LOVERIA**  
Commission No. M-252  
Notary Public - City of Makati  
Until 31 December 2017  
Bernas Law Offices  
8<sup>th</sup> Floor Raha Sulayman Bldg., 108 Benavidez St.,  
Legaspi Village, Makati City  
IBP Membership No. 1020762/06 January 2016/Laguna  
PTR No. 5327821/06 January 2016/Makati City  
Roll of Attorneys No. 64528



## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Berjaya Philippines, Inc. And Subsidiaries** is responsible for the preparation and fair presentation of the financial statements for the years ended **April 30, 2016 and 2015**, in accordance with Philippine Financial Reporting Standards (PFRS), including the following additional supplemental information filed separately from the basic financial statements:

- a. Supplementary Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68
- b. Reconciliation of Retained Earnings Available for Dividend Declaration
- c. Schedule of PFRS Effective as of April 30, 2016
- d. Schedule of Financial Indicators for April 30, 2016 and 2015
- e. Map Showing the Relationship Between and Among the Company and its Related Entities

Management responsibility on the financial statements includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements, and the additional supplementary information, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with Philippine Standards on Auditing and, and in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Tan Sri Dato Seri Dr Ibrahim Saad  
Chairman

Tan Sri Dato Seri Dr Ibrahim Saad  
President

Tan Eng Hwa  
Treasurer

### **BERJAYA PHILIPPINES INC.**

9/F Rufino Pacific Tower 6784 Ayala Ave., Cor. V.A. Rufino St., Makati City  
Tel. No.: (632) 811-0668 \* Fax No.: (632) 811-0538

SUBSCRIBED AND SWORN TO BEFORE ME this \_\_\_\_\_ day of AUG 01 2016 2016,  
by the following who exhibited to me their government issued identification cards during  
business hours.

Name	Tax Identification No.
Tan Sri Dato Seri Dr Ibrahim Saad	313-386-574
Tan Eng Hwa	204-172-228

Doc No.  
Page No.  
Book No.  
Series of

426  
87  
21  
20/4

**ATTY. GERVACIO B. ORTIZ JR.**  
Notary Public City of Makati  
Until December 31, 2016  
IBP No. 656155-Lifetime Member  
MCLE Compliance No. V-0006934  
Appointment No. M-38-(2015-2016)  
PTR No. 5323504 Jan. 4, 2016  
Makati City Roll No. 40091  
101 Urban Ave. Campos Rueda Bldg.  
Brgy. Pio Del Pilar, Makati City



**P&A**  
**Grant Thornton**

An instinct for growth™

Consolidated Financial Statements and  
Independent Auditors' Report

**Berjaya Philippines Inc. and Subsidiaries**

April 30, 2016, 2015 and 2014



**P&A**  
**Grant Thornton**

An instinct for growth™

**Punongbayan & Araullo**  
20<sup>th</sup> Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 988 2288  
F +63 2 886 5506  
grantthornton.com.ph

## Report of Independent Auditors

### **The Board of Directors**

**Berjaya Philippines Inc. and Subsidiaries**

**[A Subsidiary of Berjaya Lottery Management (HK) Limited]**

9<sup>th</sup> Floor, Rufino Pacific Tower  
6784 Ayala Avenue, Makati City

We have audited the accompanying consolidated financial statements of Berjaya Philippines Inc. and subsidiaries, which comprise the consolidated statements of financial position as at April 30, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended April 30, 2016, and a summary of significant accounting policies and other explanatory information.

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

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

### *Auditors' Responsibility*

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

#### **Certified Public Accountants**

Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

Offices in Cebu, Davao, Cavite

BOA/PRC Cert. of Reg. No. 0002  
SEC Accreditation No. 0002-FR-4



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

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

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Berjaya Philippines Inc. and subsidiaries as at April 30, 2016 and 2015, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended April 30, 2016 in accordance with Philippine Financial Reporting Standards.

**PUNONGBAYAN & ARAULLO**

By:   
**Ramillito L. Nañola**  
Partner

CPA Reg. No. 0090741

TIN 109-228-427

PTR No. 5321729, January 4, 2016, Makati City

SEC Group A Accreditation

Partner - No. 0395-AR-3 (until May 19, 2019)

Firm - No. 0002-FR-4 (until Apr. 30, 2018)

BIR AN 08-002511-19-2015 (until Mar. 18, 2018)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

July 22, 2016

**BERJAYA PHILIPPINES INC. AND SUBSIDIARIES**  
**[A Subsidiary of Berjaya Lottery Management (HK) Limited]**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**APRIL 30, 2016 AND 2015**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
<b><u>A S S E T S</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	P 1,034,432,119	P 1,145,905,764
Trade and other receivables - net	8	2,974,579,331	2,170,154,611
Inventories - net	9	5,279,148,130	4,373,028,498
Advances to associates	13, 22	170,306,627	63,406,627
Prepayments and other current assets - net	10	<u>836,832,157</u>	<u>634,377,579</u>
Total Current Assets		<u>10,295,298,364</u>	<u>8,386,873,079</u>
<b>NON-CURRENT ASSETS</b>			
Available-for-sale financial assets	11	869,409,393	1,130,764,251
Property and equipment - net	12	2,001,760,694	1,432,357,880
Investments in associates	13	466,714,517	216,768,762
Intangible assets	14	1,914,800,247	1,814,957,799
Deferred tax assets	24	44,597,174	11,463,154
Advances to an associate	13, 22	-	131,360,000
Other non-current assets	15	<u>4,352,318</u>	<u>3,060,529</u>
Total Non-current Assets		<u>5,301,634,343</u>	<u>4,740,732,375</u>
<b>TOTAL ASSETS</b>		<b><u>P 15,596,932,707</u></b>	<b><u>P 13,127,605,454</u></b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	P 3,571,890,388	P 2,804,894,249
Loans payable and borrowings	18	4,234,569,558	3,047,352,561
Income tax payable		<u>39,539,396</u>	<u>80,949,979</u>
Total Current Liabilities		<u>7,845,999,342</u>	<u>5,933,196,789</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	24	44,773,406	44,367,114
Post-employment benefit obligation	20	<u>40,798,826</u>	<u>47,723,880</u>
Total Non-current Liabilities		<u>85,572,232</u>	<u>92,090,994</u>
Total Liabilities		<u>7,931,571,574</u>	<u>6,025,287,783</u>
<b>EQUITY</b>			
Attributable to owners of the Parent Company	23	7,329,471,059	6,795,856,694
Attributable to non-controlling interest		<u>335,890,074</u>	<u>306,460,977</u>
Total Equity		<u>7,665,361,133</u>	<u>7,102,317,671</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>P 15,596,932,707</u></b>	<b><u>P 13,127,605,454</u></b>

*See Notes to Consolidated Financial Statements.*

**BERJAYA PHILIPPINES INC. AND SUBSIDIARIES**  
**[A Subsidiary of Berjaya Lottery Management (HK) Limited]**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED APRIL 30, 2016, 2015 AND 2014**  
*(Amounts in Philippine Pesos)*

	Notes	2016	2015	2014
<b>REVENUES</b>				
Sale of vehicles	2	P 24,774,871,911	P 24,713,674,808	P 10,625,966,825
Rental	2, 6	1,580,259,448	1,610,723,022	1,721,851,230
Hotel operations	2	<u>146,454,055</u>	<u>143,512,739</u>	<u>139,564,115</u>
		<u>26,501,585,414</u>	<u>26,467,910,569</u>	<u>12,487,382,170</u>
<b>COSTS AND OPERATING EXPENSES</b>				
Cost of vehicles sold	2	19,647,391,744	19,138,168,994	8,311,729,837
Bodyshop repairs and parts	2	1,772,942,701	2,155,350,270	767,242,897
Salaries and employee benefits	20	1,625,215,210	1,564,535,663	809,576,175
Depreciation and amortization	12	238,359,344	319,227,075	266,793,322
Rental	22, 28	330,015,723	297,326,465	147,028,531
Professional fees	22	371,719,301	270,109,997	332,508,113
Taxes and licenses		148,931,177	160,945,755	87,478,485
Telecommunication		100,308,008	113,921,014	119,491,314
Communication, light and water		71,436,528	87,679,850	59,155,333
Maintenance of computer equipment	22	78,435,458	76,506,736	53,412,883
Transportation and travel		46,480,923	39,037,938	24,307,970
Representation and entertainment		19,262,134	37,408,543	21,173,262
Food and beverages		12,790,863	12,697,607	13,266,772
Charitable contributions		-	-	31,780,000
Others	19	<u>1,083,950,209</u>	<u>1,001,753,317</u>	<u>463,497,099</u>
		<u>25,547,239,323</u>	<u>25,274,669,224</u>	<u>11,508,441,993</u>
<b>OPERATING PROFIT</b>		<u>954,346,091</u>	<u>1,193,241,345</u>	<u>978,940,177</u>
<b>OTHER INCOME (CHARGES)</b>				
Finance costs and other charges	21	( 289,124,450 )	( 220,443,380 )	( 122,717,563 )
Finance income	11, 21	112,062,855	108,913,217	192,745,242
Equity share in net income of associates	13	55,765,755	70,222,574	13,004,692
Net gain (loss) on sale of available-for-sale financial assets	11	( 19,523,036 )	8,987,180	118,295,452
Remeasurement gain on reclassification of available-for-sale financial assets to investment in subsidiary	23	-	-	180,705,716
Others	19	<u>117,725,227</u>	<u>77,354,082</u>	<u>102,428,111</u>
		<u>( 23,093,649 )</u>	<u>45,033,673</u>	<u>484,461,650</u>
<b>PROFIT BEFORE TAX</b>		<u>931,252,442</u>	<u>1,238,275,018</u>	<u>1,463,401,827</u>
<b>TAX EXPENSE</b>	24	<u>224,926,333</u>	<u>287,309,995</u>	<u>332,801,574</u>
<b>NET PROFIT</b>		<u>706,326,109</u>	<u>950,965,023</u>	<u>1,130,600,253</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Item that will not be reclassified subsequently to profit or loss</b>				
Actuarial gain (loss) on remeasurement of post-employment benefit obligation - net of tax	20	6,342,575	( 4,923,159 )	( 3,280,018 )
<b>Items that will be reclassified subsequently to profit or loss</b>				
Net unrealized fair value gains (losses) on available-for-sale financial assets	11, 23, 27	( 163,685,750 )	( 47,947,559 )	366,574,662
Reclassification adjustments to profit or loss	11, 23	14,506,997	( 7,334,201 )	( 242,275,508 )
Translation adjustment	2	( 446,469 )	( 223,397,842 )	199,903,079
		<u>( 149,625,222 )</u>	<u>( 278,679,602 )</u>	<u>324,202,233</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>P 563,043,462</u>	<u>P 667,362,262</u>	<u>P 1,451,522,468</u>
<i>Balance carried forward</i>		<u>P 563,043,462</u>	<u>P 667,362,262</u>	<u>P 1,451,522,468</u>

	Notes	2016	2015	2014
<i>Balance brought forward</i>		<u>P 563,043,462</u>	<u>P 667,362,262</u>	<u>P 1,451,522,468</u>
<b>Net profit attributable to:</b>				
Owners of the Parent Company		<u>P 678,320,666</u>	<u>P 892,549,186</u>	<u>P 1,094,023,187</u>
Non-controlling interest	13	<u>28,005,443</u>	<u>58,415,837</u>	<u>36,577,066</u>
		<u>P 706,326,109</u>	<u>P 950,965,023</u>	<u>P 1,130,600,253</u>
<b>Total comprehensive income attributable to:</b>				
Owners of the Parent Company		<u>P 533,614,365</u>	<u>P 635,393,605</u>	<u>P 1,396,625,079</u>
Non-controlling interest		<u>29,429,097</u>	<u>31,968,657</u>	<u>54,897,389</u>
		<u>563,043,462</u>	<u>667,362,262</u>	<u>1,451,522,468</u>
<b>Earnings Per Share</b>	25	<u>P 0.16</u>	<u>P 0.21</u>	<u>P 0.25</u>

*See Notes to Consolidated Financial Statements.*

BERJAYA PHILIPPINES INC. AND SUBSIDIARIES  
 [A Subsidiary of Berjaya Lottery Management (HK) Limited]  
 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
 FOR THE YEARS ENDED APRIL 30, 2016, 2015 AND 2014  
 (Amounts in Philippine Pesos)

Attributable to Owners of the Parent Company												
Notes	Capital Stock	Treasury Shares	Revaluation Reserves	Other Reserves	Translation Adjustment	Retained Earnings			Total	Non-controlling Interest	Total	
						Appropriated	Unappropriated	Total				
Balance at May 1, 2015	25	P 953,984,448	( P 988,150,025)	P 118,103,909	( P 14,577,611)	( P 37,314,019)	P 6,053,262,552	P 710,547,440	P 6,763,809,992	P 6,795,856,694	P 308,460,977	7,102,317,671
Net profit for the year		-	-	-	-	-	-	678,320,666	678,320,666	678,320,666	28,005,443	706,326,109
Reversal of prior year appropriation	23	-	-	-	-	( 4,280,000,000)	4,280,000,000	-	-	-	-	-
Appropriated for stock dividends distributable	23	-	-	-	-	3,473,024,684	( 3,473,024,684)	-	-	-	-	-
Actuarial gain on remeasurement of post-employment benefit obligation - net of tax	20, 23	-	-	4,568,609	-	-	-	-	-	4,568,609	1,773,966	6,342,575
Net unrealized fair value losses on available-for-sale financial assets	11, 23	-	-	( 163,685,750)	-	-	-	-	( 163,685,750)	-	-	( 163,685,750)
Reclassification adjustments to profit or loss	11, 23	-	-	14,506,997	-	-	-	-	-	14,506,997	-	14,506,997
Translation adjustment		-	-	-	-	( 96,157)	-	-	( 96,157)	( 96,157)	( 350,312)	( 446,469)
<b>Total equity at April 30, 2016</b>	25	<b>P 953,984,448</b>	<b>( P 988,150,025)</b>	<b>( P 26,506,235)</b>	<b>( P 14,577,611)</b>	<b>( P 37,410,176)</b>	<b>P 5,246,287,236</b>	<b>P 2,195,843,422</b>	<b>P 7,442,130,658</b>	<b>P 7,329,471,059</b>	<b>P 335,890,074</b>	<b>P 7,665,361,133</b>
Balance at May 1, 2014	23	P 953,984,448	( P 988,150,025)	P 177,926,734	( P 14,577,611)	P 160,018,737	P 4,623,262,552	P 1,247,998,254	P 5,871,260,806	P 6,160,463,089	P 284,784,692	P 6,445,247,781
Net profit for the year		-	-	-	-	-	-	892,549,186	892,549,186	892,549,186	58,415,837	950,965,023
Appropriation during the year	23	-	-	-	-	-	1,430,000,000	( 1,430,000,000)	-	-	-	-
Actuarial loss on remeasurement of post-employment benefit obligation - net of tax	20, 23	-	-	( 4,541,065)	-	-	-	-	( 4,541,065)	( 4,541,065)	( 382,094)	( 4,923,159)
Net unrealized fair value losses on available-for-sale financial assets	11, 23	-	-	( 47,947,559)	-	-	-	-	( 47,947,559)	-	-	( 47,947,559)
Reclassification adjustments to profit or loss	11, 23	-	-	( 7,334,201)	-	-	-	-	( 7,334,201)	-	-	( 7,334,201)
Dividends from investee paid to holders of minority interest		-	-	-	-	-	-	-	-	-	( 10,292,372)	( 10,292,372)
Translation adjustment		-	-	-	-	( 197,332,756)	-	-	( 197,332,756)	( 197,332,756)	( 26,065,086)	( 223,397,842)
<b>Total equity at April 30, 2015</b>	23	<b>P 953,984,448</b>	<b>( P 988,150,025)</b>	<b>P 118,103,909</b>	<b>( P 14,577,611)</b>	<b>( P 37,314,019)</b>	<b>P 6,053,262,552</b>	<b>P 710,547,440</b>	<b>P 6,763,809,992</b>	<b>P 6,795,856,694</b>	<b>P 308,460,977</b>	<b>P 7,102,317,671</b>
Balance at May 1, 2013		P 953,984,448	( P 988,150,025)	P 53,440,953	p -	p -	P 3,433,262,552	P 1,345,954,845	P 4,779,217,397	P 4,798,492,773	p -	P 4,798,492,773
Non-controlling interest in acquired subsidiary		-	-	-	-	-	-	-	-	-	215,309,692	215,309,692
Change to equity share in a subsidiary		-	-	-	( 14,577,611)	-	-	-	( 14,577,611)	( 14,577,611)	14,577,611	-
Reversal of prior year appropriation	23	-	-	-	-	-	( 1,410,000,000)	1,410,000,000	-	-	-	-
Appropriation during the year	23	-	-	-	-	-	2,600,000,000	( 2,600,000,000)	-	-	-	-
Net profit for the year		-	-	-	-	-	-	1,094,023,187	1,094,023,187	1,094,023,187	36,577,066	1,130,600,253
Actuarial gain (loss) on remeasurement of post-employment benefit obligation - net of tax	20, 23	-	-	186,627	-	-	-	-	-	186,627	( 3,466,645)	( 3,280,018)
Net unrealized fair value gains on available-for-sale financial assets	11, 23	-	-	366,574,662	-	-	-	-	-	366,574,662	-	366,574,662
Reclassification adjustments to profit or loss	11, 23	-	-	( 242,275,508)	-	-	-	-	( 242,275,508)	-	-	( 242,275,508)
Translation adjustment		-	-	-	-	160,018,737	-	( 1,979,778)	( 1,979,778)	158,038,959	21,786,968	179,825,927
<b>Total equity at April 30, 2014</b>		<b>P 953,984,448</b>	<b>( P 988,150,025)</b>	<b>P 177,926,734</b>	<b>( P 14,577,611)</b>	<b>P 160,018,737</b>	<b>P 4,623,262,552</b>	<b>P 1,247,998,254</b>	<b>P 5,871,260,806</b>	<b>P 6,160,463,089</b>	<b>P 284,784,692</b>	<b>P 6,445,247,781</b>

See Notes to Consolidated Financial Statements.

**BERJAYA PHILIPPINES INC. AND SUBSIDIARIES**  
**[A Subsidiary of Berjaya Lottery Management (HK) Limited]**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED APRIL 30, 2016, 2015 AND 2014**  
*(Amounts in Philippine Pesos)*

	Notes	2016	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		P 931,252,442	P 1,238,275,018	P 1,463,401,827
Adjustments for:				
Depreciation and amortization	12	238,359,344	319,227,075	266,793,322
Interest expense	21	117,419,526	114,503,425	85,675,573
Impairment loss on AFS financial assets	21	91,158,267	-	-
Interest income	21	( 98,589,178 )	( 80,947,593 )	( 25,885,120 )
Equity share in net income of associates	13	( 55,765,755 )	( 70,222,574 )	( 13,004,692 )
Net gain on sale of available-for-sale financial assets	11	19,523,036	( 8,987,180 )	( 118,295,452 )
Unrealized foreign currency loss (gain) - net	21	19,077,234	72,887,108	( 91,822,863 )
Dividend income	11, 21	( 13,473,677 )	( 27,965,624 )	( 75,037,259 )
Gain on disposal of property and equipment	12, 19	( 1,438,383 )	( 1,930,481 )	( 7,089,112 )
Remeasurement gain of available-for-sale financial assets	23	-	-	( 180,705,716 )
Operating income before working capital changes		1,247,522,856	1,554,839,174	1,304,030,508
Increase in trade and other receivables		( 677,316,226 )	( 104,323,390 )	( 231,614,068 )
Decrease (increase) in inventories		193,381,641	( 215,108,910 )	( 39,463,416 )
Increase in prepayments and other current assets		( 261,843,848 )	( 114,845,021 )	( 425,843,977 )
Decrease (increase) in other non-current assets		( 1,291,789 )	( 622,427 )	227,694
Increase in trade and other payables		725,460,956	303,633,650	225,458,579
Increase (decrease) in post-employment benefit obligation		( 97,405 )	( 7,923,085 )	10,219,887
Cash generated from operations		1,225,816,185	1,415,649,991	843,015,207
Cash paid for income taxes		( 247,128,579 )	( 289,372,463 )	( 240,857,107 )
Net Cash From Operating Activities		978,687,606	1,126,277,528	602,158,100
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of property and equipment	12	( 786,030,748 )	( 293,371,963 )	( 59,526,209 )
Acquisition of subsidiary and business unit	14	( 186,492,817 )	( 161,093,916 )	-
Acquisition of investment in associates	13	( 138,180,000 )	-	-
Interest received		46,041,842	38,250,016	25,885,120
Additional advances granted to associates	22	( 34,540,000 )	( 38,890,000 )	( 14,817,903 )
Proceeds from sale of available-for-sale financial assets	11	20,435,557	24,369,739	243,556,184
Acquisition of available-for-sale financial assets	11	( 18,940,755 )	( 221,669,861 )	( 2,220,587,190 )
Dividends received	11	13,473,677	27,965,624	75,037,259
Collections of advances to associates	22	3,000,000	308,670	995,737
Proceeds from disposal of property and equipment		1,794,990	1,970,451	8,024,182
Payments to previous stockholders of H.R. Owen		-	-	( 2,386,994 )
Net Cash Used in Investing Activities		( 1,079,438,254 )	( 622,161,240 )	( 1,943,819,814 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from bank loans and borrowings	18	200,000,000	-	1,000,000,000
Interest paid		( 115,636,846 )	( 112,885,783 )	( 84,322,634 )
Repayment of bank loans and borrowings		( 100,000,000 )	( 550,000,000 )	( 450,000,000 )
Dividends paid to minority interest		-	( 10,292,372 )	-
Net Cash From (Used in) Financing Activities		( 15,636,846 )	( 673,178,155 )	465,677,366
<b>EFFECT OF EXCHANGE RATE CHANGES TO CASH AND CASH EQUIVALENTS</b>				
		4,913,849	( 3,739,491 )	10,140,553
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>				
		( 111,473,645 )	( 172,801,358 )	( 865,843,795 )
Balance carried forward		( P 111,473,645 )	( P 172,801,358 )	( P 865,843,795 )

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Balance brought forward</i>	( P 111,473,645 )	( P 172,801,358 )	( P 865,843,795 )
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,145,905,764</b>	<b>1,318,707,122</b>	<b>1,409,737,406</b>
<b>BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF NEWLY ACQUIRED SUBSIDIARY</b>	<u>-</u>	<u>-</u>	<u>774,813,511</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>P 1,034,432,119</u></b>	<b><u>P 1,145,905,764</u></b>	<b><u>P 1,318,707,122</u></b>

**Supplemental Information on Non-cash Financing and Investing Activities:**

1. In 2016, the Parent Company reclassified P56,000,000 advances into an investment in an associate (see Note 22).
2. On October 5, 2015, the Parent Company's Board of Directors approved the declaration of stock dividends at a rate of 4 common shares for every common share held (see Note 23).
3. In 2015, the Group purchased available-for-sale financial assets on account. The Group also reclassified P7.6 million advances for stock subscription to investment in an associate (see Note 11).

*See Notes to Consolidated Financial Statements.*

**BERJAYA PHILIPPINES INC. AND SUBSIDIARIES**  
**[A Subsidiary of Berjaya Lottery Management (HK) Limited]**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2016, 2015 AND 2014**  
**(Amounts in Philippine Pesos)**

**1. CORPORATE MATTERS**

**1.1 Incorporation and Operations**

Berjaya Philippines Inc. (BPI or the Parent Company) was incorporated in the Philippines on October 31, 1924. The Parent Company is organized as a holding company. The Parent Company's shares of stock were listed in the Philippine Stock Exchange on November 29, 1948.

On June 2, 2010, the Parent Company's Board of Directors (BOD) approved the Parent Company's change in corporate name from Prime Gaming Philippines, Inc. to Berjaya Philippines Inc. The application for change in name was approved by the Securities and Exchange Commission (SEC) on June 11, 2010.

The Parent Company is 74.20% owned by Berjaya Lottery Management (HK) Limited of Hong Kong (BLML) as at April 30, 2016. The Parent Company's ultimate parent company is Berjaya Corporation Berhad of Malaysia, a publicly listed company in the Main Market of Bursa Malaysia Securities Berhad.

The registered office of BPI is located at 9th Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City. BLML's registered address is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and the ultimate parent company's registered office is at Lot13-01A, Level 13 (East Wing), Berjaya Times Square, No. 1, Jalan Imbi 55100 Kuala Lumpur, Malaysia.

**1.2 Subsidiaries and Associates**

The Parent Company holds ownership interest in the following active entities as at April 30:

Subsidiaries/Associates	Short Name	Explanatory Notes	Effective % of Ownership	
			2016	2015
<b>Subsidiaries:</b>				
<b>Leasing –</b>				
Philippine Gaming Management Corporation	PGMC	(a)	100.00%	100.00%
<b>Services –</b>				
Perdana Hotel Philippines Inc.	PHPI	(b)	100.00%	100.00%
<b>Motor Vehicle Dealership:</b>				
H.R. Owen Plc	H.R. Owen	(c)	72.03%	72.03%
Broughtons of Cheltenham Limited		(d)	72.03%	72.03%
H.R. Owen Dealership Limited		(d)	72.03%	72.03%
Jack Barclay Limited		(d)	72.03%	72.03%
Holland Park Limited	Holland Park	(d)	72.03%	72.03%
Bodytechnics Limited	Bodytechnics	(d)	72.03%	-

Subsidiaries/Associates	Short Name	Explanatory Notes	Effective % of Ownership	
			2016	2015
<b>Associates:</b>				
Perdana Land Philippines Inc.	PLPI	(e)	40.00%	40.00%
Cosway Philippines Inc.	CPI	(f)	40.00%	40.00%
Berjaya Pizza Philippines Inc.	BPPI	(g)	41.40%	30.00%
Berjaya Auto Philippines Inc.	BAPI	(b)	35.00%	30.00%
Ssangyong Berjaya Motor Philippines, Inc.	SBMPI	(i)	20.00%	-

- (a) PGMC is involved principally in the business of leasing on-line lottery equipment and providing software support. PGMC was organized in April 1993 in the Philippines and started commercial operations in February 1995.
- (b) PHPI was incorporated in the Philippines on December 11, 2009 primarily to manage and/or operate hotels or other buildings, and to sell, lease or otherwise dispose of the same; to own, lease, and operate one or more hotels, and all adjuncts and accessories thereto. PHPI started its commercial operations on May 1, 2010.
- (c) In October 2013, the Group gained control over H.R. Owen through acquisition of additional shares. H.R. Owen, incorporated in England, operates a number of vehicle franchises in the prestige and specialist car market for both sales and aftersales, predominantly in the London area. H.R. Owen is an investment holding company that provides group services to its four trading subsidiaries that operate H.R. Owen's motor vehicle dealerships as discussed under (d).
- (d) These are wholly owned subsidiaries of H.R. Owen which were incorporated and are currently operating in England and Wales. The subsidiaries of H.R. Owen, except Holland Park and Bodytechnics, are engaged in luxury motor vehicle retail and provision of aftersales services, whereas, Holland Park and Bodytechnics provides aftersales services.
- On December 4, 2015, H.R. Owen acquired 100% ownership over Bodytechnics in order to enhance its aftersales operations. The acquisitions resulted to recognition of goodwill (see Note 14).
- (e) PLPI was incorporated in the Philippines primarily to acquire, hold, develop and dispose of, by purchase or sale, exchange, mortgage, lease or in any other manner, real estate or any interest therein, either together with or exclusive of their appurtenances. PLPI started its commercial operations on May 1, 2010.
- (f) CPI was incorporated in the Philippines on September 28, 2012 to engage primarily in the wholesale of various products. As at April 30, 2016, CPI has not yet started its commercial operations.
- (g) BPPI was organized as part of BPI's strategy to acquire an interest in a chain of restaurants. BPPI was incorporated on July 12, 2010 in the Philippines and started commercial operations on December 10, 2010. In 2016, BPI reclassified advances to BPPI to Investments in Associate account resulting to an increase in ownership over BPPI to 41.40%.

- (b) BAPI was incorporated on August 10, 2012 and started commercial operations on January 1, 2013. BAPI is primarily engaged in purchasing, acquiring, owning, leasing, selling, transferring, encumbering, and generally dealing in all types of new automobiles, trucks, and other motor vehicles and dealing in all types of supplies used by all types of motor vehicles. In fiscal year 2016, BAPI purchased 5% holdings from an existing stockholder of BAPI resulting to BAPI's increase in ownership over BAPI to 35%.
- (i) SBMPI was incorporated on July 3, 2015 and started commercial operations on April 1, 2016. SBMPI is licensed by the SEC to engage in the business of purchasing, acquiring, owning, selling, transferring encumbering and generally dealing in all types of new automobiles, trucks and other motor vehicles and all types of supplies used by all types of motor vehicles. In fiscal year 2016, BAPI subscribed 22,500,000 shares of SBMPI at P1 par value per share.

The Parent Company and its subsidiaries (the Group), including its associates, were incorporated in the Philippines and have principal place of business in Metro Manila, Philippines, except for H.R. Owen and its subsidiaries which were incorporated and has principal place of business in London, England.

### ***1.3 Approval of Consolidated Financial Statements***

The consolidated financial statements of the Group as at and for the year ended April 30, 2016 (including the comparative financial statements as at and for the year ended April 30, 2015 and 2014) were authorized for issue by the BOD on July 22, 2016.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### ***2.1 Basis of Preparation of Consolidated Financial Statements***

#### ***(a) Statement of Compliance with Philippine Financial Reporting Standards***

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by the Philippine Board of Accountancy (BOA).

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) *Presentation of Consolidated Financial Statements*

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expense and other comprehensive income in a single consolidated statement of comprehensive income.

The Group presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency (see Note 2.18). Functional currency is the currency of the primary economic environment in which the Group operates.

## 2.2 *Adoption of New and Amended PFRS*

(a) *Effective in Fiscal Year 2016 that are Relevant to the Group*

The Group adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after July 1, 2014, for its annual reporting period beginning May 1, 2015:

PAS 19 (Amendment)	:	Employee Benefits – Defined Benefit Plans – Employee Contributions
Annual Improvements	:	Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle)

Discussed below are the relevant information about these amendment and improvements.

- (i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions*. The amendment clarifies that if the amount of the contributions to defined benefit plans from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. The amendment did not have an impact on the Group's consolidated financial statements since the Group's defined benefit plan does not require employees or third parties to contribute to the benefit plan.

- (ii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Group but had no impact on the Group's consolidated financial statements as these amendments merely clarify the existing requirements:

*Annual Improvements to PFRS (2010-2012 Cycle)*

- PFRS 3 (Amendment), *Business Combination*. This amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity in accordance with PAS 32, *Financial Instruments – Presentation*. It also clarifies that all non-equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss.
- PFRS 8 (Amendment), *Operating Segments*. This amendment requires disclosure of the judgments made by the management in applying the aggregation criteria to operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. It further clarifies the requirement to disclose for the reconciliations of segments assets to the entity's assets if that amount is regularly provided to the chief operating decision maker. This amendment did not have an impact on the Group's consolidated financial statements as the Group do not present aggregated segment information.
- PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets*. The amendments clarify that when an item of property, plant and equipment and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.
- PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the consolidated financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.

*Annual Improvements to PFRS (2011-2013 Cycle)*

- PFRS 3 (Amendment), *Business Combinations*. It clarifies that PFRS 3 does not apply to the accounting for the formation of any joint arrangement under PFRS 11, *Joint Arrangement*, in the financial statements of the joint arrangement itself.

- PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.
- PAS 40 (Amendment), *Investment Property*. The amendment clarifies the interrelationship of PFRS 3 and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset in accordance with PAS 40 or a business combination in accordance with PFRS 3.

(b) *Effective in Fiscal Year 2016 that are not Relevant to the Group*

The amendment to PFRS 2, *Share-based Payment – Definition of Vesting Condition*, which is mandatory for accounting periods beginning on or after July 1, 2014 is not relevant to the Group's consolidated financial statements.

(c) *Effective Subsequent to Fiscal Year 2016 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to fiscal year 2016 of the Group which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have an impact on the Group's consolidated financial statements:

- (i) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

- (ii) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.
- (iii) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 41 (Amendment), *Agriculture – Bearer Plants* (effective from January 1, 2016). The amendment defines a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendment further clarifies that produce growing on bearer plants remains within the scope of PAS 41.
- (iv) PAS 27 (Amendment), *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective from January 1, 2016). This amendment introduces a third option which permits an entity to account for its investments in subsidiaries, joint ventures and associates under the equity method in its separate financial statements in addition to the current options of accounting those investments at cost or in accordance with PAS 39 or PFRS 9. As at the end of the reporting period, the Parent Company has no plan to change the accounting policy for its investments in its subsidiaries and associates.
- (v) PFRS 10 (Amendment), *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective from January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. It clarifies which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarifies whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. This amendment also permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

- (vi) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
  - an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
  - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management is currently assessing the impact of PFRS 9 (2014) on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

- (vii) PFRS 10 (Amendment), *Consolidated Financial Statements*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction. In December 2015, the IASB deferred the mandatory effective date for the amendment (i.e., January 1, 2016) indefinitely.
- (viii) Annual Improvements to PFRS (2012-2014 Cycle) (effective from January 1, 2016). Among the improvements, the following amendments are relevant to the Group but management does not expect these to have an impact on the Group's consolidated financial statements:
- PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.
  - PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

### **2.3 Basis of Consolidation**

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as enumerated in Note 1, after the elimination of intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

The Parent Company accounts for its investments in subsidiaries and associates as follows:

(a) *Investments in Subsidiaries*

Subsidiaries are all entities (including structured entities, if any) over which the Group has control. The Group controls an entity when it has the power over the investee, it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Group obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill (see Note 2.11). If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss.

(b) *Investments in Associates*

Associates are those entities over which the Parent Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in associate is subject to the purchase method of accounting. The purchase method involves recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Parent Company's share of the identifiable net assets over the acquire at the date of acquisition. Any goodwill or fair value adjustment attributable to the Parent Company's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Group's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Equity Share in Net Income (Losses) of Associates account in the consolidated statement of comprehensive income.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.17).

Changes resulting from other comprehensive income of the associates or items recognized directly in the associates' equity are recognized in other comprehensive income or equity of the Parent Company, as applicable. However, when the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has commitments, incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profit, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

(c) *Transactions with Non-controlling Interests*

The Group transactions with noncontrolling interests that do not result to loss of control are accounted for as equity transaction – that is, as transaction with the owners of the Group with their capacity as owners. The difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amount previously recognized in other comprehensive income in respect of that entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent Company holds interest in various subsidiaries and in an associate as presented in Note 1.2 and 13, respectively.

#### **2.4 Financial Assets**

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

A more detailed description of categories of financial assets relevant to the Group is as follows:

##### *(a) Loans and Receivables*

Loans and receivables are non-derivative 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. They are included in current assets, except for maturities greater than 12 months after the end of each reporting period which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables, Advances to Associates and Refundable deposits under Other Non-Current Assets account in the consolidated statement of financial position. Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' 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 or current effective interest rate determined under the contract if the loan has a variable interest rate.

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 the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the profit or loss.

(b) *AFS Financial Assets*

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Available-for-Sale Financial Assets account in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the end of the reporting period.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income and are reported as part of Revaluation Reserve account in equity, except for interest and dividend income which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs and Other Charges in the consolidated statement of comprehensive income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange-quoted market bid prices at the close of business at the end of the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows (such as dividend income) of the underlying net asset base of the investment.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

### ***2.5 Inventories***

Inventories are valued at the lower of cost and net realizable value. Cost is determined using specific identification for vehicles, moving average cost method for spare parts and accessories and first-in, first-out method for all other inventories. The cost of inventories include all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

Vehicles on consignment from manufacturers are included in inventories when substantially all of the principal benefits and inherent risks rest with the Group. The corresponding consignment liability after deducting any deposits is included under Loans Payable and Borrowings, as manufacturers' vehicle stocking loans.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value of spare parts inventory is the current replacement cost while the net realizable value of vehicles is fair value less estimated cost to sell.

### ***2.6 Prepayments and Other Assets***

Prepayments and other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as non-current assets.

### ***2.7 Property and Equipment***

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

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Computers and on-line lottery equipment are depreciated over the shorter of eight years or the remaining term of the lease agreement with Philippine Charity Sweepstakes Office (PCSO).

Leasehold improvements are amortized over the shorter of the lease term or estimated useful lives of the improvements.

Depreciation on all other classes of property and equipment, except for land which is not subject to depreciation, is computed using the straight-line basis over the estimated useful lives of the assets as follows:

Building	50 years
Workshop equipment	5-10 years
Office furniture, fixtures and equipment	5-10 years
Communication equipment	8 years
Hotel and kitchen equipment and utensils	5 years
Transportation equipment	3-5 years

Construction in Progress represents properties under construction and is stated at cost. The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation, amortization and impairment loss, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognized.

## ***2.8 Intangible Assets***

Intangible assets include goodwill, dealership rights and customer relationships which are accounted for under the cost model. The costs of dealership rights and customer relationship were determined using a valuation approach based on estimated economic benefits of these assets over multiple time periods.

Goodwill and dealership rights have indefinite useful lives; hence, these are not amortized, but are reviewed for impairment at least annually (see Notes 2.11 and 2.17). Customer relationship is amortized over the estimated useful life of 10 years.

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

## ***2.9 Financial Liabilities***

Financial liabilities, which pertain to Trade and Other Payables (except for tax-related liabilities) and Loans Payable and Borrowings are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as an expense in profit or loss under the caption Finance Costs and Other Charges in the consolidated statement of comprehensive income.

Financial liabilities are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Loans and borrowings are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss except for any capitalized borrowing cost, on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

## ***2.10 Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

## ***2.11 Business Combination***

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Notes 2.17).

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect the new information obtained about facts and circumstances that existed as at the acquisition date and, if known, would have affected the measurement of the amounts recognized as at that date. During the measurement period, the acquirer shall also recognize additional assets or liabilities if new information obtained about facts and circumstances that existed as of those assets and liabilities as at the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as at that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as at the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

### ***2.12 Segment Reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Strategic Steering Committee (SSC), its chief operating decision-maker. The SSC is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 5, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8 are the same as those used in its consolidated financial statements.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

### ***2.13 Provisions and Contingencies***

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

### ***2.14 Equity***

Capital stock represents the nominal value of shares that have been issued.

Treasury shares are shares reacquired by the Parent Company and are stated at the cost of reacquiring such shares. These are deducted from equity until the shares are cancelled, reissued or disposed of.

Revaluation reserves represent unrealized fair value gains and losses on AFS financial assets and accumulated actuarial gains and losses arising from remeasurement of post-employment benefit obligation, net of tax.

Other reserves represent the gain or loss on change in equity share in a subsidiary.

Translation adjustments represent the adjustments resulting from the translation of foreign-currency denominated financial statements of a foreign subsidiary into the Group's functional and presentation currency.

Retained earnings, the appropriated portion of which is not available for dividend declaration, represent all current and prior period results of operations as reported in the profit or loss section of the consolidated statement of comprehensive income, reduced by the amounts of dividends declared.

### ***2.15 Revenue and Expense Recognition***

Revenue comprises revenue from the rendering of services measured by reference to the fair value of consideration received or receivable by the Group from services rendered, excluding value-added tax (VAT).

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and, the costs incurred or to be incurred can be measured reliably. The following specific recognition criteria must also be met before revenues are recognized:

- (a) *Rental revenue from lease of on-line lottery equipment, maintenance and repair services, and telecommunication and integration services* – Revenue is recognized when services to the customer were performed based on certain percentages of gross receipts from lottery ticket sales.
- (b) *Revenue from motor distribution and dealership operations* – Revenue from distributions and dealership operations is recognized as follows:
  - (i) *Sale of vehicles, parts and accessories* – Revenue is recognized when substantially all the risks and rewards of ownership have been transferred to the customer.
  - (ii) *Servicing and bodyshop sales* – Revenue is recognized on completion of the agreed work.
- (c) *Revenue from hotel operations* – Revenue from hotel operations is categorized as follows:
  - (i) *Room revenues* – Revenue is recognized when the services are rendered.
  - (ii) *Sale of food, beverages and others* – Revenue is recognized upon delivery to and receipt of goods by the customer.
- (d) *Interest income* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.
- (e) *Dividends* – Revenue is recognized when the right to receive payments is established.
- (f) *Other income* – Revenue is recognized as the excess standard input VAT over actual input VAT on transactions with the government.

Costs and expenses are recognized in profit or loss upon utilization of the goods or services or at the date these are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.21).

### **2.16 Leases**

The Group accounts for its leases as follows:

(a) *Group as Lessee*

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) *Group as Lessor*

Lease which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating lease. Lease income from operating lease is recognized in profit or loss is equal to a certain percentage of the gross receipts from all PCSO's ticket sales subject to an annual minimum fee as prescribed in the Equipment Lease Agreement (ELA) with PCSO.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

### **2.17 Impairment of Non-financial Assets**

The Group's inventories, property and equipment, investments in associates, intangible assets, and other non-financial assets are subject to impairment testing. Goodwill and dealership rights are tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets, except goodwill, are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

## ***2.18 Foreign Currency Transactions and Translation***

### ***(a) Transactions and Balances***

Except for H.R. Owen which uses the British Pounds (GBP) as its functional currency, the accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized under Other Income (Charges) section in the consolidated statement of comprehensive income.

### ***(b) Translation of Financial Statements of Foreign Subsidiaries***

The operating results and financial position of H.R. Owen, which are measured in GBP, its functional currency, are translated to Philippine pesos, the Group's functional currency, as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (ii) Income and expenses for each profit or loss account are translated at the monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,
- (iii) All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in H.R. Owen are recognized as Translation Adjustments in the consolidated statement of comprehensive income. As this entity is not a wholly owned subsidiary, the translation adjustments are allocated between the Parent Company's shareholders and minority interest. When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of gains or loss on sale.

Goodwill arising on the acquisition of a foreign entity is treated as asset of the foreign entity and translated at closing rate.

The translation of the financial statements into Philippine pesos should not be construed as a representation that the GBP amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

### ***2.19 Related Party Relationships and Transactions***

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's post-employment plans.

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

### ***2.20 Employee Benefits***

The Group provides post-employment benefits to employees through defined benefit plans, as well as various defined benefit contribution plans, and other employee benefits which are recognized as follows:

#### ***(a) Post-employment Defined Benefit Plan***

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies.

The Group's defined benefit post-employment plan covers all regular full-time employees. PGM's pension plan is tax-qualified, noncontributory and administered by a trustee while H.R. Owen's pension plan operates on a pre-funded basis and is also administered by a trustee. PHPI, on the other hand, has an unfunded, non-contributory post-employment plan.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of a zero coupon government bonds as published by Philippine Dealing and Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs and Other Charges or Finance Income account in the consolidated statement of comprehensive income. Past-service costs are recognized immediately in profit or loss in the period of a plan amendment.

*(b) Post-employment Defined Contribution Plans*

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

*(c) Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Trade and Other Payables account of the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

**2.21 Borrowing Costs**

For financial reporting purposes, borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

For income tax purposes, interest and other borrowing costs are charged to expense when incurred.

**2.22 Income Taxes**

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred income tax asset can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and 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 provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

### ***2.23 Earnings Per Share***

Basic earnings per share (EPS) is computed by dividing net profit attributable to equity holders of the Parent Company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares (see Note 25).

## ***2.24 Events After the End of the Reporting Period***

Any post year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

### **3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

#### ***3.1 Critical Management Judgments in Applying Accounting Policies***

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

##### ***(a) Impairment of AFS Financial Assets***

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Group's AFS financial assets, management has recognized impairment loss on certain AFS financial assets in 2016 as disclosed in Note 11. Future changes in those information and circumstances might significantly affect the carrying amount of the assets.

##### ***(b) Distinction between Operating and Finance Leases***

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

##### ***(c) Recognition of Provisions and Contingencies***

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and contingencies are discussed in Note 2.13 and relevant disclosures are presented in Note 28.

### 3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(a) *Impairment of Trade and Other Receivables and Advances to Associates*

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying value of trade and other receivables and its analysis of allowance for impairment and the carrying value of advances to associates are shown in Notes 8 and 13, respectively.

(b) *Estimating Useful Lives of Property and Equipment and Intangible Assets*

The Group estimates the useful lives of property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

Based on management's assessment as at April 30, 2016 and 2015, there is no change in estimated useful lives of property and equipment and customer relationships during those years (see Notes 12 and 14).

On the other hand, management assessed that the acquired dealership rights resulting from the acquisition of H.R. Owen have indefinite useful lives as management has the intention and capacity to renew the dealership agreements with manufacturers indefinitely and that the Group will benefit from the use of such dealership rights over the foreseeable future. Further, these agreements were in effect for a long period (i.e., 70 to 80 years ago for Bentley dealership agreements and prior to 1990 for Ferrari and Lamborghini dealership agreements) and that there has been no compelling challenge to maintain the agreements historically.

The carrying amounts of property and equipment and intangible assets are analyzed in Notes 12 and 14, respectively.

Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(c) *Valuation of Financial Assets Other than Trade and Other Receivables and Advances to Associates*

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument.

The carrying values of AFS financial assets and the amounts of fair value changes recognized on those assets are disclosed in Note 11.

(d) *Determining Net Realizable Value of Inventories*

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the dates the estimates are made. The Group's inventories, are affected by certain factors which may cause inventory obsolescence. Moreover, future realization of the carrying amounts of inventories as presented in Note 9 is affected by price changes in different market segments of the food, transportation and hotel industry. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next reporting period.

The amount of allowance for inventory writedown made by management are based on, among others, age and status of inventories and the Group's past experience. The net realizable value of inventories and analysis of allowance for inventory writedown are presented in Note 9.

(e) *Business Combinations*

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

During the measurement period, the management shall recognize adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. Thus, management shall revise comparative information for prior periods presented in financial statements as needed, in accordance with PAS 8.

(f) *Impairment of Goodwill*

The Group follows the guidance of PAS 36 on determining when goodwill is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates the recoverable amount of its goodwill as the value in use, based on an internal discounted cash flow evaluation, and the recoverable amount of goodwill is more than its carrying amount.

Though management believes that the assumptions used in the estimation of the recoverable amount are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations. Management assessment on impairment of goodwill is disclosed in Note 14.

(g) *Determining Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period 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.

Management assessed that the deferred tax assets recognized as at April 30, 2016 and 2015 will be fully utilized in the coming years. The carrying amount of deferred tax assets as at those dates is disclosed in Note 24.

(h) *Estimating Impairment of Non-financial Assets Other than Goodwill*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.17). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There were no impairment losses required to be recognized in 2016 and 2015 based on management's assessment.

(i) *Valuation of Post-employment Defined benefit Obligations*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected rate of return on plan assets, salary rate increase, and employee turnover. A significant change in any of these actuarial assumptions generally affect the recognized expense, other comprehensive income or losses and the carrying amount of post-employment defined benefit obligation.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit obligation are presented in Note 20.

#### 4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and financial liabilities by category are summarized in Note 26. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is carried out in close cooperation with the BOD, and focuses on actively securing the Group's short to medium term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most relevant financial risks to which the Group is exposed to are described below and in the succeeding pages.

##### **4.1 Market Risk**

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from both its operating, investing and financing activities.

##### *(a) Interest Rate Risk*

The Group's policy is to minimize interest rate cash flow risk exposures on cash and cash equivalents. As at April 30, 2016 and 2015, the Group is exposed to changes in market interest rates through short-term placements included as part of Cash and Cash Equivalents account and stocking loans of H.R. Owen presented as Loans Payable and Borrowings, which are subject to variable interest rates, in the consolidated statements of financial position (see Notes 7 and 18).

The Group keeps placements with fluctuating interest at a minimum while H.R. Owen's stocking loans are secured at any time by fixed and floating charges on stocks of new and demonstrator cars and commercial vehicles held. As such, management believes that its exposure to interest rate risk is immaterial.

##### *(b) Foreign Currency Risk*

Except for H.R. Owen whose functional currency is GBP, most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's overseas purchases, which is primarily denominated in United States Dollars (USD). The Group also holds USD, GBP, Malaysian Ringgit (MYR) and European Union Euro (EUR) denominated cash and cash equivalents and receivables. Further, the Group has AFS financial assets denominated in MYR and GBP. There were no foreign currency denominated financial liabilities as at April 30, 2016 and 2015.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency denominated financial assets, translated into Philippine pesos at the closing rate are as follows:

	<u>2016</u>	<u>2015</u>
Php - USD	P 15,693,359	P 5,138,849
Php - MYR	24,205,757	12,523,419
Php - GBP	1,107,442,737	583,675,723
Php - EUR	46,907,889	-

The following table illustrates the sensitivity of the Group's profit before tax with respect to changes in Philippine peso against USD, MYR, GBP and EUR exchange rates. These percentages have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at 95.00% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the end of each reporting period with effect estimated from the beginning of the year.

	<u>2016</u>			<u>2015</u>		
	Reasonably possible change in rate	Effect in profit before tax	Effect in equity after tax	Reasonably possible change in rate	Effect in profit before tax	Effect in equity after tax
PhP - USD	7.83%	P 1,228,790	P 860,153	7.09%	P 364,344	P 255,041
PhP - MYR	20.88%	5,054,162	3,537,913	13.38%	1,675,633	1,172,943
PhP - GBP	18.63%	206,316,582	144,421,607	16.55%	96,598,332	67,618,833
PhP - EUR	23.15%	10,859,176	7,601,423	-	-	-
		<u>P 223,458,710</u>	<u>P 156,421,096</u>		<u>P 98,638,309</u>	<u>P 69,046,817</u>

Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

(c) *Other Price Risk*

The Group's market price risk arises from its investments carried at fair value (financial assets classified as AFS financial assets). The Group manages exposure to price risk by monitoring the changes in the market price of the investments and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

The sensitivity of equity with regard to the volatility of the Group's AFS financial assets assumes a +/-17.54% and a +/-18.58% volatility in the market value of the investment for the years ended April 30, 2016 and 2015, respectively. The expected change was based on the annual rate of return computed using the monthly closing market value of the investment in 2016 and 2015. Based on the observed volatility rate, the estimated impact to other comprehensive income amounted to P142,646,856 and P184,975,401 for the fiscal years ended April 30, 2016 and 2015, respectively.

**4.2 Credit Risk**

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting loans and selling goods and services to customers; granting advances to associates; and, placing deposits with banks, lessors and utility companies.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	7	<b>P 1,034,432,119</b>	P 1,145,905,764
Trade and other receivables – net	8	<b>2,964,012,762</b>	2,054,851,028
Advances to associates	13	<b>170,306,627</b>	194,766,627
Other non-current assets	15	<b>4,352,318</b>	3,060,529
		<b><u>P 4,173,103,826</u></b>	<b><u>P 3,398,583,948</u></b>

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

*(a) Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements, which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

*(b) Trade and Other Receivables – net and Advances to Associates*

The Group's trade receivables as at April 30, 2016 and 2015 are due mainly from customers of H.R. Owen and from PCSO. The Group maintains policies that require appropriate credit checks to be completed on potential customers prior to delivery of goods and services. On-going credit checks are periodically performed on the Group's existing customers to ensure that the credit limits remain at appropriate levels.

The Group mitigates the concentration of its credit risk from its receivables from PCSO by regularly monitoring the age of its receivables from PCSO and ensuring that collections are received within the agreed credit period. These objectives, policies and strategies are consistently applied in the previous year up to the current year. In addition, the risk is reduced to the extent that PCSO has no history of significant defaults and none of the past due receivables are impaired as at the end of the reporting period.

In respect to trade receivables from the customers of H.R. Owen and other receivables and advances to associates, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group's receivables are actively monitored to avoid significant concentrations of credit risk.

H.R. Owen's trade receivables that are past due but not impaired as at April 30 are as follows:

	<u>2016</u>	<u>2015</u>
Not more than 30 days	P 2,050,341	P 951,342
31 to 90 days	<u>272,354</u>	<u>-</u>
	<u>P 2,322,695</u>	<u>P 951,342</u>

(c) *Other Non-current Assets*

The refundable deposits of the Group under Other Non-Current Assets account in the consolidated statements of financial position pertain to security deposits made to various lessors and utility companies which the Group is not exposed to significant credit risk.

**4.3 Liquidity Risk**

The ability of the Group to finance increases in assets and meet obligations as they become due is extremely important to the Group's operations. The Group's policy is to maintain liquidity at all times. This policy aims to honor all cash requirements on an on-going basis to avoid raising funds above market rates or through forced sale of assets.

Liquidity risk is also managed by borrowing with a spread of maturity periods. The Group has significant fluctuations in short-term borrowings due to industry specific factors. The Group mitigates any potential liquidity risk through maintaining substantial unutilized banking and used vehicle stocking loan facilities. As at April 30, 2016, the Group had undrawn floating rate borrowing facilities of P79,704,683 represented by used and demonstrator vehicle stocking loans, all of which would be repayable on demand. Further, as at April 30, 2016, the Parent Company has undrawn loan facility of P500,000,000 from a local commercial bank.

As at April 30, 2016 and 2015, the Group's financial liabilities pertain to Trade and Other Payables, except those tax-related liabilities, and Loans Payable and Borrowings inclusive of future interest. Trade and other payables and loans payable and borrowings are considered to be current which are expected to be settled within 12 months from the end of each reporting period.

## 5. SEGMENT REPORTING

### *5.1 Business Segments*

The Group is organized into different business units based on its products and services for purposes of management assessment of each unit. In identifying its operating segments, the management generally follows the Group's four service lines. The Group is engaged in the business of Leasing, Services, Holdings and Investments and Motor Vehicle Dealership. Presented below is the basis of the Group in reporting to its strategic steering committee for its strategic decision-making activities.

- (a) The Leasing segment pertains to the lease of on-line lottery equipment, maintenance and repair services, and telecommunication and integration services rendered by the Group to PCSO.
- (b) The Services segment pertains to the hotel operations of PHPI.
- (c) Holdings and Investments segment relates to gains (losses) on disposal of investments and share in net gains (losses) of associates.
- (d) The Motor Vehicle Dealership segment pertains to the luxury motor vehicle retailers and provision of aftersales services of H.R. Owen.

### *5.2 Segment Assets and Liabilities*

Segment assets are allocated based on their physical location and use or direct association with a specific segment. Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, advances, inventories and property, plant and equipment, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

### *5.3 Intersegment Transactions*

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

The Group's operating business are organized and managed separately according to the nature of segment accounting policies which are the same as the policies described in Note 2.

### *5.4 Analysis of Segment Information*

The tables in the succeeding pages present revenue and profit information regarding business segments for the years ended April 30, 2016, 2015 and 2014, and certain assets and liabilities information regarding industry segments as at April 30, 2016 and 2015.

2016						
	Leasing	Services	Holding and Investments	Motor Vehicle Dealership	Elimination	Consolidated
Revenues:						
External	P 1,638,353,797	P 151,136,550	P 162,560,235	P24,835,088,669	P -	P 26,787,139,251
Inter-segment	-	-	680,000,000	-	( 680,000,000)	-
Total revenues	<u>P 1,638,353,797</u>	<u>P 151,136,550</u>	<u>P 842,560,235</u>	<u>P24,835,088,669</u>	<u>(P 680,000,000)</u>	<u>P 26,787,139,251</u>
Expenses:						
External	P 781,841,990	P 147,280,989	P 205,727,147	P24,721,036,683	P -	P 25,855,886,809
Inter-segment	-	-	-	-	-	-
Total expenses	<u>P 781,841,990</u>	<u>P 147,280,989</u>	<u>P 205,727,147</u>	<u>P 24,721,036,</u>	<u>P -</u>	<u>P25,855,886,809</u>
Profit before tax	<u>P 856,511,807</u>	<u>P 3,855,561</u>	<u>P 636,833,088</u>	<u>P 114,051,986</u>	<u>(P 680,000,000)</u>	<u>P 931,252,442</u>
Net Profit	<u>P 613,846,986</u>	<u>P 2,758,074</u>	<u>P 669,594,332</u>	<u>P 100,126,717</u>	<u>(P 680,000,000)</u>	<u>P 706,326,109</u>
Segment assets	<u>P 564,967,154</u>	<u>P 769,750,002</u>	<u>P 6,975,061,212</u>	<u>P 9,060,906,438</u>	<u>(P 1,773,752,099)</u>	<u>P 15,596,932,707</u>
Segment liabilities	<u>P 306,293,471</u>	<u>P 764,923,829</u>	<u>P 114,374,617</u>	<u>P 7,645,126,716</u>	<u>(P 899,147,059)</u>	<u>P 7,931,571,574</u>
Other segment items:						
Capital expenditures	<u>P 12,509,631</u>	<u>P 1,322,305</u>	<u>P -</u>	<u>P 772,198,812</u>	<u>P -</u>	<u>P 786,030,748</u>
Depreciation and amortization	<u>P 43,016,075</u>	<u>P 30,449,519</u>	<u>P 2,501,204</u>	<u>P 162,392,546</u>	<u>P -</u>	<u>P 238,359,344</u>
2015						
	Leasing	Services	Holding and Investments	Motor Vehicle Dealership	Elimination	Consolidated
Revenues:						
External	P 1,672,163,380	P 146,703,351	P 182,935,287	P24,731,585,604	P -	P 26,733,387,622
Inter-segment	-	-	466,619,424	-	( 466,619,424)	-
Total revenues	<u>P 1,672,163,380</u>	<u>P 146,703,351</u>	<u>P 649,554,711</u>	<u>P24,731,585,604</u>	<u>(P 466,619,424)</u>	<u>P 26,733,387,622</u>
Expenses:						
External	P 713,506,086	P 143,013,254	P 188,962,281	P24,449,630,983	P -	P 25,495,112,604
Inter-segment	-	456,046	-	113,899	( 569,945)	-
Total expenses	<u>P 713,506,086</u>	<u>P 143,469,300</u>	<u>P 188,962,281</u>	<u>P24,449,744,882</u>	<u>(P 569,945)</u>	<u>P 25,495,112,604</u>
Profit before tax	<u>P 958,657,294</u>	<u>P 3,234,051</u>	<u>P 460,592,430</u>	<u>P 281,840,722</u>	<u>(P 466,049,479)</u>	<u>P 1,238,275,018</u>
Net Profit	<u>P 726,761,282</u>	<u>P 2,312,412</u>	<u>P 479,089,050</u>	<u>P 208,851,758</u>	<u>(P 466,049,479)</u>	<u>P 950,965,023</u>
Segment assets	<u>P 476,903,297</u>	<u>P 795,940,615</u>	<u>P 6,406,656,622</u>	<u>P 7,149,828,762</u>	<u>(P 1,701,723,842)</u>	<u>P 13,127,605,454</u>
Segment liabilities	<u>P 152,020,818</u>	<u>P 793,928,485</u>	<u>P 10,619,851</u>	<u>P 5,839,265,688</u>	<u>(P 770,547,059)</u>	<u>P 6,025,287,783</u>
Other segment items:						
Capital expenditures	<u>P 1,195,599</u>	<u>P 5,218,115</u>	<u>P -</u>	<u>P 286,958,249</u>	<u>P -</u>	<u>P 293,371,963</u>
Depreciation and amortization	<u>P 143,186,582</u>	<u>P 32,089,093</u>	<u>P 2,501,2014</u>	<u>P 141,906,242</u>	<u>(P 456,046)</u>	<u>P 319,227,075</u>

	2014					
	Leasing	Services	Holding and Investments	Motor Vehicle Dealership	Elimination	Consolidated
<b>Revenues:</b>						
External	P 1,803,429,328	P 144,215,418	P 497,676,498	P10,649,240,139	P -	P 13,094,561,383
Inter-segment			2,194,000,000	10,471,887	( 2,204,471,887)	
Total revenues	<u>P 1,803,429,328</u>	<u>P 144,215,418</u>	<u>P 2,691,676,498</u>	<u>P10,659,712,026</u>	<u>(P 2,204,471,887)</u>	<u>P 13,094,561,383</u>
<b>Expenses:</b>						
External	P 780,177,629	P 146,257,705	P 229,667,856	P10,475,056,366	P -	P 11,631,159,556
Inter-segment		456,046		8,901,104	( 9,357,150)	
Total expenses	<u>P 780,177,629</u>	<u>P 146,713,751</u>	<u>P 229,667,856</u>	<u>P10,483,957,470</u>	<u>(P 9,357,150)</u>	<u>P 11,631,159,556</u>
Profit (loss) before tax	<u>P 1,023,251,699</u>	<u>(P 2,498,333)</u>	<u>P 2,462,008,642</u>	<u>P 175,754,556</u>	<u>(P 2,195,114,737)</u>	<u>P 1,463,401,827</u>
Net Profit	<u>P 769,189,941</u>	<u>(P 1,713,425)</u>	<u>P 2,431,278,858</u>	<u>P 126,959,616</u>	<u>(P 2,195,114,737)</u>	<u>P 1,130,600,253</u>
<b>Other segment items:</b>						
Capital expenditures	<u>P 3,706,335</u>	<u>P 25,188,990</u>	<u>P 12,507,015</u>	<u>P 21,729,783</u>	<u>(P 3,605,914)</u>	<u>P 59,526,209</u>
Depreciation and amortization	<u>P 165,187,938</u>	<u>P 28,521,901</u>		<u>P 73,539,529</u>	<u>(P 456,046)</u>	<u>P 266,793,322</u>

Currently, the Group's operation has two geographical segments: London, England for the motor dealership segment and all other segments are in the Philippines.

### 5.5 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	2016	2015	2014
<b>Revenues</b>			
Total segment revenues	P 27,467,139,251	P 27,200,007,046	P 15,299,033,270
Elimination of intersegment revenues	( 680,000,000)	( 466,619,424)	( 2,204,471,887)
Revenues as reported in profit or loss	<u>P 26,787,139,251</u>	<u>P 26,733,387,622</u>	<u>P 13,094,561,383</u>
<b>Profit or loss</b>			
Segment profit before tax	P 1,611,252,442	P 1,704,324,497	P 3,658,516,564
Elimination of intersegment revenues	( 680,000,000)	( 466,619,424)	( 2,204,471,887)
Elimination of intersegment expenses		569,945	9,357,150
Profit before tax as reported in profit or loss	<u>P 931,252,442</u>	<u>P 1,238,275,018</u>	<u>P 1,463,401,827</u>

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Segment assets	P 17,370,684,806	P 14,829,496,229
Elimination of intercompany accounts	( <u>1,773,752,099</u> )	( <u>1,701,723,842</u> )
Total assets reported in the consolidated statements of financial position	<u>P 15,596,932,707</u>	<u>P 13,127,772,387</u>
<b>Liabilities</b>		
Segment liabilities	P 8,830,718,633	P 6,795,834,842
Elimination of intercompany accounts	( <u>899,147,059</u> )	( <u>770,547,059</u> )
Total liabilities as reported in the consolidated statements of financial position	<u>P 7,931,571,574</u>	<u>P 6,025,287,783</u>

## 6. CONTRACTS WITH PCSO

PGMC is a party to the ELA with PCSO covering the lease of PGMC's on-line lottery equipment (see Note 12) to PCSO under certain conditions. Under the ELA, PGMC is entitled to fees equal to a certain percentage of the gross receipts from all PCSO on-line lottery operations (the ticket sales) within a specified territory subject to an annual minimum fee as prescribed in the ELA. PGMC's revenues are derived from the ELA with PCSO.

In addition, PGMC also has an agreement with PCSO whereby PGMC agreed to provide maintenance and repair services on the equipment under the ELA. This agreement will run concurrently with the ELA. Any extension or termination of the ELA by PCSO will have a similar effect on this agreement.

On August 13, 2015, a Supplemental and Status Quo Agreement was signed by both parties, and thereby, the term of ELA is extended for another three years.

Fees, maintenance and repair services, and telecommunication and integration services revenues recognized by PGMC from the foregoing ELA and related agreements amounted to P1,580,259,448, P1,610,723,022 and P1,721,851,230 in 2016, 2015 and 2014, respectively, and are presented as Rental under the Revenues section of the consolidated statements of comprehensive income (see Note 28.2). The related receivables amounting to P158,974,694 and P126,708,712 in 2016 and 2015, respectively, are shown as part of Trade receivables under Trade and Other Receivables account in the consolidated statements of financial position (see Note 8).

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2016</u>	<u>2015</u>
Cash on hand and in banks	P 763,771,111	P 906,259,596
Short-term placements	<u>270,661,008</u>	<u>239,646,168</u>
	<b><u>P1,034,432,119</u></b>	<b><u>P 1,145,905,764</u></b>

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements have an average maturity of 30 days and average annual effective interest ranging from 0.75% to 1.50% in 2016, 0.50% to 1.15% in 2015 and 1.00% to 1.55% in 2014 (see Note 21).

8. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Trade receivables	6	P 750,151,310	P 610,673,921
Payments for future acquisition of investments	22.3	1,230,955,446	613,705,792
Loans receivable		665,287,730	665,287,730
Interest receivable		88,682,628	53,975,293
Advances for stock subscriptions	22.2	82,283,456	82,283,456
Advances to officers and employees	22.12	5,301,754	5,215,742
Other receivables	22.9	<u>184,040,041</u>	<u>150,934,646</u>
		<b>3,006,702,365</b>	<b>2,182,076,580</b>
Allowance for impairment		<u>( 32,123,034 )</u>	<u>( 11,921,969 )</u>
		<b><u>P2,974,579,331</u></b>	<b><u>P2,170,154,611</u></b>

Payments for future acquisition of investments represent deposits made to foreign parties for future acquisition of investment securities. These include deposits made to Inter-Pacific Securities Sdn Berhad (IPSSB), a related party under common ownership who acts as stockbroker of the Parent Company (see Note 22.3).

In 2013, the Parent Company granted loan to a certain company amounting to P471,039,787. The loan is payable to the Parent Company on demand subject to interest based on current bank rate, which commenced on January 1, 2014. In 2015, additional loan was advanced to such company amounting to P127,061,392 (nil in 2016). Unpaid interest as at April 30, 2016 and 2015 amounted to P88,682,628 and P53,975,293, respectively, and is also included as part of loans from such company. Interest income amounting to P39,917,264, P39,427,699 and P10,764,527 for 2016, 2015 and 2014, respectively, is recorded as part of Finance Income in the consolidated statements of comprehensive income.

Advances for stock subscription represent deposits made by the Group for future stock subscription on an entity.

Other receivables include receivables from TF Ventures, Inc. (TF) arising from payment made by the Group on behalf of TF (see Note 16).

Trade receivables are usually due within 60 days and do not bear any interest.

All of the Group's trade and other receivables have been reviewed for indications of impairment. Certain receivables were found to be impaired; hence, adequate amounts of allowance for impairment have been recognized accordingly.

A reconciliation of the allowance for impairment at the beginning and end of fiscal years 2016 and 2015 is shown below.

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Balance at beginning of year		<b>P 11,921,969</b>	P 7,407,765
Impairment loss during the year	21.2	<b>20,320,267</b>	6,998,339
Write-off during the year		<b>(119,202)</b>	<b>(2,484,135)</b>
Balance at end of year		<b><u>P 32,123,034</u></b>	<b><u>P 11,921,969</u></b>

The impairment loss on receivable have been included as part of Finance Costs and Other Charges under Other Income (Charges) section in the consolidated statements of comprehensive income (see Note 21.2).

## 9. INVENTORIES

The composition of this account are shown below.

	<u>2016</u>	<u>2015</u>
Vehicles	<b>P5,123,409,109</b>	P4,280,622,215
Parts and components	<b>208,941,435</b>	184,664,364
Work in progress	<b>43,209,090</b>	11,062,701
Spare parts and accessories	<b>32,265,879</b>	24,708,815
Hotel supplies	<b><u>7,143,014</u></b>	<u>7,816,590</u>
	<b>5,414,968,527</b>	4,508,874,685
Allowance for inventory write down	<b>(135,820,397)</b>	<b>(135,846,187)</b>
	<b><u>P5,279,148,130</u></b>	<b><u>P4,373,028,498</u></b>

Certain vehicles are carried at net realizable value which is lower than their cost. An analysis of the movements in allowance for inventory writedown is presented below.

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	P 135,846,187	P 84,720,817
Additional provision during the year	-	60,532,595
Reversal during the year	( 108,197)	-
Translation adjustment	<u>82,407</u>	<u>( 9,407,225)</u>
Balance at end of year	<u>P 135,820,397</u>	<u>P 135,846,187</u>

The additional provision in 2015 is presented as part of Cost of vehicles sold under Cost and Operating Expenses account in the 2015 consolidated statements of comprehensive income.

#### 10. PREPAYMENTS AND OTHER CURRENT ASSETS

The details of this account are as follows:

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Prepaid expenses		P 618,696,465	P 306,442,912
Refundable deposits		111,152,403	128,330,324
Input VAT		52,938,782	24,331,597
Prepaid taxes		28,112,637	127,039,424
Advance rental	22.10	12,000,000	36,295,768
Creditable withholding tax		3,062,497	2,379,014
Other current assets		<u>20,244,373</u>	<u>18,933,540</u>
		846,207,157	643,752,579
Allowance for impairment		<u>( 9,375,000)</u>	<u>( 9,375,000)</u>
		<u>P 836,832,157</u>	<u>P 634,377,579</u>

Prepaid expenses include subscriptions, refurbishment costs, maintenance expenses, license and support arrangements, prepaid insurance, benefits and advertising which are expected to be realized in the next reporting period.

#### 11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account consists of the following financial assets as at April 30:

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Equity securities		P 848,086,531	P 936,017,021
Debt securities		96,984,777	182,061,693
Others		<u>15,496,352</u>	<u>12,685,537</u>
		960,567,660	1,130,764,251
Allowance for impairment	21.2	<u>( 91,158,267)</u>	<u>-</u>
		<u>P 869,409,393</u>	<u>P 1,130,764,251</u>

In 2016, 2015 and 2014, the Group disposed certain AFS financial assets at a selling price of P20,435,557, P24,369,739 and P243,556,184, respectively. Accordingly, the cumulative fair value gains recognized in other comprehensive income amounting to P9,212,952 in 2016 and P7,334,201 and P242,275,508, respectively, are reclassified from equity to profit or loss and presented as Reclassification Adjustments to Profit or Loss account in the consolidated statements of comprehensive income.

Consequently, net realized loss from the sales transaction amounting to P19,523,036 in 2016 and net realized gains amounting to P8,987,180 and P118,295,452 in 2015 and 2014, respectively, are shown as part of Net Gain (Loss) on Sale of Available-for-sale Financial Assets account in the consolidated statements of comprehensive income (see Note 23.4).

In 2016, management determined that certain investments were found to be impaired, that is, there is a significant or prolonged decline in the fair value of the securities below cost. Accordingly, impairment loss amounting to P91,158,267, of which P5,294,045 been previously accumulated in equity, were recognized in profit or loss. There were no similar transactions recognized in 2015 and 2014.

The reconciliation of the carrying amounts of AFS financial assets are as follows:

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Balance at beginning of year		<b>P 1,130,764,251</b>	P 979,758,710
Additions during the year		<b>18,940,755</b>	221,669,861
Fair value losses	23.4	<b>( 163,685,750)</b>	( 47,947,559)
Disposals during the year		<b>( 25,451,596)</b>	( 22,716,761)
Impairment	21.2	<b>( 91,158,267)</b>	-
Balance at end of year		<b><u>P 869,409,393</u></b>	<b><u>P 1,130,764,251</u></b>

Dividend income from these shares amounted to P13,473,677, P27,965,624 and P75,037,259 in 2016, 2015 and 2014, respectively, and are presented as part of Finance Income under Other Income (Charges) section in the consolidated statements of comprehensive income (see Note 21.1).

The fair values of all of the Group's investments, except those carried at cost in 2015 which are categorized under Level 3, are categorized under Level 1 in fair value hierarchy, since these have been determined directly by reference to published prices in active markets and retained at cost for having no observable market data, respectively (see Note 27.2).

## 12. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of fiscal years 2016 and 2015 are shown below.

	Computers and On-line Lottery Equipment	Buildings	Transportation Equipment	Workshop Equipment	Office Furniture, Fixtures and Equipment	Hotel and Kitchen Equipment and Utensils	Communication Equipment	Leasehold Improvements	Land	Construction in Progress	TOTAL
April 30, 2016											
Cost	P 1,462,780,058	P 720,291,386	P 53,839,230	P 632,908,760	P 42,748,557	P 12,418,584	P 3,782,237	P 1,309,362,470	P 89,396,781	P 264,584,956	P 4,592,113,019
Accumulated depreciation and amortization	( 1,457,004,319 )	( 83,704,927 )	( 44,224,760 )	( 320,637,660 )	( 36,426,225 )	( 10,047,274 )	( 3,580,166 )	( 634,726,994 )	-	-	( 2,590,352,325 )
Net carrying amount	<u>P 5,775,739</u>	<u>P 636,586,459</u>	<u>P 9,614,470</u>	<u>P 312,271,100</u>	<u>P 6,322,332</u>	<u>P 2,371,310</u>	<u>P 202,071</u>	<u>P 674,635,476</u>	<u>P 89,396,781</u>	<u>P 264,584,956</u>	<u>P 2,001,760,694</u>
April 30, 2015											
Cost	P 1,464,373,633	P 720,291,386	P 47,921,590	P 455,554,914	P 37,487,189	P 12,105,408	P 3,782,237	P 960,063,243	P 89,343,937	P -	P 3,790,923,537
Accumulated depreciation and amortization	( 1,422,427,370 )	( 69,253,662 )	( 38,232,347 )	( 250,628,763 )	( 33,957,876 )	( 8,044,942 )	( 3,531,880 )	( 532,488,817 )	-	-	( 2,358,565,657 )
Net carrying amount	<u>P 41,946,263</u>	<u>P 651,037,724</u>	<u>P 9,689,243</u>	<u>P 204,926,151</u>	<u>P 3,529,313</u>	<u>P 4,060,466</u>	<u>P 250,357</u>	<u>P 427,574,426</u>	<u>P 89,343,937</u>	<u>P -</u>	<u>P 1,432,357,880</u>
April 30, 2014											
Cost	P 1,465,082,125	P 717,742,232	P 51,871,863	P 383,125,791	P 37,284,106	P 11,604,459	P 3,535,809	P 939,097,164	P -	P -	P 3,609,343,549
Accumulated depreciation and amortization	( 1,295,049,033 )	( 54,811,248 )	( 30,797,091 )	( 217,039,364 )	( 30,217,171 )	( 5,753,149 )	( 3,519,809 )	( 478,693,391 )	-	-	( 2,115,880,256 )
Net carrying amount	<u>P 170,033,092</u>	<u>P 662,930,984</u>	<u>P 21,074,772</u>	<u>P 166,086,427</u>	<u>P 7,066,935</u>	<u>P 5,851,310</u>	<u>P 16,000</u>	<u>P 460,403,773</u>	<u>P -</u>	<u>P -</u>	<u>P 1,493,463,293</u>

The reconciliation of the carrying amounts at the beginning and end of fiscal years 2016 and 2015, of property and equipment is shown below.

	Computers and On-line Lottery Equipment	Buildings	Transportation Equipment	Workshop Equipment	Office Furniture, Fixtures and Equipment	Hotel and Kitchen Equipment and Utensils	Communication Equipment	Leasehold Improvements	Land	Construction in Progress	TOTAL
Balance at May 1, 2015 net of accumulated depreciation and amortization	P 41,946,263	P 651,037,724	P 9,689,243	P 204,926,151	P 3,529,313	P 4,060,466	P 250,357	P 427,574,426	P 89,343,937	P -	P 1,432,357,880
Property and equipment of new subsidiary	-	-	-	9,845,257	-	-	-	9,435,306	-	-	19,280,563
Additions	1,061,944	-	5,917,641	169,119,575	5,261,368	313,176	-	339,772,088	-	264,584,956	786,030,748
Disposals	( 12,000 )	-	-	( 180,088 )	-	-	-	-	-	-	( 192,088 )
Depreciation and amortization charges for the year	( 37,220,468 )	( 14,451,265 )	( 5,992,414 )	( 72,505,128 )	( 2,468,349 )	( 2,002,332 )	( 48,286 )	( 103,671,102 )	-	-	( 238,359,344 )
Translation adjustment	-	-	-	1,065,333	-	-	-	1,524,758	52,844	-	2,642,935
<b>Balance at April 30, 2016 net of accumulated depreciation and amortization</b>	<b>P 5,775,739</b>	<b>P 636,586,459</b>	<b>P 9,614,470</b>	<b>P 312,271,100</b>	<b>P 6,322,332</b>	<b>P 2,371,310</b>	<b>P 202,071</b>	<b>P 674,635,476</b>	<b>P 89,396,781</b>	<b>P 264,584,956</b>	<b>P 2,001,760,694</b>
Balance at May 1, 2014 net of accumulated depreciation and amortization	P 170,033,092	P 662,930,984	P 21,074,772	P 166,086,427	P 7,066,935	P 5,851,310	P 16,000	P 460,403,773	P -	P -	P 1,493,463,293
Property and equipment of new business	-	-	-	3,905,640	-	-	-	6,544,645	-	-	10,450,285
Additions	-	2,549,154	746,088	112,385,709	203,083	500,950	246,428	87,396,614	89,343,937	-	293,371,963
Disposals	( 4,000 )	-	( 7,000 )	( 28,005 )	-	-	-	-	-	-	( 39,005 )
Depreciation and amortization charges for the year	( 128,082,829 )	( 14,442,414 )	( 12,124,617 )	( 65,107,522 )	( 3,740,705 )	( 2,291,794 )	( 12,071 )	( 93,425,123 )	-	-	( 319,227,075 )
Translation adjustment	-	-	-	( 12,316,098 )	-	-	-	( 33,345,483 )	-	-	( 45,661,581 )
<b>Balance at April 30, 2015 net of accumulated depreciation and amortization</b>	<b>P 41,946,263</b>	<b>P 651,037,724</b>	<b>P 9,689,243</b>	<b>P 204,926,151</b>	<b>P 3,529,313</b>	<b>P 4,060,466</b>	<b>P 250,357</b>	<b>P 427,574,426</b>	<b>P 89,343,937</b>	<b>P -</b>	<b>P 1,432,357,880</b>
Balance at May 1, 2013 net of accumulated depreciation and amortization	P 324,690,109	P 668,266,508	P 16,252,154	P -	P 9,719,898	P 7,245,593	P 36,750	P 45,599,814	P -	P -	P 1,071,810,826
Property and equipment of new subsidiary	-	-	-	162,799,881	-	-	-	421,082,892	-	-	583,882,773
Additions	361,919	9,000,000	11,076,102	21,729,783	774,943	794,906	-	15,788,556	-	-	59,526,209
Reclassifications during the year	-	-	-	-	-	-	-	-	-	-	-
Disposals	( 123,315 )	-	( 398,673 )	( 300,447 )	( 60,057 )	-	-	( 52,578 )	-	-	( 935,070 )
Depreciation and amortization charges for the year	( 154,895,621 )	( 14,335,524 )	( 5,854,811 )	( 30,825,500 )	( 3,367,849 )	( 2,189,189 )	( 20,750 )	( 55,304,078 )	-	-	( 266,793,322 )
Translation adjustment	-	-	-	12,682,710	-	-	-	33,289,167	-	-	45,971,877
<b>Balance at April 30, 2014 net of accumulated depreciation and amortization</b>	<b>P 170,033,092</b>	<b>P 662,930,984</b>	<b>P 21,074,772</b>	<b>P 166,086,427</b>	<b>P 7,066,935</b>	<b>P 5,851,310</b>	<b>P 16,000</b>	<b>P 460,403,773</b>	<b>P -</b>	<b>P -</b>	<b>P 1,493,463,293</b>

Workshop equipment includes fixtures and fittings utilized for bodyshop works.

Construction in progress pertains to buildings and leased properties undergoing renovation.

The Group recognized gain on disposal of certain property and equipment totaling P1,438,383, P1,930,481, and P7,089,112 in 2016, 2015 and 2014, respectively and are presented as part of Other Income under Other Income (Charges) in the consolidated statements of comprehensive income (see Note 19.1).

The cost of fully depreciated assets still being used in operations as at April 30, 2016 and 2015, amounted to P2,029,934,011 and P1,398,675,692, respectively.

### 13. INVESTMENTS IN AND ADVANCES TO ASSOCIATES AND NON-CONTROLLING INTEREST

#### 13.1 Breakdown of Carrying Values

The components of the carrying values of investments in associates are shown below. These investments are accounted for under the equity method in the consolidated financial statements of the Group:

	Notes	PLPI	BPPI	BAPI	CPI	SBMPI	Total
<b>April 30, 2016</b>							
Investment:							
Acquisition costs							
Initial investment	P	399,997	P 26,000,000	P 62,700,000	P 399,996	P 22,500,000	P111,999,993
Reclassification	22.1, 22.2	7,600,000	91,400,000	-	-	-	99,000,000
Additional investment	22.1	-	-	115,680,000	-	-	115,680,000
		7,999,997	117,400,000	178,380,000	399,996	22,500,000	326,679,993
Accumulated equity share in net profit (losses):							
Share in net profit (losses) in prior years		32,680,551 (	61,400,000)	113,388,214 (	399,996)	-	84,268,769
Share in net profit (losses) during the year		1,928,292 (	56,000,000)	109,837,463	-	-	55,765,755
		34,608,843 (	117,400,000)	223,225,677 (	399,996)	-	140,034,524
Total investments in associates		42,608,840	-	401,605,677	-	22,500,000	466,714,517
Advances	22.1	29,683,131	138,200,000	-	2,423,496	-	170,306,627
		<b>P 72,291,971</b>	<b>P138,200,000</b>	<b>P401,605,677</b>	<b>P 2,423,496</b>	<b>P 22,500,000</b>	<b>P637,021,144</b>
<b>April 30, 2015</b>							
Investment:							
Acquisition costs							
Initial investment	P	399,997	P26,000,000	P 62,700,000	P 399,996	P -	P 89,499,993
Reclassification	22.2	7,600,000	35,400,000	-	-	-	43,000,000
		7,999,997	61,400,000	62,700,000	399,996	-	132,499,993
Accumulated equity share in net profit (losses):							
Share in net profit (losses) in prior years		31,864,901 (	61,400,000)	43,981,290 (	399,996)	-	14,046,195
Share in net profit during the year		815,650	-	69,406,924	-	-	70,222,574
		32,680,551 (	61,400,000)	113,388,214 (	399,996)	-	84,268,769
Total investments in associates		40,680,548	-	176,088,214	-	-	216,768,762
Advances	22.1	31,683,131	161,360,000	-	1,723,496	-	194,766,627
		<b>P 72,363,679</b>	<b>P161,360,000</b>	<b>P176,088,214</b>	<b>P 1,723,496</b>	<b>P -</b>	<b>P411,535,389</b>

The accumulated equity share in net profit (losses) relates to the Group's equity in the net income or loss of its associates.

Starting 2014, the Group ceased to recognize further losses of BPPI and CPI and carried the related investments at nil in the consolidated statements of financial position as a result of the accumulated share in net losses recognized to the extent of the original cost of the investments [see Note 2.3(b)]. In 2016, the Group recognized share in net losses of BPPI equivalent to the additional investment made during the year (see Note 22.1). The cumulative unrecognized share in net losses over BPPI and CPI amounted to P34,990,347 and P321,315, respectively in 2016, while P76,696,149 and P694,896, respectively in 2015.

### 13.2 Summarized Financial Information

Significant financial information as at and for the years ended April 30 is presented as follows:

2016		PLPI	BPPI	BAPI	CPI	SBMPI	Total
Total Assets	P	203,556,039	P 186,403,874	P2,287,632,263	P 222,310	P 132,883,725	P 2,810,698,211
Total Liabilities		97,203,216	460,277,633	1,302,605,094	2,468,986	25,633,373	1,888,188,302
Total Equity							
(Capital Deficiency)		106,352,823 (	273,873,759 )	985,027,169 (	2,246,676)	107,250,352	922,509,909
Net Profit (Loss)		4,820,732 (	85,330,255 )	366,124,878 (	803,287)	5,249,648)	279,562,420
2015		PLPI	BPPI	BAPI	CPI	SBMPI	Total
Total Assets	P	208,467,648	P238,955,405	P1,346,705,973	P 326,883	P -	P 1,794,455,909
Total Liabilities		106,935,557	507,943,586	733,148,209	1,770,272	-	1,349,797,624
Total Equity							
(Capital Deficiency)		101,532,091 (	268,988,181)	613,557,764 (	1,443,389)	-	444,658,285
Net Profit (Loss)		2,039,125 (	116,616,314)	231,356,413 (	850,326)	-	115,928,898

### 13.3 Subsidiary with Material Non-controlling Interest

NCI pertains to equity share of minority holders over H.R. Owen. As at April 30, 2016 and 2015, minority holders held 27.97% interest over H.R. Owen. Profit allocated to NCI amounted to P28,005,442 and P58,415,837, respectively. Dividends paid to NCI amounted to P10,292,372 in 2015 (nil in 2016).

The summarized financial position of H.R. Owen, before intragroup eliminations, as at April 30 is shown below.

	2016	2015
Assets	<u><b>P 9,060,906,438</b></u>	<u><b>P 7,164,390,351</b></u>
Liabilities	<u><b>P 7,645,126,716</b></u>	<u><b>P 5,853,827,277</b></u>
Equity	<u><b>1,415,779,722</b></u>	<u><b>1,310,563,074</b></u>
	<u><b>P 9,060,906,438</b></u>	<u><b>P 7,164,390,351</b></u>

The summarized financial performance and cash flows of H.R. Owen, before intragroup eliminations, for the year ended April 30, 2016 and 2015 is shown in the succeeding page.

	<u>2016</u>	<u>2015</u>
Revenues	<b>P24,774,871,911</b>	P 24,713,674,808
Net profit	<b>100,126,717</b>	208,851,758
Other comprehensive income (loss)	<b>6,342,388</b>	( 1,366,086)
Net cash from (used in)		
operating activities	<b>589,418,703</b>	372,460,547
investing activities	<b>( 1,049,756,002)</b>	( 479,725,757)
financing activities	<b>273,378,800</b>	( 34,213,419)
Net cash outflow	<b>(P 186,958,499)</b>	(P 141,478,628)

#### 14. INTANGIBLE ASSETS

The compositions of this account as at April 30 are shown below.

	<u>2016</u>	<u>2015</u>
Goodwill	<b>P 1,167,284,328</b>	P 1,108,183,290
Dealership rights	<b>707,192,546</b>	706,774,509
Customer relationship	<b>40,323,373</b>	-
	<b><u>P 1,914,800,247</u></b>	<b><u>P 1,814,957,799</u></b>

The reconciliation of the carrying amounts of intangible assets at the beginning and end of fiscal years 2016 and 2015 is shown below.

	<u>Goodwill</u>	<u>Dealership Rights</u>	<u>Customer Relationships</u>	<u>Total</u>
Balance at May 1, 2015	P 1,108,183,290	P 706,774,509	P -	P 1,814,957,799
Additions	61,351,471	-	42,174,557	103,526,028
Translation adjustment	( 2,250,433)	418,037	( 1,851,184)	( 3,683,580)
Balance a April 30, 2016	<b><u>P 1,167,284,328</u></b>	<b><u>P 707,192,546</u></b>	<b><u>P 40,323,373</u></b>	<b><u>P 1,914,800,247</u></b>
Balance at May 1, 2014	P 1,078,644,194	P 774,311,202	P -	P 1,852,955,396
Additions	92,210,805	-	-	92,210,805
Translation adjustment	( 62,671,709)	( 67,536,693)	-	( 130,208,402)
Balance a April 30, 2015	<b><u>P 1,108,183,290</u></b>	<b><u>P 706,774,509</u></b>	<b><u>P -</u></b>	<b><u>P 1,814,957,799</u></b>

Goodwill represents the excess of the acquisition cost over the fair value of identifiable net assets of subsidiaries and businesses at the date the Group acquired control over them.

In 2015, PCSO has resolved to an extension of three years of ELA upon its expiry until August 2018 (see Note 6). The recoverable amount of a cash generating unit is determined based on value-in-use calculation using cash flow projections based on financial budgets over a certain period.

In August 2014, H.R. Owen acquired a Bentley dealership in Barnet, North London, in order to provide operational and cost synergies. Cash consideration amounted to P161,093,916 while total tangible assets and liabilities acquired amounted to P80,071,014 and P11,187,903, respectively. Consequently, the Group recorded goodwill amounting to P92,210,805 in relation to this acquisition.

In December 2015, H.R. Owen acquired Bodytechnics, in order to enhance the Group's aftersales operations. Cash consideration amounted to P186,492,817, while total tangible assets and liabilities acquired amounted to P132,772,439 and P49,805,650, respectively. The Group also recognized customer relationship amounting to P42,174,557 which was identified separately for the net assets of Bodytechnics. Consequently, the Group recorded goodwill amounting to P61,351,471.

Customer relationships pertains to the association of Bodytechnics with its insurers and franchised garages.

Dealership rights were determined as separately identifiable intangible assets acquired separately from the net assets of H.R. Owen. The dealership rights pertain to agreements with various luxury car manufacturers which authorized H.R. Owen to sell new and used cars as well as provide after-sale services across England.

Goodwill and dealership rights have indefinite useful lives, thus, not subject to amortization but would require an annual test for impairment. Goodwill and dealership rights are subsequently carried at cost less accumulated impairment losses. Customer relationship is amortized over the estimated useful life of 10 years. No impairment loss was recognized at end of the periods presented based on management's assessment.

#### **15. OTHER NON-CURRENT ASSETS**

Other non-current assets of the Group pertain to security deposits refundable from various lessors and utility companies amounting to P4,352,318 and P3,060,529 as at April 30, 2016 and 2015, respectively.

#### **16. MEMORANDUM OF AGREEMENT AND DEED OF ASSIGNMENTS**

In December 2009, the Parent Company entered into a Memorandum of Agreement (MOA) with the stockholders of TF, whereby the stockholders agreed to sell all their interest in TF and to consent to the sale of TF's assets to PHPI and PLPI for a total consideration of P785,000,000.

Previously, both the hotel building and land were attached as a lien to an obligation of TF, which was then under court rehabilitation. Subsequently, the court approved the sale of the hotel to PHPI and the land to PLPI together with the settling of the lien over the hotel building and land. Accordingly in 2010, the Parent Company advanced funds to PHPI for the acquisition of the hotel building. On the other hand, the land was acquired by PLPI for an amount of P70,000,000 payable in equal installments over eight years (see Note 22.1).

17. **TRADE AND OTHER PAYABLES**

This account consists of the following:

	Note	2016	2015
Trade payables		P1,367,122,558	P 1,138,358,267
Advances from customers		1,439,274,113	1,034,541,914
Accrued expenses		363,787,871	288,852,444
Withholding taxes payable		134,088,729	220,019,805
Deferred income		41,890,790	-
Deferred output VAT		28,732,782	19,690,376
Management fee payable	22.4	19,880,000	16,585,379
Due to a related party	22.8	3,178,732	549,333
Other payables		<u>173,934,813</u>	<u>86,296,731</u>
		<u>P3,571,890,388</u>	<u>P 2,804,894,249</u>

Advances from customers pertain to amounts received as deposits in anticipation of future sale of vehicles before title passes to the customer.

Accrued expenses include unpaid salaries and wages, commissions, utilities, supplies, and other operating expenses of the Group.

Deferred income includes the amount received by H.R. Owen in relation to the sale and leaseback transaction between H.R. Owen and a third party. There is no similar transaction in 2015.

18. **LOANS PAYABLE AND BORROWINGS**

**18.1 Bank Loans**

In 2014, the Parent Company obtained a secured loan amounting to P1,000,000,000 from a local bank for its working capital requirements. Such loan bears a fixed annual interest based on prevailing market rate. In 2015, the Parent Company fully paid such loan. Interest expense on this loan in 2015 amounted to P20,533,333 and is presented as part of Interest Expense under Other Income (Expenses) in the 2015 consolidated statement of comprehensive income (see Note 21.2).

In 2016, the Parent Company obtained a secured loan amounting to P200,000,000 which represents the initial drawdown of a P700,000,000 loan from a local bank for its working capital requirements. Such loan bears a fixed annual interest based on prevailing market rate and is secured by surety from PGMC and real estate mortgage over parcels of land, including the improvements therein, owned by PLPI. Outstanding balance of such loan amounted to P100,000,000 as at April 30, 2016. Interest expense on this loan amounted to P3,222,222 and is presented as part of Interest Expense under Other Income (Expenses) in the 2016 statement of comprehensive income (see Note 21.2). There was no unpaid interest as at April 30, 2016.

H.R. Owen's loans are secured by fixed and floating charges over the assets (i.e., vehicles) of H.R. Owen and are repayable on demand. H.R. Owen has entered into an agreement with Barclays Bank Plc whereby its credit balance with the bank can, at any time, be used to discharge sums due to the bank by any Group undertaking. H.R. Owen has outstanding credit facility amounting to P273,378,800 as at April 30, 2016 (nil in 2015).

### **18.2 Vehicle Stocking Loans**

Manufacturers' vehicle stocking loans and other loans amounting to P2,872,403,969 and P2,266,443,843 as at April 30, 2016 and 2015, respectively, are all at variable, floating commercial rates of interest. These are secured at any time by fixed and floating charges on stocks of new and demonstrator cars and commercial vehicles held. Other third party vehicle stocking loans amounting to P988,786,789 and P780,908,718 as at April 30, 2016 and 2015, respectively, are secured by fixed and floating charges on stocks of used cars.

Finance costs incurred related to H.R. Owen's vehicle stocking loans amounted to P112,066,288, P92,281,791 and P39,073,400 as at April 30, 2016, 2015 and 2014, respectively, and are presented as part of Finance Costs and Other Charges under Other Income (Charges) in the consolidated statements of comprehensive income (see Note 21.2).

## **19. OTHER INCOME AND EXPENSES**

### **19.1 Other Income**

Other income consists of the following:

	Note	2016	2015	2014
Excess of 7% standard input VAT over actual input VAT related to revenues with the PCSO		P 55,140,463	P 57,276,573	P 70,845,423
Manufacturer support		27,866,840	-	-
Net gain on disposal of property and equipment	12	1,438,383	1,930,481	7,089,112
Income from forfeited customer deposits		-	2,411,612	16,249,247
Miscellaneous		<u>33,279,541</u>	<u>15,735,416</u>	<u>8,244,329</u>
		<b><u>P 117,725,227</u></b>	<b><u>P 77,354,082</u></b>	<b><u>P 102,428,111</u></b>

Income from excess of 7% standard input VAT over actual input VAT consists of the excess of 7% standard input VAT over actual input VAT on purchases related to revenues with the PCSO.

In 2016, manufacturer support pertains to a one-time gain related to the amount received by H.R. Owen from a manufacturer as an incentive for dealing vehicles in London. There is no similar transaction in 2015 and 2014.

Miscellaneous income include rental income from sublease of certain properties.

### 19.2 Other Operating Expenses

Other operating expenses account is composed of the following:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Advertising and promotions	P 704,742,326	P 671,821,189	P 102,630,880
Stationery and office supplies	115,556,592	41,956,282	14,127,116
Repairs and maintenance	76,637,025	75,697,396	22,701,294
Insurance	65,853,705	65,104,111	29,762,742
Outside services	28,399,991	12,064,404	64,866,682
Hotel supplies	9,519,342	7,665,672	8,427,149
Membership fees, dues and subscription	5,354,910	3,824,144	2,804,325
Commissions	5,304,884	3,800,769	73,925,809
Security services	4,177,485	8,580,550	6,131,738
Laundry	3,209,739	3,076,341	2,579,893
Computer supplies	1,623,632	64,476,342	31,889,541
Sponsorships	1,249,968	17,186,093	18,829,245
Reversal of receivables	-	-	11,480,180
Miscellaneous expenses	<u>62,320,611</u>	<u>26,500,024</u>	<u>73,340,505</u>
	<b><u>P1,083,950,210</u></b>	<b><u>P1,001,753,317</u></b>	<b><u>P 463,497,099</u></b>

Miscellaneous expenses include gas and oil, store supplies consumable and vehicle storage.

## 20. EMPLOYEE BENEFITS

### 20.1 Salaries and Employee Benefits

Details of Salaries and employee benefits are presented below.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Short-term employee benefits:			
Salaries	P 1,399,044,914	P 1,352,255,117	P 662,995,235
Social security cost	159,611,204	143,933,255	76,696,754
Bonuses	17,408,151	14,780,032	14,793,564
Fringe benefits	10,016,282	2,238,863	2,042,360
Compensated absences	2,199,779	2,812,471	2,418,125
Health benefits	1,251,341	2,938,880	2,141,855
Others	<u>16,763,236</u>	<u>38,762,598</u>	<u>28,823,718</u>
	<b><u>1,606,294,907</u></b>	<b><u>1,557,721,216</u></b>	<b><u>789,911,611</u></b>
Post-employment benefits	<u>18,920,303</u>	<u>6,814,447</u>	<u>19,664,564</u>
	<b><u>P 1,625,215,210</u></b>	<b><u>P 1,564,535,663</u></b>	<b><u>P 809,576,175</u></b>

## 20.2 Post-employment Defined Benefit Obligation

### (a) Characteristics of Defined Benefit Plan

PGMC maintains a tax-qualified, non-contributory post-employment plan covering all regular full-time employees. PHPI, on the other hand, has an unfunded, non-contributory post-employment defined benefit plan covering all regular full-time employees; while H.R. Owen's retirement benefit plan administered by a trustees operates on a pre-funded basis.

### (b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the post-employment benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from independent actuaries in 2016 and 2015.

The amounts of post-employment benefit obligation recognized in the consolidated statements of financial position are determined as follows.

	<u>2016</u>	<u>2015</u>
Present value of the obligation	P 845,937,277	P 893,161,001
Fair value of plan assets	( 805,138,451)	( 845,437,121)
	<u>P 40,798,826</u>	<u>P 47,723,880</u>

The movements in present value of the post-employment defined benefit obligation recognized in the books are as follows:

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	P 893,161,001	P 885,658,022
Actuarial gain (loss)	( 52,974,188)	63,685,198
Current service and interest costs	38,137,850	40,829,828
Benefits paid by the plan	( 33,883,459)	( 20,441,651)
Translation adjustment	<u>1,496,073</u>	<u>( 76,570,396)</u>
Balance at end of year	<u>P 845,937,277</u>	<u>P 893,161,001</u>

The movements in the fair value of plan assets are presented below.

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	P 845,437,121	P 838,417,841
Return on plan assets	( 44,517,277)	57,292,994
Interest income	29,000,909	32,447,979
Benefits paid by the plan	( 33,883,459)	( 20,441,651)
Employer's contribution	8,220,718	13,337,833
Translation adjustment	1,255,698	( 75,162,055)
Actuarial gain	<u>( 375,259)</u>	<u>( 455,820)</u>
Balance at end of year	<u>P 805,138,451</u>	<u>P 845,437,121</u>

The plan assets consist of the following:

	<u>2016</u>	<u>2015</u>
Equity securities	P 521,543,120	P 549,114,523
Debt securities	279,188,250	288,397,088
Cash in bank	3,022,613	7,043,557
Unit investment trust funds	1,169,741	583,272
Government bonds	128,285	281,885
Miscellaneous receivables	<u>86,442</u>	<u>16,796</u>
	<b><u>P 805,138,451</u></b>	<b><u>P 845,437,121</u></b>

Cash in bank includes deposit to a trustee bank and a special deposit account with Bangko Sentral ng Pilipinas. The fair values of the above plan assets, except for miscellaneous receivables which is at Level 3, are determined based on quoted market prices in active markets and are classified as Level 1 of the fair value hierarchy.

The plan asset does not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Reported in consolidated profit or loss:</i>			
Current service costs	P 7,132,699	P 6,814,446	P 8,661,338
Net interest costs	2,004,242	1,567,403	1,802,173
Transitional adjustment	<u>-</u>	<u>-</u>	<u>11,003,226</u>
	<b><u>P 9,136,941</u></b>	<b><u>P 8,381,849</u></b>	<b><u>P 21,466,737</u></b>

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Reported in consolidated other comprehensive income:</i>			
Remeasurement gains (losses) arising from changes in:			
Demographic assumptions	P 44,765,779	P 47,292,804	(P 288,033)
Return on plan assets	( 44,047,523)	54,927,424	8,823,662
Experience adjustments	5,359,505	( 3,280,615)	5,260,770
Financial assumptions	1,850,492	( 105,728,755)	( 22,275,113)
Tax effect	( 1,585,678)	1,865,983	( 672,853)
Translational adjustment	-	-	5,871,549
	<u>P 6,342,575</u>	<u>(P 4,923,159)</u>	<u>(P 3,280,018)</u>

Current service cost is allocated and presented as part of Salaries and Employee Benefits under Costs and Other Operating Expenses section in the consolidated statements of comprehensive income. The net interest cost is included in Finance Costs and Other Charges under Other Income (Charges) section in the consolidated statements of comprehensive income.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined post-employment benefit obligation, the discount rate used by the Group ranges from 3.50% to 5.11% in 2016 and 3.40% to 4.75% in 2015, and 4.20% to 5.07% in 2014.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, majority of the plan asset has been invested in equity and debt securities.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as at April 30:

	Maximum Impact on		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
<u>2016</u>			
Discount rate	+/- 1.00%	(P 4,975,053)	P 4,975,053
Turn-over rate	+/-10.00%	( 33,999)	33,999
<u>2015</u>			
Discount rate	+/- 1.00%	(P 4,889,595)	P 4,889,595
Turn-over rate	+/-10.00%	( 54,626)	54,626

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-liability Matching Strategies*

PGMC, through its BOD, envisions that the investment positions shall be managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This aims to match the plan assets to the retirement obligations by investing in equities and maintaining cash and cash equivalents that match the benefit payments as they fall due and in the appropriate currency.

There are no asset-liability matching strategies currently being used by H.R. Owen's retirement plan.

*(iii) Funding Arrangements and Expected Contributions*

The undiscounted expected benefit payment from the plan is expected to be paid more than 15 years from the reporting date. The weighted average duration of the defined benefit obligation at the end of the reporting period is 15 years.

The best estimate of contribution to be paid by H.R. Owen to the plan for the fiscal year 2017 is P8,064,675.

21. FINANCE INCOME AND FINANCE COSTS

The components of this account follow:

*21.1 Finance Income*

	<u>Notes</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Interest income	7, 8, 22.1	<b>P 98,589,178</b>	P 80,947,593	P 25,885,120
Dividend income	11	<b>13,473,677</b>	27,965,624	75,037,259
Foreign currency gains – net		<u>-</u>	<u>-</u>	<u>91,822,863</u>
		<b><u>P112,062,855</u></b>	<b><u>P108,913,217</u></b>	<b><u>P192,745,242</u></b>

*21.2 Finance Costs and Other Charges*

	<u>Notes</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Interest expense	18, 20	<b>P 117,419,526</b>	P114,503,425	P 85,675,573
Bank charges		<b>41,149,156</b>	26,054,508	24,170,468
Foreign currency losses – net		<b>19,077,234</b>	72,887,108	-
Impairment losses	8, 11	<b><u>111,478,534</u></b>	<u>6,998,339</u>	<u>12,871,522</u>
		<b><u>P289,124,450</u></b>	<b><u>P220,443,380</u></b>	<b><u>P122,717,563</u></b>

## 22. RELATED PARTY TRANSACTIONS

The significant transactions of the Group with related parties are described below.

	Notes	2016		2015	
		Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance
<b>Associates:</b>					
Cash advances given	13.1, 22.1	P 34,540,000	P 170,306,627	P 38,581,330	P 194,766,627
Advances for future stock subscription	8, 22.2	( 26,000,000 )	-	( 31,600,000 )	-
<b>Related party under common indirect ownership:</b>					
Payments for future acquisition of investment securities	8, 22.3	( 41,240,000 )	72,578,345	( 71,957,295 )	12,627,952
Purchase of spare parts and accessories	22.5	11,226,954	11,284,303	1,447,250	1,447,250
Software support services	22.7	18,535,298	-	18,953,428	-
Rental	22.10	6,000,000	-	6,000,000	-
Share in allocated expenses	17, 22.8	( 366,081 )	183,252	( 1,429,537 )	549,333
Payment for certain expenses (net)	8, 22.9	29,760	436,299	215,350	467,264
Advance rental	10, 22.10	-	12,000,000	-	12,000,000
<b>Stockholders -</b>					
Purchase of inventories	17, 22.6	8,472,687,812	29,494,292	6,396,004,953	53,439,372
<b>Directors, officers and employees:</b>					
Key management compensation	22.11	107,477,108	-	184,410,607	-
Advances	8, 22.12	1,166,105	5,301,754	( 2,958,763 )	5,215,742
Purchase of car	22.12	40,725,445	-	102,918,050	-
<b>Entity owned by a key management personnel -</b>					
Management services	17, 22.4	85,910,000	19,880,000	85,038,686	16,585,379

### 22.1 Advances with Associates

The Group grants advances to its associates for working capital purposes. These advances are unsecured, non-interest bearing and due on demand, except for the loan granted to BPPI. The balances of these advances, presented as Advances to Associates account in the consolidated statements of financial position as at April 30, are shown below.

	2016	2015
<b>Current:</b>		
PLPI	P 29,683,131	P 31,683,131
CPI	2,423,496	1,723,496
BPPI	<u>138,200,000</u>	<u>30,000,000</u>
	170,306,627	63,406,627
<b>Non-current -</b>		
BPPI	-	<u>131,360,000</u>
	<u>P 170,306,627</u>	<u>P 194,766,627</u>

In 2009, the Group granted unsecured noninterest-bearing advances to PLPI as a result of the execution of a MOA, which is part of the Group's strategy to acquire an interest in the operation of a hotel located in Makati City (see Note 16). Advances to PLPI as at April 30, 2016 and 2015 are presented as part of Advances to Associates account under current assets section of the consolidated statements of financial position.

In 2011, the Parent Company provided P100,000,000 secured loan to BPPI, bearing an annual interest rate of 7.00% payable in cash within two years from the borrowing date. The loan is secured by a guaranty from a major stockholder of BPPI. In 2013, the Parent Company extended the term of this loan for an additional three years. The loan was further extended for another three years in 2016 bearing the same terms with the original loan except that the Parent Company now has the discretion to recall the loan any time prior to maturity; hence, the loan is presented under current assets in the 2016 consolidated statement of financial position. Interest income amounting to P7,000,000 in 2016, 2015 and 2014 is recorded as part of Finance Income in the consolidated statements of comprehensive income.

In April 2016, the Parent Company purchased 5% holdings from an existing stockholder of BAPI amounting to P115,680,000.

Also, in 2016, the Parent Company granted cash advances to BPPI amounting to P26,000,000 and made collections amounting to P1,000,000. The advances are short-term, non-interest bearing and generally payable in cash. Furthermore, the Parent Company reclassified P56,000,000 of advances to BPPI to Investments in Associate account after the board of directors of BPPI and the SEC approved the conversion of advances to equity.

In 2016 and 2015, the Parent Company made advances to CPI for its pre-operating activities which amounted to P700,000 and P1,050,000, respectively. This loan presented as part of Advances to an Associate account under current assets section of the consolidated statements of financial position.

The movements of Advances to Associates recognized in the books are as follows:

	Note	<u>2016</u>	<u>2015</u>
Balance at beginning of year		P 194,766,627	P 156,185,297
Interest recognized during the year		7,000,000	7,000,000
Additions during the year:			
BPPI		26,840,000	30,840,000
CPI		<u>700,000</u>	<u>1,050,000</u>
		<u>229,306,627</u>	<u>195,075,297</u>
Collections during the year		( 3,000,000)	( 308,670)
Reclassification		( 56,000,000)	-
		<u>( 59,000,000)</u>	<u>( 308,670)</u>
Balance at end of year	13	<u>P 170,306,627</u>	<u>P 194,766,627</u>

### ***22.2 Advances for Future Stock Subscription***

In 2014, the Group advanced P7,600,000 and P24,000,000 to PLPI and BPPI, respectively, for future stock subscription. Advances to PLPI is presented as part of Advances for stock subscriptions under Trade and Other Receivables account in the 2014 consolidated statement of financial position; while advances to BPPI was added to the Investment in Associate account per management intention.

In 2015, the Group's advances to PLPI amounting to P7,600,000 stock subscription was converted into investment upon approval of the SEC on PLPI's application for increase in its authorized capital stock (see Note 8). The Group's ownership interest in PLPI remains at 40%.

### ***22.3 Payment for Future Acquisition of Investments***

The Group deposited funds to IPSSB on client-trust basis for future acquisition of investment securities. IPSSB, a related party under common ownership, is principally engaged in the business of stock brokerage. Outstanding payments to IPSSB for future acquisition of investment as at April 30, 2016 and 2015 amounted to P72,578,345 and P12,627,952, respectively, and are presented as part of Payments for future acquisition of investments under Trade and Other Receivables account in the consolidated statements of financial position (see Note 8). These advance payments are noninterest-bearing and collectible in cash upon demand of the Group.

### ***22.4 Management Service Agreement***

Total management fees paid to an entity owned by a key management personnel of the Group based on Management Services Agreement amounted to P85,910,000, P85,038,686 and P91,964,417 in 2016, 2015 and 2014, respectively, and are shown as part of Professional Fees under Costs and Other Operating Expenses in the consolidated statements of comprehensive income. The net outstanding liability arising from this transaction amounted to P19,880,000 and P16,585,379 as at April 30, 2016 and 2015, respectively, and is presented as Management fee payable under the Trade and Other Payables account in the consolidated statements of financial position (see Note 17). The payable arising from this transaction is unsecured, non-interest bearing and payable in cash within a year.

### ***22.5 Purchase of Goods***

The Group made purchases from International Lottery Totalizator System (ILTS) of spare parts and accessories amounting to P11,284,303 and P1,447,250 in 2016 and 2015, respectively. The amount remains outstanding as at April 30, 2016, and is unsecured, non-interest bearing and payable in cash within a year.

### ***22.6 Purchase of Inventories***

In the normal course of business, the Group purchased a total value of vehicles and parts from Bentley Motors Limited (Bentley Motors) of P8,472,687,812 and P6,396,004,953, respectively. As at April 30, 2016 and 2015, outstanding payable to Bentley Motors amounted to P29,494,292 and P53,439,372, respectively, and are presented as part of Trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 17). The payable arising from this transaction is unsecured, non-interest bearing and payable in cash within a year.

### ***22.7 Software Support Services Agreement***

The Group entered into a Software Support Services Agreement (Software Agreement) with Sports Toto Malaysia Sdn Bhd, a related party under common ownership, for the maintenance of the Group's on-line lottery equipment. The Software Agreement is automatically renewed annually unless terminated by either party. In 2016, 2015 and 2014, the Group recognized royalty expenses arising from the transaction amounting to P18,535,298, P18,953,428 and P18,725,927, respectively, and are presented as part of Maintenance of Computer Equipment under Costs and Other Operating Expenses in the consolidated statements of comprehensive income. The Group has no outstanding payable arising from this transaction as at April 30, 2016 and 2015.

### ***22.8 Due to a Related Party***

Berjaya Resorts Management Services Sdn Bhd (Berjaya Resorts), a related party under common ownership, allocates costs and expenses to the Group related to advertising and promotion, among others. Total amount of reimbursed expenses by Berjaya Resorts in 2016, 2015 and 2014 amounted to P366,081, P1,429,537 and P2,320,157, respectively. The outstanding allocated expenses are presented as Due to a related party under Trade and Other Payables account in the consolidated statements of financial position (see Note 17). The payable arising from this transaction is unsecured, non-interest bearing and payable in cash upon demand.

The details of the Group's transactions with Berjaya Resorts are presented below.

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	P 549,333	P 1,978,870
Expenses incurred during the year	4,021,061	3,328,811
Payments made during the year	(4,387,142)	(4,758,348)
Balance at end of year	<u>P 183,252</u>	<u>P 549,333</u>

### ***22.9 Due from Other Related Parties***

In 2016 and 2015, the Group paid certain expenses in behalf of Taaras Beach & Spa Resort (Taaras) and Berjaya Hills Berhad (Berjaya Hills), related parties under common ownership. The outstanding balance as at April 30, 2016 and 2015 amounting to P436,299 and P467,264, respectively, are presented as part of Other receivables under Trade and Other Receivables account in the consolidated statements of financial position (see Note 8). The receivables arising from these transactions are noninterest-bearing and collectible upon demand of the Group.

The details of the Group's transactions with Taaras and Berjaya Hills are presented below.

	<u>2016</u>	<u>2015</u>
<i>Taaras:</i>		
Balance at beginning of year	P 106,169	P 24,243
Expenses paid during the year	38,442	81,926
Collections during the year	( 8,682)	-
Balance at end of year	<u>135,929</u>	<u>106,169</u>
<i>Berjaya Hills:</i>		
Balance at beginning of year	60,725	227,671
Collections during the year	( 60,725)	( 692,169)
Expenses paid during the year	-	<u>525,223</u>
Balance at end of year	<u>-</u>	<u>60,725</u>
<i>Colmar Tropicale:</i>		
Balance at beginning of year	300,370	-
Expenses paid during the year	-	<u>300,370</u>
Balance at end of year	<u>300,370</u>	<u>300,370</u>
	<u>P 436,299</u>	<u>P 467,264</u>

#### **22.10 Lease Agreement with PLPI**

In 2012, the Group and PLPI amended its existing lease agreement making the lease term good for one year for an annual rental of P6,000,000 but renewable annually, at the option of the lessee, for a maximum of 25 years.

Total rent expense related to this lease agreement amounted to P6,000,000 in 2016, 2015 and 2014, and is presented as part of Rental account in the consolidated statements of comprehensive income. The Group also has advance rentals to PLPI amounting to P12,000,000 as at April 30, 2016 and 2015, which are presented as part of Advance rentals under Prepayments and Other Current Assets account in the consolidated statements of financial position (see Note 10).

#### **22.11 Key Management Personnel Compensation**

The details of key management personnel compensation (from vice president and up) are as follows.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Short-term benefits	P 105,073,156	P 178,388,360	P 90,068,167
Post-employment benefits	<u>2,403,952</u>	<u>6,022,247</u>	<u>-</u>
	<u>P 107,477,108</u>	<u>P 184,410,607</u>	<u>P 90,068,167</u>

Director emoluments in 2016, 2015 and 2014 amounted to P4,000,000, P2,850,000 and P2,510,000, respectively, and are presented as part of Professional fees under Costs and Other Operating Expenses in the consolidated statements of comprehensive income. There were no outstanding payable relating to this compensation as at April 30, 2016 and 2015.

### ***22.12 Transactions with Officers and Employees***

In the normal course of business, the Group grants interest-bearing advances to its officers and employees. Outstanding advances to officers and employees amounted to P5,301,754 and P5,215,742 as at April 30, 2016 and 2015, respectively, and are presented as Advances to officers and employees under Trade and Other Receivables account in the consolidated statements of financial position (see Note 8).

In 2016 and 2015, the directors of H.R. Owen purchased cars from H.R. Owen with a total cost of P40,725,445 and P102,918,050, respectively. These transactions were conducted on an arm's length basis and under normal commercial terms and no amounts remained unpaid as at April 30, 2016 and 2015.

### ***22.13 Loan Guarantee***

The loans of BPPI from a certain financial institution amounting to P250,000,000 as at April 30, 2016 and 2015 are secured by the Parent Company.

### ***22.14 Retirement Plan***

The details of the contributions of the Parent Company and benefits paid out by the plan is presented in Note 20.2.

The retirement plan neither provides any guarantee or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

### ***22.15 Related Party Transactions that are Eliminated in the Consolidated Financial Statements***

The following are the related party transactions (amounts and balances) that are eliminated in the consolidated financial statements:

#### ***(a) Advances to Subsidiaries***

In 2009, the Parent Company granted advances to PHPI as a result of the execution of a MOA, which is part of the Group's strategy to acquire an interest in the operation of a hotel located in Makati City. The outstanding balance as at April 30, 2016 and 2015 amounted to P741,369,964 and P768,369,964, respectively.

#### ***(b) Dividend Income***

The Parent Company recognized dividend income amounting to P680,000,000, P440,000,000 and 2,190,000,000 arising from the declaration of cash dividends by PGMG in 2016, 2015 and 2014, respectively. The Parent Company also recognized dividend income amounting to P4,000,000 and P10,000,000 from cash dividend declaration of PHPI in 2014 and 2012, respectively. Further, the Parent Company recognized dividend income in 2015 amounting to P26,619,424 from cash dividends declared by H.R. Owen (nil in 2016). Consequently, the Parent Company received the cash dividends of P524,400,000, P977,606,091 and P1,683,013,333 in 2016, 2015 and 2014, respectively. Outstanding dividend receivable amounted to P155,600,000 as at April 30, 2016 (nil in 2015).

(c) *Purchase of Property and Equipment*

In April 2014, the Parent Company bought transportation equipment from H.R. Owen amounting to P12,507,018 for use in its operations. As at April 30, 2016 and 2015, the Parent Company has no outstanding balance to H.R. Owen arising from such acquisition.

23. EQUITY

**23.1 Capital Management Objectives, Policies and Procedures**

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group sets the amount of capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position and also evaluates its capital in terms of debt-to-equity ratio as shown below.

	<u>2016</u>	<u>2015</u>
Total liabilities	P 7,931,571,574	P6,025,287,783
Total equity	<u>7,665,361,133</u>	<u>7,102,317,671</u>
Debt-to-equity ratio	<u>1.00 : 1.03</u>	<u>1.00 : 0.85</u>

**23.2 Capital Stock**

As at April 30, 2016 and 2015, the Parent Company has 2,000,000,000 authorized shares with P1 par value of which 953,984,448 shares are issued.

As at April 30, 2016 and 2015, there are 138 and 139 holders, respectively, of the Parent Company's total outstanding shares. The Parent Company's listed shares are bid at P28.5 per share and P28.0 per share as at April 30, 2016 and 2015, respectively.

The Parent Company has 117 and 118 stockholders owning 100 or more shares each of the Parent Company's capital stock, as at April 30, 2016 and 2015, respectively.

**23.3 Treasury Shares**

The Parent Company's treasury shares represent the cost of 85,728,277 shares bought back by the Parent Company prior to 2014.

The Parent Company's retained earnings is restricted for dividend declaration to the extent of the cost of treasury shares.

### 23.4 Revaluation Reserves

The movements of Revaluation Reserves follow:

	Note	2016	2015	2014
<b>Revaluation of AFS</b>				
Balance at beginning of year		P 122,458,347	P 177,740,107	P 53,440,953
Net unrealized fair value gains (loss) on AFS financial assets	11	( 163,685,750)	( 47,947,559)	366,574,662
Reclassification adjustments:				
Due to disposal of AFS financial asset	11	9,212,952	( 7,334,201)	( 61,569,792)
Due to impairment of AFS	11	5,294,045	-	-
Due to reclassification of AFS financial assets to investment in subsidiary		-	-	( 180,705,716)
Balance at end of year		<u>(P 26,720,406)</u>	<u>P 122,458,347</u>	<u>P 177,740,107</u>
<b>Measurement of post-employment benefits</b>				
Balance at beginning of year		(P 4,354,438)	P 186,627	P -
Net actuarial gain (loss) on remeasurement of post-employment benefit obligation – net of tax		6,342,575	( 4,923,159)	( 3,280,018)
Actuarial loss attributable to minority interest		( 1,773,966)	382,094	3,466,645
Balance at end of year		<u>P 214,171</u>	<u>(P 4,354,438)</u>	<u>P 186,627</u>

### 23.5 Retained Earnings

In 2015 and 2014, the BOD of the Parent Company approved an additional appropriation of retained earnings amounting to P1,430,000,000, and P2,600,000,000 respectively (nil in 2016), for future investments, expansion and various expenditures including but not limited to the purchase of additional equipment and inventory, improvement of facilities, and repairs of corporate assets and property and equipment. A portion of these appropriations amounting to P4,280,000,000 and P1,410,000,000 was reversed in 2016 and 2015, respectively. These appropriations are expected to be carried out within the next two to five years in line with the Group's growth plans (i.e. from 2017 to 2021).

On October 5, 2015, the Parent Company's BOD approved the following resolutions:

- (i) increase in authorized capital stock from P2,000,000,000 divided into 2,000,000,000 shares to P6,000,000,000 divided into 6,000,000,000 shares;
- (ii) reversal of P4,000,000,000 previously allocated funds for capital expenditures and corporate expansion back to unrestricted retained earnings; and,
- (iii) declaration of stock dividends at a rate of 4 common shares for every common share held to be taken from the increase in authorized capital stock.

Consequently, the Company appropriated P3,473,024,684 retained earnings for distribution of stock dividends.

On May 27, 2016, the Parent Company filed the declaration of stock dividends and the increase in authorized capital stock for approval of the SEC. Subsequently, the SEC approved the increase in authorized capital stock on May 31, 2016. Further, on June 6, 2016 the SEC approved the declaration of stock dividends setting the date of record on June 24, 2016 and the date of payment on July 20, 2016. Consequently on July 20, 2016, the Parent Company issued stock dividends of 3,473,024,684 shares at par.

There were no dividend declarations in 2015 and 2014.

## 24. CURRENT AND DEFERRED TAXES

The components of tax expense relating to profit or loss and other comprehensive income follow:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Reported in profit or loss:</i>			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% and 22.5%	P257,896,593	P308,643,363	P306,129,150
Minimum corporate income tax (MCIT)	2,957,475	3,164,378	4,482,163
Final tax on passive income at 20% and 7.5%	<u>410,643</u>	<u>503,563</u>	<u>504,288</u>
	<u>261,264,711</u>	312,311,304	311,115,601
Deferred tax expense (income) relating to the origination, reversal of temporary differences, and unused tax losses	( <u>36,338,378</u> )	( <u>25,001,309</u> )	<u>21,685,973</u>
	<u>P224,926,333</u>	<u>P287,309,995</u>	<u>P332,801,574</u>
<i>Reported in other comprehensive income -</i>			
Deferred tax expense (income) relating to measurements of retirement benefit obligation	( <u>P 2,405,814</u> )	( <u>P 1,865,983</u> )	<u>P 672,853</u>

The reconciliation of tax on pre-tax income computed at the applicable statutory rates to tax expense reported in profit or loss follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tax on pretax income at 30%	P 279,375,733	P371,482,505	P439,020,548
Adjustments for:			
Application of optional standard deduction (OSD)	( 14,160,275)	( 55,521,510)	( 52,728,635)
Income subjected to lower income tax rates	( 11,726,542)	( 24,930,219)	( 14,271,598)
Tax effects of:			
Adjustments to current tax for prior years	( 18,614,074)	( 5,559,356)	-
Non-taxable income	( 16,711,348)	( 13,251,929)	( 68,211,806)
Non-deductible expenses	12,880,331	17,763,982	15,480,594
Net operating loss carry over (NOLCO)	( 8,343,947)	( 7,586,037)	10,170,207
Unrecognized MCIT	2,226,455	2,924,057	3,707,335
Marginal corporate tax rate	-	3,597,775	1,216,670
Utilization of brought-forward losses	-	( 900,345)	( 1,121,928)
Remeasurement of deferred tax asset due to change in United Kingdom (UK) tax rate	-	( 708,928)	( 2,767,495)
Expiration of NOLCO	-	-	2,052,749
Expiration of MCIT	-	-	254,933
	<u>-</u>	<u>-</u>	<u>254,933</u>
Tax expense reported in the consolidated profit or loss	<u>P 224,926,333</u>	<u>P287,309,995</u>	<u>P332,801,574</u>

The deferred tax assets and liabilities as at April 30 presented in the consolidated statements of financial position relate to the following:

	<u>2016</u>	<u>2015</u>
Deferred tax assets – net:		
Impairment loss	P 34,260,662	P -
Post-employment benefit obligation	10,892,116	9,588,976
Unamortized past service cost	1,359,557	1,550,805
Unrealized foreign currency losses – net	( 1,915,161)	323,373
	<u>P 44,597,174</u>	<u>P 11,463,154</u>

	<u>2016</u>	<u>2015</u>
Deferred tax liabilities – net:		
Rolled-over and held over capital gains	P 51,817,516	P 51,786,886
Depreciation in excess of capital allowance	( 11,262,318)	( 11,255,661)
Advance rental	3,446,403	2,676,715
MCIT	( 1,746,169)	( 1,015,149)
Capitalized direct cost	1,396,926	1,428,674
Post-employment benefit obligation	( 1,259,141)	( 3,437,694)
NOLCO	( 537,945)	-
Unrealized foreign currency gains	39,509	5,525,086
Security deposit	( 32,039)	( 1,083,287)
Impairment losses	-	( 2,812,500)
Pre-operating expenses	-	17,632
Other short-term timing differences	<u>2,910,664</u>	<u>2,536,412</u>
	<u>P 44,773,406</u>	<u>P 44,367,114</u>

The deferred tax expense (income) reported in the consolidated statements of comprehensive income is shown below and in the succeeding page.

	<u>Consolidated Profit or Loss</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Deferred tax expense (income):			
Impairment losses	(P 31,448,162)	P -	(P 2,255,544)
Unrealized foreign currency loss – net	( 3,247,043)	( 21,689,321)	27,179,481
Security deposit	1,051,248	( 730,487)	3,247,200
Post-employment benefit obligation	( 1,528,875)	( 2,258,163)	( 3,589,615)
Advance rental	769,688	( 110,999)	( 2,309,506)
MCIT	( 731,020)	( 240,322)	( 519,895)
NOLCO	( 537,945)	1,259,282	793,467
Unamortized past service cost	( 616,889)	( 543,520)	( 928,299)
Capitalized direct cost	( 31,748)	( 31,748)	( 31,749)
Pre-operating expenses	( 17,632)	52,897	-
Depreciation in excess of capital allowance	-	-	161,261
Other short-term timing differences	<u>-</u>	<u>( 708,928)</u>	<u>( 60,828)</u>
	<u>(P 36,338,378)</u>	<u>(P 25,001,309)</u>	<u>P 21,685,973</u>
	<u>Consolidated Other Comprehensive Income</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Deferred tax expense (income) –			
Post-employment benefit obligation	<u>(P 2,405,814)</u>	<u>(P 1,865,983)</u>	<u>P 672,853</u>

The details of the Group's NOLCO and MCIT, which can be applied against taxable income and RCIT, respectively, follow:

<u>Year Incurred</u>	<u>Amount</u>	<u>Applied</u>	<u>Expired</u>	<u>Balance</u>	<u>Expiry Date</u>
NOLCO					
2014	P 33,900,690	(P 641,184)	P -	P 33,259,506	2017
2013	<u>27,171,724</u>	<u>( 27,171,724)</u>	<u>-</u>	<u>-</u>	2016
	<b><u>P 61,072,414</u></b>	<b><u>(P 27,812,908)</u></b>	<b><u>P -</u></b>	<b><u>P 33,259,506</u></b>	
MCIT					
2016	P 2,226,455	P -	P -	P 2,226,455	2019
2015	2,924,057	-	-	2,924,057	2018
2014	3,707,335	-	-	3,707,335	2017
2013	<u>140,000</u>	<u>-</u>	<u>( 140,000)</u>	<u>-</u>	2016
	<b><u>P 8,997,847</u></b>	<b><u>P -</u></b>	<b><u>(P 140,000)</u></b>	<b><u>P 8,857,847</u></b>	

The Group's NOLCO and MCIT pertain to the Parent Company. In 2016 and 2015, the management has taken a conservative position of not recognizing additional deferred tax assets arising from NOLCO and MCIT since their recoverability and utilization is unlikely at this time based on the assessment of management.

In 2016 and 2015, the Parent Company and PHPI opted to claim itemized deductions, while PGMC continued claiming OSD.

Taxation of H.R. Owen is in accordance with the tax laws of UK. The standard rate of corporate tax in the UK changed from 23.00% in October 31, 2013 to 21.00% by April 1, 2014. Accordingly, the profits of H.R. Owen for the six-months period ended April 30, 2014 were taxed at an effective rate of 22.50%. In addition to the changes in rates, further reduction in the main rate of corporate tax in UK to 20.00% by April 1, 2015 was substantively enacted in July 2013. Consequently, deferred tax assets and liabilities arising from transactions of H.R. Owen have been calculated at 20.00% of the gross sum on the basis that they are expected to unwind after April 1, 2015.

## 25. EARNINGS PER SHARE

In fiscal year 2016, the Parent Company declared stock dividends at a rate of 4 shares for every one share held (see Note 23.5). Consequently, the EPS has been adjusted retrospectively to account for the increase in the number of issued and outstanding shares. For purposes of calculating EPS, the weighted average number of outstanding common shares in 2016, 2015 and 2014 increased from 868,256,171 shares to 4,341,280,855 shares. The calculation of EPS is presented in the succeeding page.

	2015		2014	
	As Previously Presented	As Restated	As Previously Presented	As Restated
Net profit attributable to Owners of the Parent Company	P 678,320,666	P 892,549,186	P 1,094,023,187	P 1,094,023,187
Divided by weighted average number of outstanding shares	<u>4,341,280,855</u>	<u>868,256,171</u>	<u>868,256,171</u>	<u>4,341,280,855</u>
Earnings Per Share	<u>P 0.16</u>	<u>P 1.03</u>	<u>P 1.26</u>	<u>P 0.25</u>

The Group has no potentially dilutive instruments; thus, basic and dilutive earnings per share are the same.

## 26. CATEGORIES, FAIR VALUES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 26.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of assets and liabilities presented in the consolidated statements of financial position are shown below.

	Notes	2016		2015	
		Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial Assets</b>					
Loans and receivables:					
Cash and cash equivalents	7	P 1,034,432,119	P 1,034,432,119	P 1,145,905,764	P 1,145,905,764
Trade and other receivables - net	8	2,964,012,762	2,964,012,762	2,054,851,028	2,054,851,028
Advances to associates	22.1	170,306,627	170,306,627	194,766,627	194,766,627
Other non-current assets	15	<u>4,352,318</u>	<u>4,352,318</u>	<u>3,060,529</u>	<u>3,060,529</u>
		<u>P 4,173,103,826</u>	<u>P 4,173,103,826</u>	<u>P 3,398,583,948</u>	<u>P 3,398,583,948</u>
AFS financial assets	11	<u>P 869,409,393</u>	<u>P 869,409,393</u>	<u>P 1,130,764,251</u>	<u>P 1,130,764,251</u>
<b>Financial Liabilities</b>					
Financial liabilities at amortized cost:					
Loans payable and borrowings	18	P 4,234,569,558	P 4,234,569,558	P 3,047,352,561	P 3,047,352,561
Trade and other payables	17	<u>2,000,465,442</u>	<u>2,000,465,442</u>	<u>2,564,634,735</u>	<u>2,564,634,735</u>
		<u>P 6,235,035,000</u>	<u>P 6,235,035,000</u>	<u>P 5,611,987,296</u>	<u>P 5,611,987,296</u>

See Notes 2.4 and 2.9 for a description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 4.

### 26.2 Offsetting of Financial Assets and Financial Liabilities

Currently, financial assets and liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis through approval by both parties' BOD and stockholders or upon instruction by the Parent Company.

## 27. FAIR VALUE MEASUREMENT AND DISCLOSURES

### *27.1 Fair Value Hierarchy*

In accordance with PFRS 13, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- (a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- (c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Parent Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

### *27.2 Financial Instruments Measured at Fair Value*

Quoted equity securities, debt securities and others classified as AFS financial assets are included in Level 1 as their prices are derived from quoted prices in active market that the entity can access at the measurement date, except for certain equity securities with carrying amount of P135,411,534 which are carried at cost as at April 30, 2015 (provided with full allowance in 2016) (see Note 11).

The fair value of these shares decreased by P163,685,750 and P47,947,559 in 2016 and 2015, respectively. This was presented as Net Unrealized Fair Value Gains on Available-for-sale Financial Assets under Other Comprehensive Income (Loss) of the consolidated statements of comprehensive income.

The Group has no financial liabilities measured at fair value as at April 30, 2016 and 2015. There were no transfers across the levels of the fair value hierarchy in both years.

**27.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed**

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statement of financial position on a recurring basis on April 30, 2016 and 2015:

		2016			
		Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>					
Cash and cash equivalents	P	1,034,432,119	P -	P -	P 1,034,432,119
Trade and other receivables		-	-	2,964,012,762	2,964,012,762
Advances to associates		-	-	170,306,627	170,306,627
Other non-current assets		-	-	4,352,318	4,352,318
	<b>P</b>	<b>1,034,432,119</b>	<b>P -</b>	<b>3,138,671,707</b>	<b>P 4,173,103,826</b>
<b>Financial liabilities:</b>					
Loans payable and borrowings	P	-	P -	4,234,569,558	P 4,234,569,558
Trade and other payables		-	-	2,000,465,442	2,000,465,442
	<b>P</b>	<b>-</b>	<b>P -</b>	<b>6,235,035,000</b>	<b>P 6,235,035,000</b>
		2015			
		Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>					
Cash and cash equivalents	P	1,145,905,764	P -	P -	P 1,145,905,764
Trade and other receivables		-	-	2,054,851,028	2,054,851,208
Advances to associates		-	-	194,766,627	194,766,627
Other non-current assets		-	-	3,060,529	3,060,529
	<b>P</b>	<b>1,145,905,764</b>	<b>P -</b>	<b>2,252,678,364</b>	<b>P 3,398,584,128</b>
<b>Financial liabilities:</b>					
Loans payable and borrowings	P	-	P -	3,047,352,561	P 3,047,352,561
Trade and other payables		-	-	2,564,634,735	2,564,634,735
	<b>P</b>	<b>-</b>	<b>P -</b>	<b>5,611,987,296</b>	<b>P 5,611,987,296</b>

**28. COMMITMENTS AND CONTINGENCIES**

The following are the significant commitments and contingencies involving the Group:

**28.1 Operating Lease Commitments – PGMC and H.R. Owen as Lessees**

PGMC and H.R. Owen lease its office and dealership spaces, respectively, under lease agreements from certain lessors, which will expire at various dates from 2015 to 2016. Other lease agreements by H.R. Owen are due until 2027. The lease agreements also provide for renewal options upon mutual consent of both parties.

Future minimum rental payable related to this lease as at April 30 is as follows:

	<u>2016</u>	<u>2015</u>
Within one year	P 351,125,448	P 293,294,296
After one year but not more than five years	1,048,054,719	898,145,057
More than five years	<u>1,325,209,406</u>	<u>659,285,535</u>
	<u>P2,724,389,573</u>	<u>P 1,850,724,888</u>

Rental expense arising from these leases amounted to P323,924,852, P291,326,465, and P140,730,628 in 2016, 2015 and 2014, respectively, presented as part of Rental under Costs and Other Operating Expenses in the consolidated statements of comprehensive income.

H.R. Owen's total future minimum lease payments due later than five years as shown above include P82,906,085 relating to two properties which are sub-leased to third parties. Of this amount, P82,615,825 relates to a sub-lease for a single property, which is of the same duration as the Group's own lease, while the sub-lease for the remaining properties, amounting to future minimum lease payments of P314,522, can be terminated by the third party on six months' written notice.

### ***28.2 Operating Lease Commitments – PGMC as Lessor***

PGMC entered into an ELA with PCSO covering the lease of its on-line lottery equipment for a period of three years under certain conditions. Rental income derived from ELA amounted to P1,580,259,448, P1,610,723,022, and P1,721,851,230 in 2016, 2015 and 2014, respectively, and are recognized as Rental under Revenues in the consolidated statements of comprehensive income (see Note 6).

### ***28.3 Loan Facility – Unused Line of Credit***

As of April 30, 2016, the Parent Company has unused line of credit amounting to P500,000,000 obtained from a local commercial bank (see Note 18.1).

### ***28.4 Injunction Case Filed***

PGMC filed a case for Indirect Contempt with an application for the issuance of Temporary Restraining Order and/or Writ of Preliminary Injunction against the PCSO and its board members on June 11, 2012 before the Makati Regional Trial Court docketed as Civil Case Number 12-530.

On October 17, 2012, PGMC filed a Petition for Contempt against PCSO and its board members for their deliberate disobedience or resistance to the Writ of Preliminary Injunction Issued by the Makati Regional Trial Court.

As at April 30, 2016, the case is still under arbitration.

***28.5 Operating Lease Commitments – PHPI as Lessee***

In 2012, PHPI and PLPI amended its existing lease agreement making the lease term good for one year for an annual rental in 2012 of P6,000,000 but renewable annually for maximum of 25 years at the option of the lessee.

***28.6 Contracts***

In December 2009, the Group entered into a MOA with the stockholders of TF, whereby the stockholders agreed to sell all their interest in TF and to agree to consent the sale of TF's assets for a total consideration of P785,000,000.

***28.7 Others***

There are other commitments, guarantees, litigations and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. As at April 30, 2016, management is of the opinion that losses, if any, from these commitments and contingencies will not have material effect on the Group's consolidated financial statements.



**P&A**  
**Grant Thornton**

An instinct for growth™

**Report of Independent Auditors  
to Accompany Supplementary Information  
Required by the Securities and Exchange  
Commission Filed Separately from the  
Basic Consolidated Financial Statements**

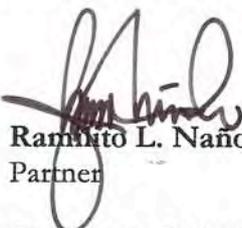
**Punongbayan & Araullo**  
20<sup>th</sup> Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 988 2288  
F +63 2 886 5506  
grantthornton.com.ph

**The Board of Directors**  
**Berjaya Philippines Inc. and Subsidiaries**  
**[A Subsidiary of Berjaya Lottery Management (HK) Limited]**  
9<sup>th</sup> Floor, Rufino Pacific Tower  
6784 Ayala Avenue, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Berjaya Philippines Inc. and subsidiaries (the Group) for the year ended April 30, 2016, on which we have rendered our report dated July 22, 2016. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

**PUNONGBAYAN & ARAULLO**

By:   
**Ramilito L. Nañola**  
Partner

CPA Reg. No. 0090741  
TIN 109-228-427  
PTR No. 5321729, January 4, 2016, Makati City  
SEC Group A Accreditation  
Partner - No. 0395-AR-3 (until May 19, 2019)  
Firm - No. 0002-FR-4 (until Apr. 30, 2018)  
BIR AN 08-002511-19-2015 (until Mar. 18, 2018)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

July 22, 2016

**Certified Public Accountants**

Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

Offices in Cebu, Davao, Cavite

BOA/PRC Cert. of Reg. No. 0002  
SEC Accreditation No. 0002-FR-4

Berjaya Philippines Inc. and Subsidiaries  
List of Supplementary Information  
April 30, 2016

Schedule	Content	Page No.
<b>Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68</b>		
A	Financial Assets	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	3
D	Intangible Assets - Other Assets	4
E	Long-term Debt	5
F	Indebtedness to Related Parties (Long-term Loans from Related Companies)	6
G	Guarantees of Securities of Other Issuers	7
H	Capital Stock	8
<b>Other Required Information</b>		
	Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as at April 30, 2016	9 - 12
	Map Showing the Relationship Between the Company and its Related Entities	13
	Reconciliation of Retained Earnings Available for Dividend Declaration	14
	Financial Indicators	15
	Annual Corporate Governance Report for Year 2016	16

Berjaya Philippines Inc. and Subsidiaries  
SEC Released Amended SRC Rule 68  
Annex 68-E  
Schedule A - Financial Assets  
April 30, 2016

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Income Received and Accrued
<b>AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>			
Equity securities	47,149,321	P 756,928,264	P 13,473,677
Debt securities	40,330,000	96,984,777	-
Others	<u>6,050,001</u>	<u>15,496,352</u>	<u>-</u>
<b>Totals</b>	<u><b>93,529,322</b></u>	<u><b>P 869,409,393</b></u>	<u><b>P 13,473,677</b></u>

Berjaya Philippines Inc. and Subsidiaries  
SEC Released Amended SRC Rule 68  
Annex 68-E

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)  
April 30, 2016

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions			Balance at End of Period
			Amounts Collected	Amounts Reclassified	Amounts Written off	
<b>Related Parties:</b>						
Berjaya Pizza Philippines Inc.	P 161,360,000	P 33,840,000	( P 1,000,000 )	( P 56,000,000 )	P -	P 138,200,000
Inter-Pacific Securities Sdn Berhad	12,627,952	79,246,428	( 19,296,035 )	-	-	72,578,345
Perdana Land Philippines Inc.	31,775,010	-	( 2,091,879 )	-	-	29,683,131
Cosway Philippines Inc.	1,723,496	700,000	-	-	-	2,423,496
Taaras Beach & Spa Resort	106,169	38,442	( 8,682 )	-	-	135,929
Berjaya Hills Berhad	60,725	-	( 60,725 )	-	-	-
Colmar Tropicale	300,370	-	-	-	-	300,370
<b>Totals</b>	<b>P 207,953,722</b>	<b>P 113,824,870</b>	<b>( P 22,457,321 )</b>	<b>( P 56,000,000 )</b>	<b>P -</b>	<b>P 243,321,271</b>

Berjaya Philippines Inc. and Subsidiaries  
SEC Released Amended SRC Rule 68  
Annex 68-E

Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements  
April 30, 2016

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Amounts Written off	Current	Non-current	
Perdana Hotel Philippines Inc.	<u>P 768,369,964</u>	<u>p -</u>	<u>( P 27,000,000 )</u>	<u>p -</u>	<u>P 741,369,964</u>	<u>p -</u>	<u>P 741,369,964</u>

Berjaya Philippines Inc. and Subsidiaries  
SEC Released Amended SRC Rule 68  
Annex 68-E  
Schedule D - Intangible Assets - Other Assets  
April 30, 2016

Description	Balance at Beginning of Period	Additions at Cost	Deductions		Other Changes -Additions (Deductions)	Balance at End of Period
			Charged to Cost and Expenses	Charged to Other Accounts		
<b>Intangible Assets:</b>						
Goodwill	P 1,108,183,290	P 61,351,471	p -	p -	( P 2,250,433 )	P 1,167,284,328
Dealership rights	706,774,509	-	-	-	418,037	707,192,546
Customer relationships	-	42,174,557	-	-	( 1,851,184 )	40,323,373
<b>Totals</b>	<b>P 1,814,957,799</b>	<b>P 103,526,028</b>	<b>P -</b>	<b>P -</b>	<b>( P 3,683,580 )</b>	<b>P 1,914,800,247</b>

Berjaya Philippines Inc. and Subsidiaries  
SEC Released Amended SRC Rule 68  
Annex 68-E  
Schedule E - Long-term Debt  
April 30, 2016

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown under Caption "Current Portion of Long-term Debt" in Relation to Statement of Financial Position	Amount Shown under Caption "Long-term Debt" in Relation to Statement of Financial Position
--	-----------------------------------	--	--

**NOT APPLICABLE**  
The Group has no long-term debt as at April 30, 2016.

Berjaya Philippines Inc. and Subsidiaries  
SEC Released Amended SRC Rule 68  
Annex 68-E  
Schedule F - Indebtedness to Related Parties (Long-term Loans from Related Companies)  
April 30, 2016

Name of Related Party	Amount Authorized by Indenture	Balance at Beginning of Period	Balance at End of Period
-----------------------	--------------------------------	-----------------------------------	-----------------------------

NOT APPLICABLE

The Group has no indebtedness to related parties as at April 30, 2016.

Berjaya Philippines Inc. and Subsidiaries  
SEC Released Amended SRC Rule 68  
Annex 68-E  
Schedule G - Guarantees of Securities of Other Issuers  
April 30, 2016

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which this Statement is Filed	Nature of Guarantee
Berjaya Pizza Philippines Inc. (BPPI)*	Loan	<u>P 250,000,000</u>	<u>P 250,000,000</u>	Corporate guarantee

*\* the loan of BPPI from a certain local financial institution is secured by Berjaya Philippines Inc.*

Berjaya Philippines Inc. and Subsidiaries  
SEC Released Amended SRC Rule 68  
Annex 68-E  
Schedule H - Capital Stock  
April 30, 2016

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as shown under the Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Related Parties	Directors, Officers and Employees	Others
Common shares - P1 par value	<u>2,000,000,000</u>	<u>953,984,448</u>	-	<u>766,288,686</u>	<u>526,853</u>	<u>187,168,909</u>

**BERJAYA PHILIPPINES INC. AND SUBSIDIARIES**  
**Schedule of Philippine Financial Reporting Standards and Interpretations**  
**Adopted by the Securities and Exchange Commission and the**  
**Financial Reporting Standards Council as at April 30, 2016**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		☑		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		☑		
Practice Statement Management Commentary				☑
<i>Philippine Financial Reporting Standards (PFRS)</i>				
<b>PFRS 1 (Revised)</b>	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	☑		
	Amendment to PFRS 1: Government Loans	☑		
<b>PFRS 2</b>	Share-based Payment			☑
	Amendments to PFRS 2: Vesting Conditions and Cancellations			☑
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			☑
<b>PFRS 3 (Revised)</b>	Business Combinations	☑		
<b>PFRS 4</b>	Insurance Contracts			☑
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			☑
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			☑
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			☑
<b>PFRS 7</b>	Financial Instruments: Disclosures	☑		
	Amendments to PFRS 7: Transition	☑		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	☑		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	☑		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	☑		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	☑		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities**	☑		
Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures* (effective when PFRS 9 is first applied)			☑	
<b>PFRS 8</b>	Operating Segments	☑		
<b>PFRS 9</b>	Financial Instruments (2014)* (effective January 1, 2018)			☑
<b>PFRS 10</b>	Consolidated Financial Statements	☑		
	Amendment to PFRS 10: Transition Guidance	☑		
	Amendment to PFRS 10: Investment Entities	☑		
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective January 1, 2016)			☑
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception* (effective January 1, 2016)			☑
<b>PFRS 11</b>	Joint Arrangements			☑
	Amendment to PFRS 11: Transition Guidance			☑
	Amendment to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations* (effective January 1, 2016)			☑

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	☑		
	Amendment to PFRS 12: Transition Guidance	☑		
	Amendment to PFRS 12: Investment Entities	☑		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception* (effective January 1, 2016)			☑
PFRS 13	Fair Value Measurement	☑		
PFRS 14	Regulatory Deferral Accounts* (effective January 1, 2016)			☑
<b>Philippine Accounting Standards (PAS)</b>				
PAS 1 (Revised)	Presentation of Financial Statements	☑		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	☑		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	☑		
	Amendment to PAS 1: Disclosure Initiative* (effective January 1, 2016)			☑
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	☑		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	☑		
PAS 16	Property, Plant and Equipment	☑		
	Amendment to PAS 16: Bearer Plants* (effective January 1, 2016)			☑
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization* (effective January 1, 2016)			☑
PAS 17	Leases	☑		
PAS 18	Revenue	☑		
PAS 19 (Revised)	Employee Benefits	☑		
	Amendment to PAS 19: 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 24 (Revised)	Related Party Disclosures	☑		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			☑
PAS 27 (Revised)	Separate Financial Statements	☑		
	Amendment to PAS 27: Investment Entities	☑		
	Amendment to PAS 27: Equity Method in Separate Financial Statements* (effective January 1, 2016)			☑
PAS 28 (Revised)	Investments in Associates and Joint Ventures	☑		
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective January 1, 2016)			☑
	Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception* (effective January 1, 2016)			☑
PAS 29	Financial Reporting in Hyperinflationary Economies			☑
PAS 32	Financial Instruments: Presentation	☑		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	☑		
	Amendment to PAS 32: Classification of Rights Issues	☑		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities**	☑		
PAS 33	Earnings Per Share	☑		
PAS 34	Interim Financial Reporting	☑		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 36	Impairment of Assets	☑		
	Amendment 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: Clarification of Acceptable Methods of Depreciation and Amortization* (effective January 1, 2016)			☑
PAS 39	Financial Instruments: Recognition and Measurement	☑		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	☑		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions**	☑		
	Amendments to PAS 39: The Fair Value Option **	☑		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts**	☑		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets**	☑		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition**	☑		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives**	☑		
	Amendment to PAS 39: Eligible Hedged Items**	☑		
Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting**	☑			
PAS 40	Investment Property			☑
PAS 41	Agriculture			☑
	Amendment to PAS 41: Bearer Plants* (effective January 1, 2016)			☑
<i>Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)</i>				
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 and PAS 39: Embedded Derivatives**	☑		
IFRIC 10	Interim Financial Reporting and Impairment	☑		
IFRIC 12	Service Concession Arrangements			☑
IFRIC 13	Customer Loyalty Programmes			☑
IFRIC 14	PAS 19 - 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 and their Interaction**	☑		
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 FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<i>Philippine Interpretations - Standing Interpretations Committee (SIC)</i>				
SIC-7	Introduction of the Euro	☐		
SIC-10	Government Assistance - No Specific Relation to Operating Activities			☐
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			☐
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**	☐		

\* These standards will be effective for periods subsequent to fiscal year 2016 and are not early adopted by the Group.

\*\* These standards have been adopted in the preparation of financial statements but the Group has no significant transactions covered in both years presented.

Berjaya Philippines Inc. and Subsidiaries  
 SEC Released Amended SRC Rule 68  
 Map Showing the Relationship Between the Company and its Related Entities  
 April 30, 2016



\* *Wholly owned operating subsidiaries of H.R. Owen Plc.*

BERJAYA PHILIPPINES INC.  
*[A Subsidiary of Berjaya Lottery Management (HK) Limited]*  
 9th Floor, Rufino Pacific Tower 6784 Ayala Avenue, Makati City  
*(Amounts in Philippine Pesos)*

Reconciliation of Retained Earnings Available for Dividend Declaration  
 For the Year Ended April 30, 2016

Unappropriated Retained Earnings at Beginning of Year, as Reported in the Audited Financial Statements	P	34,593,976
Prior Years' Outstanding Reconciling Items, net of tax	(	<u>15,601,537</u> )
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		18,992,439
<b>Net Profit Actually Earned during the Year</b>		
Net Profit per audited financial statements	P	613,828,577
Deferred tax income on impairment loss	(	31,448,162)
Unrealized foreign currency gain	(	<u>8,347,267</u> )
		574,033,148
<b>Other Transaction During the Year</b>		
Reversal of appropriation during the year		4,000,000,000
Appropriation for stock dividends	(	<u>3,473,024,684</u> )
		<u>526,975,316</u>
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	P	<u>593,025,587</u>

The Company plans to appropriate portions of available retained earnings for business expansions within three to five years.

BERJAYA PHILIPPINES INC. AND SUBSIDIARIES  
9th Floor, Rufino Pacific Tower  
6784 Ayala Avenue, Makati City

Financial Indicators  
April 30, 2016

Financial Indicators	Computation		Ratio	
	2016	2015	2016	2015
<b>Quick ratio</b>				
Cash and cash equivalents + Trade and other receivables - net + Advances to associates	4,179,318,077	3,379,467,002	0.53	0.57
Total Current Liabilities	7,845,999,342	5,933,196,789		
<b>Current/liquidity ratio</b>				
Total Current Assets	10,295,298,364	8,386,873,079	1.31	1.41
Total Current Liabilities	7,845,999,342	5,933,196,789		
<b>Debt-to-equity ratio</b>				
Total Liabilities	7,931,571,574	6,025,287,783	1.03	0.85
Total Equity	7,665,361,133	7,102,317,671		
<b>Debt-to-assets ratio</b>				
Total Liabilities	7,931,571,574	6,025,287,783	0.51	0.46
Total Assets	15,596,932,707	13,127,605,454		
<b>Equity-to-assets ratio</b>				
Total Equity	7,665,361,133	7,102,317,671	0.49	0.54
Total Assets	15,596,932,707	13,120,772,387		
<b>Return on assets</b>				
Net Profit	706,326,108	950,965,023	0.05	0.07
Total Assets	15,596,932,707	13,127,605,454		
<b>Return on equity</b>				
Net Profit	706,326,109	950,965,023	0.09	0.13
Total Equity	7,665,361,133	7,102,317,671		
<b>Earnings per share</b>				
Net Profit Attributable to Owners of the Parent Company	678,320,666	892,549,186	0.16	1.03
Weighted Average Number of Outstanding Common Shares	4,341,280,855	868,256,171		

**BERJAYA PHILIPPINES, INC.**

-----  
*(Company's Full Name)*

9/F Rufino Pacific Tower, 6784 Ayala Avenue corner V.A. Rufino  
(formerly Herrera) Street, Makati City

-----  
*(Company's Address)*

811-0668 / 810-1814

-----  
*(Telephone Number)*

APRIL 30

any day in the month of October

-----  
*(Fiscal Year Ending)*  
*(month and day)*

-----  
*(Annual Meeting)*

November 2024

-----  
*(Term Expiring On)*

-----  
SEC Form 17-Q for the quarter ended 31 July 2016

-----  
*(Form Type)*

N.A.

-----  
*(Amendment Designation, if applicable)*

-----  
*(Period Ended Date)*

N.A.

-----  
*(Secondary License Type and File Number)*

-----  
Cashier

-----  
LCU

-----  
DTU

-----  
Pre War 476  
S.E.C Registration Number

-----  
Central Receiving Unit

-----  
File Number

-----  
Document I.D.



## **PART I – FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

*See Interim Consolidated Statement of Financial Position as of 31 July 2016, attached hereto as Annex “A”, and Aging Schedule of Accounts Receivables as of 31 July 2016 attached hereto as Annex “B”. For the basic earnings per share, the “weighted average number of shares outstanding” is added to the face of the Interim Consolidated Statement of Comprehensive Income.*

### **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

The Corporation’s principal activity is investment holding. Since 1998, it has 100% equity ownership of Philippine Gaming Management Corporation (PGMC) whose principal activity is leasing of on-line lottery equipment and providing software support.

There is no change during the year in PGMC’s principal activity as a domestic corporation involved principally in the business of leasing on-line lottery equipment and providing software support. Revenue from the lease of on-line lottery equipment, and maintenance and repair services are recognized based on certain percentage of gross receipts from lottery ticket sales.

In December 2009, the Corporation acquired a 232 room hotel which operated as Best Western Astor Hotel until 16 March 2010. The acquisition was made by the Corporation’s subsidiary Perdana Hotel Philippines Inc. (PHPI) under the business name Berjaya Makati Hotel. The Corporation subscribed to forty percent (40%) of the shares of stock of Perdana Land Philippines Inc. which owns the land leased by PHPI.

In July 2010, the Corporation invested in Berjaya Pizza (Philippines) Inc. (BPPI), a corporation engaged in the manufacture, sale and distribution of food and beverages, and to operate, own, franchise, license or deal in restaurant related business operations. The Corporation’s equity or interest in BPPI is equivalent to 41.40% as of 31 July 2016.

In August 2012, the Corporation invested in Berjaya Auto Philippines Inc. (BAPI), a corporation engaged in the sale and distribution of all types of motor vehicles. On 12 September 2012, BAPI entered into a Distributorship Agreement with Mazda Motor Corporation of Japan for the distribution of vehicles bearing the Mazda brand within the territory of the Philippines. The Corporation’s equity or interest over BAPI is equivalent to 35%.

In September 2012, the Corporation invested in Cosway Philippines Inc. (CPI), primarily to engage in the wholesale of various products. As of 31 July 2016, CPI has not yet started its commercial operations. The Corporation’s equity or interest in CPI is equivalent to 40%.

In 2014, the Corporation obtained control over H.R. Owen Plc. (HROwen) after a series of cash offers from HR Owen’s existing stockholders from July to October 2013. HROwen, incorporated in England, operates a number of vehicle franchises in the prestige and specialist car market for both sales and aftersales, predominantly in the London area. HROwen is an investment holding company that provides group services to its four trading subsidiaries that operate HROwen’s motor vehicle dealerships. On 4 December 2015, HR Owen acquired 100% ownership over Bodytechnics in order to enhance its aftersales operations.

In July 2015, the Corporation invested in Ssangyong Berjaya Motor Philippines Inc. (SBMPI), a corporation engaged in the sale and distribution of all types of motor vehicles. The Corporation's equity interest in SBMPI is equivalent to 20%.

In May 2016, the Corporation acquired 41.5% shares in Neptune Properties Inc. (NPI), a corporation engaged in the real estate business or otherwise deal in real estate development.

**Comparable Discussion on Material Changes in Results of Operations for the Three Months' Period Ended 31 July 2016 vs. 31 July 2015**

The Corporation and its subsidiaries (the Group) generated total revenues from operating sources of about ₱7.69 billion for the three months ended 31 July 2016, an increase of ₱802.03 million (11.6%) over total revenues of ₱6.88 billion during the same period in 2015. The increase was primarily due to a higher revenue contribution from H.R. Owen in the financial period under review.

The Group's total cost and operating expenses for the three months ended 31 July 2016 increased by ₱849.81 million (13.0%) to ₱7.38 billion from ₱6.53 billion for the same period in 2015. The increase is attributed to the following: (i) cost of vehicles sold and body shop repairs and parts increased by ₱785.59 million (14.1%), (ii) salaries and employee benefits increased by ₱42.12 million (10.1%), (iii) rental increased by ₱11.81 million (16.7%), (iv) taxes and licenses increased by ₱17.89 million (40.6%), (v) maintenance of computer equipment increased by ₱13.80 million (103.9%), (vi) charitable contribution increased by ₱27.0 million (100.0%), (vii) insurance expense increased by ₱4.80 million (42.7%), (viii) sponsorship expenses increased by ₱8.80 million (967.1%), (ix) bank charges increased by ₱1.48 million (18.1%), and (x) commissions increased by ₱0.55 million (62.2%). These increases were offset by the following decreases of expenses: (i) marketing and selling decreased by ₱10.6 million (10.6%), (ii) depreciation expense decreased by ₱25.55 million (32.7%), (iii) professional fees decreased by ₱6.98 million (16.5%), (iv) telecommunications decreased by ₱7.64 million (28.8%), (v) repairs and maintenance decreased by ₱3.23 million (34.3%), (vi) miscellaneous expenses decreased by ₱25.31 million (79.8%), and (vii) representation and entertainment decreased by ₱3.97 million (44.2%).

Other Charges – net of other income amounted to ₱69.77 million for the three months ended 31 July 2016, a decrease of ₱150.74 million (186.2%) from the Other Income (net charges) of ₱80.97 million in the same period in 2015, mainly due to foreign exchange loss as a result of depreciation of exchange rates from GBP to peso currency.

The Group's net income decreased by ₱172.09 million (53.0%) to ₱152.68 million for the three months ended 31 July 2016 from ₱324.77 million in the same period in 2015 under review.

**Comparable Discussion on Material Changes in Financial Condition as of 31 July 2016 vs. 30 April 2016**

Total assets of the Group decreased by ₱1.22 billion (7.8%) to ₱14.38 billion as of 31 July 2016, from ₱15.60 billion as of 30 April 2016.

Trade and other receivables (net) decreased by ₱103.12 million (3.5%) to ₱2.87 billion in 31 July 2016 compared to ₱2.97 billion in 30 April 2016, mainly due to collection from customers.

Inventories (net) decreased by ₱178.42 million (3.4%) to ₱5.10 billion in 31 July 2016 compared to ₱5.28 billion in 30 April 2016, mainly due to decrease in vehicle stocks of HROwen.

Prepayments and other current assets (net) decreased by ₱285.33 million (34.1%) to ₱551.50 million in 31 July 2016 compared to ₱836.83 million in 30 April 2016, mainly due to a decrease in prepaid expenses.

Available-for-sale financial assets decreased by P160.16 million (18.4%) to ₱709.25million in 31 July 2016 compared to P869.41 billion in 30 April 2016, mainly due to certain investments were found to be impaired, there is prolonged decline in the fair value of the securities below cost.

Property and equipment (net) decreased by ₱169.60 million (8.5%) to ₱1.8 billion in 31 July 2016 compared to ₱2.0 billion in 30 April 2016, mainly due to depreciation for the current period and translation adjustment on H.R. Owen assets.

Investments in associates increased by ₱114.46 million (24.5%) to ₱581.18 million in 31 July 2016 compared to ₱466.71 million in 30 April 2016, mainly due to acquisition of investments in associate and share on income from associates.

Intangible assets decreased by ₱144.40 million (7.5%) to ₱1.77 billion in 31 July 2016 compared to ₱1.91 billion in 30 April 2016, primarily due to translation adjustment as a result of fluctuation of exchange rate in GBP to peso.

Total liabilities of the Group decreased by ₱973.23 billion (12.3%) to ₱6.96 billion as of 31 July 2016, from ₱7.93 billion as of 30 April 2016 mainly due to a decrease in Trade and other Payables and Loans payable and Borrowings. In June 2016, H.R. Owen obtained a secured loan with Maybank to facilitate its working capital requirements.

Post-employment benefit obligation decreased by ₱4.86 million (11.9%) to ₱35.94 in 31 July 2016 compared ₱40.80 million in 30 April 2016.

The total stockholders' equity of the Group decreased by ₱247.99 billion (3.2%) to ₱7.42 billion as of 31 July 2016, from ₱7.67 billion as of 30 April 2016 under review. The book value per share increased to ₱1.71 in 31 July 2016 from ₱8.04 in 30 April 2016.

**Comparable Discussion on Material Changes in Cash Flows for the Three Months Period Ended 31 July 2016 vs. 31 July 2015**

The consolidated cash and cash equivalents for 31 July 2016 decreased by ₱210.41 million (22.2%) to ₱737.54 million as of 31 July 2016 from Php947.95 million for the same period last year. The decrease is mainly attributable to payment trade payables, loans and borrowings.

**Key Performance Indicators**

The Corporation monitors its performance and benchmarks itself to prior years' results in terms of the following indicators:

	31 July 2016	30 April 2016
Liquidity Ratio - Current ratio	1.36 : 1.00	1.31 : 1.00
Leverage Ratio - Debt to Equity	0.94 : 1.00	1.03 : 1.00
Activity Ratio - Annualized PPE	16.78 times	13.24 times
Profitability Ratios		
Return on Equity	8.23%	17.41%
Return on Assets	4.25%	9.28%

The Corporation uses the following computations in obtaining key indicators:

Key Performance Indicator	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Long Term Liabilities}}{\text{Stockholders' Equity}}$
PPE Turnover	$\frac{\text{Revenues}}{\text{Property, Plant \& Equipment (Net)}}$
Return on Equity	$\frac{\text{Net Income}}{\text{Equity}}$
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$

Barring any unforeseen circumstances, the Corporation's Board of Directors is confident that the operating financial performances of the Corporation and its subsidiaries are expected to be satisfactory in the coming period.

- i) There is no known trend, event or uncertainty that has or is reasonably likely to have an impact on the Corporation's short term or long-term liquidity.
- ii) The liquidity of the subsidiaries would continue to be generated from the collections of revenue from customers. There is no requirement for external funding for liquidity.
- iii) There is no known trend, event or uncertainty that has or that is reasonably expected to have a material impact on the net sales or revenues or income from continuing operations.
- v) There is no significant element of income or loss that would arise from the Group's continuing operations.
- vi) There is no cause for any material change from period to period in one or more of the line items of the Corporation's financial statements.
- vii) There were no seasonal aspects that had a material impact effect on the financial conditions or results of operations.

**Separate Disclosures regarding the Financial Statements as required under SRC Rule 68.1**

- 1) There are no items affecting the assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size, or incidents.
- 2) There is no change in the estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years.
- 3) There is no issuance, repurchase or repayment of debts and equity securities.

4) There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

5) There are no business combinations, acquisition or disposals subsidiaries and long-term investments, restructurings and discontinuing operations for the interim period.

6) There are no contingent liabilities or contingent assets since the last annual balance sheet date.

7) There are no material contingencies and any other events or transactions that are material to an understanding of the current interim period.

#### SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the Issuer has caused this report to be signed on its behalf by the undersigned, being duly authorized, in the City of Makati on 13 September 2016.

Issuer: **BERJAYA PHILIPPINES, INC.**

By:   
**MARIE LOURDES T. SIA-BERNAS**  
Assistant Corporate Secretary

  
By: **TAN ENG HWA**  
Treasurer

## ANNEX "A"

BERJAYA PHILIPPINES, INC. AND SUBSIDIARIES  
*[A Subsidiary of Berjaya Lottery Management (HK) Limited]*  
 INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
 JULY 31, 2016 and APRIL 30, 2016  
*(Amounts in Philippine Pesos)*

<u>ASSETS</u>	<u>Note</u>	<u>July 31, 2016</u> Unaudited	<u>April 30, 2016</u> Audited
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5 P	737,545,428	P 1,034,432,119
Trade and other receivables-net	6	2,871,463,210	2,974,579,331
Inventories - net	7	5,100,731,977	5,279,148,130
Advances to associates	11	172,466,627	170,306,627
Prepayments and other current assets - net	8	551,496,602	836,832,157
Total Current Assets		9,433,703,844	10,295,298,364
<b>NON-CURRENT ASSETS</b>			
Available for sale financial assets	9	709,251,327	869,409,393
Property and equipment - net	10	1,832,156,807	2,001,760,694
Investment in associates	11	581,175,052	466,714,517
Intangible Assets	12	1,770,399,633	1,914,800,247
Deferred tax assets		44,597,174	44,597,174
Other non-current assets		4,432,318	4,352,318
Total Non-Current Assets		4,942,012,311	5,301,634,343
<b>TOTAL ASSETS</b>	<b>P</b>	<b>14,375,716,155</b>	<b>P 15,596,932,707</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14 P	2,732,700,656	P 3,571,890,388
Loans Payable and borrowings	15	3,929,649,948	4,234,569,558
Income tax payable		70,360,525	39,539,396
Total Current Liabilities		6,732,711,129	7,845,999,342
<b>NON-CURRENT LIABILITIES</b>			
Loans Payable and borrowings		148,792,320	-
Deferred Tax Liability		40,901,538	44,773,406
Post-employment benefit obligation		35,939,524	40,798,826
Total Non-Current Liabilities		225,633,382	85,572,232
Total Liabilities		6,958,344,511	7,931,571,574
<b>EQUITY</b>			
Attributable to Owners of the Parent Company		7,096,632,612	7,329,471,059
Attributable to non-controlling interest		320,739,032	335,890,074
Total Equity		7,417,371,644	7,665,361,133
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P</b>	<b>14,375,716,155</b>	<b>P 15,596,932,707</b>

**BERJAYA PHILIPPINES, INC. AND SUBSIDIARIES**  
[A Subsidiary of Berjaya Lottery Management (HK) Limited]  
**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
For the three months ended JULY 31, 2016 and JULY 31, 2015  
(Amounts in Philippine Pesos)  
(UNAUDITED)

	3 Months Ended July 31, 2016	3 Months Ended July 31, 2016	3 Months Ended July 31, 2015	3 Months Ended July 31, 2015
<b>REVENUES</b>				
Sales of vehicles	P 7,230,812,443	P 7,230,812,443	P 6,423,677,492	P 6,423,677,492
Rental	420,420,835	420,420,835	425,503,164	425,503,164
Hotel Operations	35,196,751	35,196,751	35,218,953	35,218,953
	<u>7,686,430,029</u>	<u>7,686,430,029</u>	<u>6,884,399,609</u>	<u>6,884,399,609</u>
<b>COSTS AND OTHER OPERATING EXPENSES</b>				
Cost of vehicles sold	6,353,964,218	6,353,964,218	5,568,374,676	5,568,374,676
Salaries and employee benefits	459,971,295	459,971,295	417,851,151	417,851,151
Marketing & Selling	89,347,369	89,347,369	99,943,567	99,943,567
Rental	82,679,559	82,679,559	70,867,236	70,867,236
Taxes and licences	61,981,746	61,981,746	44,088,582	44,088,582
Depreciation and amortization	52,703,630	52,703,630	78,257,047	78,257,047
Professional fees	35,215,745	35,215,745	42,197,962	42,197,962
Maintenance of computer equipment	27,020,176	27,020,176	13,250,192	13,250,192
Charitable Contribution	27,000,000	27,000,000	-	-
Management fees	25,567,531	25,567,531	24,205,621	24,205,621
Transportation and travel	24,466,376	24,466,376	8,466,201	8,466,201
Communication, light and water	23,476,979	23,476,979	22,330,720	22,330,720
Stationery and Office Supplies	21,164,576	21,164,576	20,198,836	20,198,836
Telecommunications	18,876,261	18,876,261	26,517,260	26,517,260
Insurance	16,067,161	16,067,161	11,257,007	11,257,007
Cleaning and Maintenance	10,269,428	10,269,428	9,757,661	9,757,661
Sponsorship	9,710,033	9,710,033	909,932	909,932
Bank Charges	9,650,387	9,650,387	8,171,015	8,171,015
Repairs and maintenance	6,178,083	6,178,083	9,410,622	9,410,622
Miscellaneous Expenses	6,403,043	6,403,043	31,716,804	31,716,804
Representation and entertainment	5,000,701	5,000,701	8,966,056	8,966,056
Outside Service	2,792,454	2,792,454	2,840,139	2,840,139
Security Services	4,114,988	4,114,988	4,852,612	4,852,612
Cost of food and beverages	2,949,084	2,949,084	2,877,234	2,877,234
Commissions	1,440,780	1,440,780	888,052	888,052
	<u>7,378,011,603</u>	<u>7,378,011,603</u>	<u>6,528,196,185</u>	<u>6,528,196,185</u>
<b>OPERATING PROFIT</b>	<u>308,418,426</u>	<u>308,418,426</u>	<u>356,203,424</u>	<u>356,203,424</u>
<b>OTHER INCOME (CHARGES)</b>				
Equity share in net income (losses)	32,177,079	32,177,079	21,527,454	21,527,454
Finance Income	26,043,329	26,043,329	13,507,950	13,507,950
Finance Costs	(32,482,965)	(32,482,965)	(26,201,250)	(26,201,250)
Others	(95,504,108)	(95,504,108)	72,135,120	72,135,120
	<u>(69,766,665)</u>	<u>(69,766,665)</u>	<u>80,969,274</u>	<u>80,969,274</u>
<b>PROFIT BEFORE INCOME TAX</b>	<u>238,651,761</u>	<u>238,651,761</u>	<u>437,172,698</u>	<u>437,172,698</u>
<b>TAX EXPENSE</b>	<u>85,973,682</u>	<u>85,973,682</u>	<u>112,406,542</u>	<u>112,406,542</u>
<b>NET PROFIT</b>	<u>152,678,079</u>	<u>152,678,079</u>	<u>324,766,156</u>	<u>324,766,156</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Item that will not be reclassified subsequently to profit or loss				
Net unrealized fair value gains (losses) on available-for-sale financial assets	(160,158,065)	(160,158,065)	(70,101,612)	(70,101,612)
Reclassification adjustments to profit or loss	(240,509,503)	(240,509,503)	104,386,604	104,386,604
Translation adjustment	(400,667,568)	(400,667,568)	34,284,992	34,284,992
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>(247,989,489)</u>	<u>(247,989,489)</u>	<u>359,051,148</u>	<u>359,051,148</u>
<b>Net profit attributable to:</b>				
Owners of the Parent Company	135,979,107	135,979,107	297,597,226	297,597,226
Non-controlling Interest	16,698,972	16,698,972	27,168,930	27,168,930
	<u>152,678,079</u>	<u>152,678,079</u>	<u>324,766,156</u>	<u>324,766,156</u>
<b>Total comprehensive income attributable to:</b>				
Owners of the Parent Company	(232,838,447)	(232,838,447)	318,667,723	318,667,723
Non-controlling Interest	(15,151,042)	(15,151,042)	40,383,425	40,383,425
	<u>(247,989,489)</u>	<u>(247,989,489)</u>	<u>359,051,148</u>	<u>359,051,148</u>
Weighted average number of shares outstanding	4,341,280,855	4,341,280,855	4,341,280,855	4,341,280,855
<b>Basic earnings per share (annualized)</b>	P 0.14	P 0.14	P 0.30	P 0.30

BERJAYA PHILIPPINE INC. AND SUBSIDIARIES  
*[A Subsidiary of Berjaya Lottery Management (HK) Limited]*  
 INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
 For the three months ended JULY 31, 2016 and JULY 31, 2015  
 (Amounts in Philippine Pesos)  
 (UNAUDITED)

	Attributable Owners of the Parent Company									
	Capital Stock	Treasury Shares	Revaluation Reserves	Other Reserves	Translation Adjustment	Retained Earnings		Total	Non-controlling Interest	Total
						Appropriated	Unappropriated			
Balance at May 1, 2016	P 953,984,448	P (988,150,025)	P (26,506,235)	P (14,577,611)	P (37,410,176)	P 5,246,287,236	P 2,195,843,422	P 7,329,471,059	P 335,890,074	P 7,665,361,133
Capital issuance through stock dividends	3,473,024,684	-	-	-	-	(3,473,024,684)	-	-	-	-
Profit or loss for the year	-	-	-	-	-	-	135,979,107	135,979,107	16,698,972	152,678,079
Net unrealized fair value gains on available-for-sale securities	-	-	(160,158,065)	-	-	-	-	(160,158,065)	-	(160,158,065)
Translation adjustment	-	-	-	-	(208,659,489)	-	-	(208,659,489)	(31,850,014)	(240,509,503)
Total equity at July 31, 2016	P 4,427,009,132	P (988,150,025)	P (186,664,300)	P (14,577,611)	P (246,069,665)	P 1,773,262,552	P 2,331,822,529	P 7,096,632,612	P 320,739,032	P 7,417,371,644

	Attributable Owners of the Parent Company									
	Capital Stock	Treasury Shares	Revaluation Reserves	Other Reserves	Translation Adjustment	Retained Earnings		Total	Non-controlling Interest	Total
						Appropriated	Unappropriated			
Balance at May 1, 2015	P 953,984,448	P (988,150,025)	P 118,104,045	P (14,577,611)	P (37,314,019)	P 6,023,262,552	P 710,547,440	P 6,765,856,830	P 306,460,977	P 7,072,317,807
Capital issuance through stock dividends	-	-	-	-	-	-	-	-	-	-
Profit or loss for the year	-	-	-	-	-	-	297,597,226	297,597,226	27,168,930	324,766,156
Reversal of prior year appropriation	-	-	-	-	-	(100,000,000)	100,000,000	-	-	-
Net unrealized fair value gains on available-for-sale securities	-	-	(70,101,612)	-	-	-	-	(70,101,612)	-	(70,101,612)
Translation adjustment	-	-	-	-	91,172,109	-	-	91,172,109	13,214,495	104,386,604
Total equity at July 31, 2015	P 953,984,448	P (988,150,025)	P 48,002,433	P (14,577,611)	P 53,858,090	P 5,923,262,552	P 1,108,144,666	P 7,084,524,553	P 346,844,402	P 7,431,368,955

**BERJAYA PHILIPPINES, INC. AND SUBSIDIARIES**  
**[A Subsidiary of Berjaya Lottery Management (HK) Limited]**  
**INTERIM CONSOLIDATED STATEMENTS OF CASHFLOWS**  
**For the three months ended JULY 31, 2016 and JULY 31, 2015**  
**(Amounts in Philippine Pesos)**  
**(UNAUDITED)**

	3 Months Ended July 31, 2016	3 Months Ended July 31, 2016	3 Months Ended July 31, 2015	3 Months Ended July 31, 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income	P 238,651,761	P 238,651,761	P 437,172,698	P 437,172,698
Adjustments for:				
Depreciation and amortization	52,703,630	52,703,630	78,257,047	78,257,047
Dividend Income	(2,222,167)	(2,222,167)	(8,372,296)	(8,372,296)
Interest Expense	32,482,965	32,482,965	72,135,120	72,135,120
Interest Income	(26,043,329)	(26,043,329)	(13,507,950)	(13,507,950)
Equity Share in net losses (income) of associates	(32,177,079)	(32,177,079)	(21,527,454)	(21,527,454)
Loss (gain) on sale of property and equipment	(97,973)	(97,973)	(587,017)	(587,017)
Unrealized foreign exchange losses (gain)	112,316,414	112,316,414	(27,477,900)	(27,477,900)
Operating income before working capital changes	375,614,222	375,614,222	516,092,248	516,092,248
Decrease / (Increase) in:				
Trade and other receivables	103,116,121	103,116,121	(385,037,929)	(385,037,929)
Inventories	178,416,153	178,416,153	(640,123,462)	(640,123,462)
Prepaid expenses and other current assets	285,335,555	285,335,555	(42,624,038)	(42,624,038)
Increase / (Decrease) in:				
Trade and other payables	(1,032,156,553)	(1,032,156,553)	(227,894,779)	(227,894,779)
Loans Payables and Borrowings	(156,127,290)	(156,127,290)	659,908,987	659,908,987
Retirement Obligation	(4,859,302)	(4,859,302)	(2,085,500)	(2,085,500)
Cash paid for income taxes	(35,988,501)	(35,988,501)	(25,858,689)	(25,858,689)
Net cash used in operating activities	(286,649,595)	(286,649,595)	(147,623,162)	(147,623,162)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of Property and equipment	(3,904,514)	(3,904,514)	(37,389,328)	(37,389,328)
Acquisition of Available-for-sale financial assets	-	-	(12,260,321)	(12,260,321)
Acquisition of Investments in associates	(82,283,456)	(82,283,456)	-	-
Proceeds from disposal of property and equipment	110,849	110,849	659,699	659,699
Interest Received	26,043,329	26,043,329	13,507,950	13,507,950
Cash dividends received	2,222,167	2,222,167	8,372,296	8,372,296
Advances to (collection from) associate - net	(35,000,000)	(35,000,000)	-	-
Net cash provided by investing activities	(92,811,625)	(92,811,625)	(27,109,704)	(27,109,704)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from bank loans and borrowings	173,591,040	173,591,040	-	-
Repayment of bank loan and borrowings	(50,000,000)	(50,000,000)	-	-
Interest paid	(32,482,965)	(32,482,965)	(26,201,250)	(26,201,250)
Net cash provided by financing activities	91,108,075	91,108,075	(26,201,250)	(26,201,250)
<b>EFFECT OF EXCHANGE RATE CHANGES TO CASH AND CASH EQUIVALENTS</b>	(8,533,547)	(8,533,547)	2,982,533	2,982,533
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(296,886,691)	(296,886,691)	(197,951,583)	(197,951,583)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	1,034,432,119	1,034,432,119	1,145,905,764	1,145,905,764
<b>CASH AND CASH EQUIVALENTS AT ENDING OF PERIOD</b>	P 737,545,428	P 737,545,428	P 947,954,181	P 947,954,181

**ANNEX "B"**

**BERJAYA PHILIPPINES, INC. AND SUBSIDIARIES**  
*(Formerly Prime Gaming Philippines, Inc. and Subsidiaries)*  
*[A Subsidiary of Berjaya Lottery Management (HK) Limited]*

**1 Aging of Accounts Receivables as of 31 Jul 2016**

Type of Accounts Receivables	Neither Past Due nor Impaired (Peso)	Past Due not Impaired			Past Due Accts & Items in Litigation (Peso)	Total (Peso)
		61-90 days	91-120 days (Peso)	Over 180 days (Peso)		
<b>a) Trade Receivables</b>						
1) PCSO	179,143,912	-	-	-	-	179,143,912
2) Guest/City Ledger	4,058,636	1,335,229	581,591	601,993	-	6,577,448
3) Vehicle Debtor	315,038,784	85,910,736	25,832,930	74,496,334	-	501,278,784
3) Others	-	-	-	-	-	-
Subtotal	498,241,332	87,245,964	26,414,520	75,098,327	-	687,000,144
Less: Allow For Doubtful Acct.	-	-	-	15,675,519	-	15,675,519
<b>Net Trade receivable</b>	498,241,332	87,245,964	26,414,520	59,422,808	-	671,324,625
<b>b) Non - Trade Receivables</b>						
1) Loans Receivables	3,725,611	7,451,223	7,451,223	745,519,136	-	764,147,192
2) Advances for stock subscription	38,027,652	6,324,328	134,275,154	982,358,211	-	1,160,985,346
3) Payment to other related parties	-	-	-	4,582,580	-	4,582,580
4) Advances to employees	3,013,381	724,957	594,675	2,066,412	-	6,399,426
5) Other Receivables	258,923,401	-	-	17,500,000	-	276,423,401
Subtotal	303,690,046	14,500,508	142,321,052	1,752,026,339	-	2,212,537,945
Less: Allow For Doubtful Acct.	-	-	12,399,360	-	-	12,399,360
<b>Net Non - trade receivable</b>	303,690,046	14,500,508	129,921,692	1,752,026,339	-	2,200,138,585
<b>Net Receivables (a + b)</b>	<b>801,931,378</b>	<b>101,746,472</b>	<b>156,336,213</b>	<b>1,811,449,147</b>	<b>-</b>	<b>2,871,463,210</b>

**Notes:**

If the Company's collection period does not match with the above schedule, a revision is necessary to make the schedule not misleading. The proposed collection period in this schedule may be changed to appropriately reflect the Company's actual collection period.

**2 Accounts Receivable Description**

Type of Receivables	Nature/Description	Collection/Liquidation Period
Trade Receivables		
1) PCSO	gross receipt from lottery ticket sales	30-60 days
2) Guest/City Ledger	rooms revenue and sale of food and beverages	30-60 days
3) Vehicle Debtor	sale of vehicles, parts and accessories and servicing and body shop sales	30-60 days

Notes:  
To indicate a brief description of the nature and collection period of each receivable accounts with major balances or separate receivable captions, both the trade and non - trade accounts.

**3 Normal Operating Cycle:**

365 days

**BERJAYA PHILIPPINES INC. AND SUBSIDIARIES**  
*[A Subsidiary of Berjaya Lottery Management (HK) Limited]*  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF JULY 31, 2016 and APRIL 30, 2016**  
*(Amounts in Philippine Pesos)*

**1. CORPORATE MATTERS**

*1.1 Incorporation and Operations*

Berjaya Philippines Inc. (BPI or the Parent Company) was incorporated in the Philippines on October 31, 1924. The Parent Company is organized as a holding company. The Parent Company's shares of stock were listed in the Philippine Stock Exchange on November 29, 1948.

On June 2, 2010, the Parent Company's Board of Directors (BOD) approved the Parent Company's change in corporate name from Prime Gaming Philippines, Inc. to Berjaya Philippines Inc. The application for change in name was approved by the Securities and Exchange Commission (SEC) on June 11, 2010.

The Parent Company is 74.20% owned by Berjaya Lottery Management (HK) Limited of Hong Kong (BLML) as at July 31, 2016. The Parent Company's ultimate parent company is Berjaya Corporation Berhad of Malaysia, a publicly listed company in the Main Market of Bursa Malaysia Securities Berhad.

The registered office of BPI is located at 9th Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City. BLML's registered address is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and the ultimate parent company's registered office is at Lot13-01A, Level 13 (East Wing), Berjaya Times Square, No. 1, Jalan Imbi 55100 Kuala Lumpur, Malaysia.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

*2.1 Basis of Preparation of Interim Consolidated Financial Statements*

These ICFS have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Philippine Financial Reporting Standards (PFRS), and should be read in conjunction with the Group's audited consolidated financial statements (ACFS) as at and for the year ended April 30, 2016.

The ICFS are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the ICFS of the Group are measured using the Company's functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

The preparation of the Group's ICFS in accordance with PFRS requires management to make judgments and estimates that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current interim period.

The Group presents all items of income and expense in a single consolidated statement of comprehensive income.

## 2.2 *Adoption of New and Amended PFRS*

### (a) *Effective in Fiscal Year 2017 that are Relevant to the Group*

The Group adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2016, for its interim reporting period beginning May 1, 2016:

PAS 1 (Amendment)	:	Presentation of Financial Statements – Disclosure Initiative
PAS 16 and PAS 38 (Amendments)	:	Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization
PAS 16 and PAS 41 (Amendments)	:	Property, Plant and Equipment and Agriculture – Bearer Plants
PAS 27 (Amendment)	:	Separate Financial Statements – Equity Method in Separate Financial Statements
PFRS 10, PFRS 12 and PAS 28 (Amendments)	:	Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception
Annual Improvements	:	Annual Improvements to PFRS (2012-2014 Cycle)

Discussed below are the relevant information about these amendment and improvements.

- (i) PAS 1 (Amendment), *Presentation of Financial Statements–Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment

clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

- (ii) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 38 (Amendment), *Intangible Assets— Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.
- (iii) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 41 (Amendment), *Agriculture—Bearer Plants* (effective from January 1, 2016). The amendment defines a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendment further clarifies that produce growing on bearer plants remains within the scope of PAS 41.

- (iv) PAS 27 (Amendment), *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective from January 1, 2016). This amendment introduces a third option which permits an entity to account for its investments in subsidiaries, joint ventures and associates under the equity method in its separate financial statements in addition to the current options of accounting those investments at cost or in accordance with PAS 39 or PFRS 9. As at the end of the reporting period, the Parent Company has no plan to change the accounting policy for its investments in its subsidiaries and associates.
- (v) PFRS 10 (Amendment), *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective from January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. It clarifies which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarifies whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. This amendment also permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.
- (vi) Annual Improvements to PFRS (2012-2014 Cycle) (effective from January 1, 2016). Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's interim consolidated financial statements:
- PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to “service” financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.
  - PFRS 7 (Amendment), *Financial Instruments – Applicability of Amendments to PFRS 7 to Condensed Interim Financial Statements*. This amendment clarifies that the additional disclosure required by the recent amendments to PFRS 7 related to offsetting financial assets and financial liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with PAS 34, *Interim Financial Reporting*, when its inclusion would be necessary in order to meet the general principles of PAS 34.
  - PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

- PAS 34 (Amendment), *Interim Financial Reporting – Disclosure of Information “Elsewhere in the Interim Financial Report.”* The amendment clarifies the meaning of disclosure of information “elsewhere in the interim financial report” and requires the inclusion of a cross-reference from the interim financial statements to the location of this referenced information. The amendment also specifies that this information must be available to users of the interim financial statements on the same terms as the interim financial statements and at the same time, otherwise the interim financial statements will be incomplete.

(b) *Effective in Fiscal Year 2017 that are not Relevant to the Group*

The following amendment and annual improvements which are mandatorily effective for annual periods beginning January 1, 2016 are not relevant to the Group:

PFRS 11 (Amendment)	:	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
Annual Improvement to PFRS (2012-2014 Cylce)	:	PFRS 5 (Amendment) – Non-current Assets Held for Sale and Discontinued Operations

(c) *Effective Subsequent to Fiscal Year 2017 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to fiscal year 2017 of the Group which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have an impact on the Group’s consolidated financial statements:

- (i) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
  - an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
  - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management is currently assessing the impact of PFRS 9 (2014) on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

- (ii) PFRS 10 (Amendment), *Consolidated Financial Statements*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction. In December 2015, the IASB deferred the mandatory effective date for the amendment (i.e., January 1, 2016) indefinitely.

### 3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is carried out in close cooperation with the BOD, and focuses on actively securing the Group's short to medium term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most relevant financial risks to which the Group is exposed to are described below and in the succeeding pages.

#### *3.1 Market Risk*

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from both its operating, investing and financing activities.

##### *(a) Interest Rate Risk*

The Group's policy is to minimize interest rate cash flow risk exposures on cash and cash equivalents. As at July 31, 2016 and April 30, 2016, the Group is exposed to changes in market interest rates through short-term placements included as part of Cash and Cash Equivalents account and stocking loans of H.R. Owen presented as Loans Payable and Borrowings, which are subject to variable interest rates, in the consolidated statements of financial position.

The Group keeps placements with fluctuating interest at a minimum while H.R. Owen's stocking loans are secured at any time by fixed and floating charges on stocks of new and demonstrator cars and commercial vehicles held. As such, management believes that its exposure to interest rate risk is immaterial.

##### *(b) Foreign Currency Risk*

Except for H.R. Owen whose functional currency is GBP, most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's overseas purchases, which is primarily denominated in United States Dollars (USD). The Group also holds USD, GBP, Malaysian Ringgit (MYR) and European Union Euro (EUR) denominated cash and cash equivalents and receivables. Further, the Group has AFS financial assets denominated in MYR and GBP. There were no foreign currency denominated financial liabilities as at July 31, 2016 and April 30, 2016.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency denominated financial assets, translated into Philippine pesos at the closing rate are as follows:

	<u>July 31, 2016</u>	<u>April 30, 2016</u>
Php - USD	<b>P 13,552,171</b>	P 15,693,359
Php - MYR	<b>24,870,319</b>	24,205,757
Php - GBP	<b>1,018,492,672</b>	1,107,442,737
Php - EUR	<b>46,065,604</b>	46,907,889

The following table illustrates the sensitivity of the Group's profit before tax with respect to changes in Philippine peso against USD, MYR, GBP and EUR exchange rates. These percentages have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at 95.00% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the end of each reporting period with effect estimated from the beginning of the year.

	<u>July 31, 2016</u>			<u>April 30, 2016</u>		
	Reasonably possible change in rate	Effect in profit before tax	Effect in equity after tax	Reasonably possible change in rate	Effect in profit before tax	Effect in equity after tax
PhP - USD	9.14%	P 1,238,668	P 867,068	7.83%	P 1,228,790	P 860,153
PhP - MYR	22.92%	5,700,277	3,990,194	20.88%	5,054,162	3,537,913
PhP - GBP	28.24%	287,622,331	201,335,631	18.63%	206,316,582	144,421,607
PhP - EUR	24.69%	11,373,598	7,961,518	23.15%	10,859,176	7,601,423
		<u>P 305,934,874</u>	<u>P 214,154,411</u>		<u>P 223,458,710</u>	<u>P 156,421,096</u>

Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

### *(c) Other Price Risk*

The Group's market price risk arises from its investments carried at fair value (financial assets classified as AFS financial assets). The Group manages exposure to price risk by monitoring the changes in the market price of the investments and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

The sensitivity of equity with regard to the volatility of the Group's AFS financial assets assumes a +/-17.43% and a +/-17.54% volatility in the market value of the investment for the three months ended July 31, 2016 and for the year ended April 2016, respectively. The expected change was based on the annual rate of return computed using the monthly closing market value of the investment in 2016. Based on the observed volatility rate, the estimated impact to other comprehensive income amounted to P123,625,381 and P142,646,856 for the three months ended July 31, 2016 and fiscal year ended April 30, 2016.

### *3.2 Credit Risk*

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting loans and selling goods and services to customers; granting advances to associates; and, placing deposits with banks, lessors and utility companies.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its

credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	<u>Notes</u>	<u>July 31, 2016</u>	<u>April 30, 2016</u>
Cash and cash equivalents	5	<b>P 737,545,428</b>	P 1,034,432,119
Trade and other receivables – net	6	<b>2,871,463,210</b>	2,964,012,762
Advances to associates	11	<b>172,466,627</b>	170,306,627
Other non-current assets	13	<b><u>4,432,318</u></b>	<u>4,352,318</u>
		<b><u>P 3,785,907,583</u></b>	<u>P 4,173,103,826</u>

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

*(a) Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements, which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

*(b) Trade and Other Receivables – net and Advances to Associates*

The Group's trade receivables as at July 31, 2016 and April 30, 2016 are due mainly from customers of H.R. Owen and from PCSO. The Group maintains policies that require appropriate credit checks to be completed on potential customers prior to delivery of goods and services. On-going credit checks are periodically performed on the Group's existing customers to ensure that the credit limits remain at appropriate levels.

The Group mitigates the concentration of its credit risk from its receivables from PCSO by regularly monitoring the age of its receivables from PCSO and ensuring that collections are received within the agreed credit period. These objectives, policies and strategies are consistently applied in the previous year up to the current year. In addition, the risk is reduced to the extent that PCSO has no history of significant defaults and none of the past due receivables are impaired as at the end of the reporting period.

In respect to trade receivables from the customers of H.R. Owen and other receivables and advances to associates, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group's receivables are actively monitored to avoid significant concentrations of credit risk.

*(c) Other Non-current Assets*

The refundable deposits of the Group under Other Non-Current Assets account in the consolidated statements of financial position pertain to security deposits made to various lessors and utility companies which the Group is not exposed to significant credit risk.

### ***3.3 Liquidity Risk***

The ability of the Group to finance increases in assets and meet obligations as they become due is extremely important to the Group's operations. The Group's policy is to maintain liquidity at all times. This policy aims to honor all cash requirements on an on-going basis to avoid raising funds above market rates or through forced sale of assets.

Liquidity risk is also managed by borrowing with a spread of maturity periods. The Group has significant fluctuations in short-term borrowings due to industry specific factors. The Group mitigates any potential liquidity risk through maintaining substantial unutilized banking and used vehicle stocking loan facilities.

As at July 31, 2016 and April 30, 2016, the Group's financial liabilities pertain to Trade and Other Payables, except those tax-related liabilities, and Loans Payable and Borrowings inclusive of future interest. Trade and other payables and loans payable and borrowings are considered to be current which are expected to be settled within 12 months from the end of each reporting period.

## **4. SEGMENT REPORTING**

### ***4.1 Business Segments***

The Group is organized into different business units based on its products and services for purposes of management assessment of each unit. In identifying its operating segments, the management generally follows the Group's four service lines. The Group is engaged in the business of Leasing, Services, Holdings and Investments and Motor Vehicle Dealership. Presented below is the basis of the Group in reporting to its strategic steering committee for its strategic decision-making activities.

- (a) The Leasing segment pertains to the lease of on-line lottery equipment, maintenance and repair services, and telecommunication and integration services rendered by the Group to PCSO.
- (b) The Services segment pertains to the hotel operations of PHPI.
- (c) Holdings and Investments segment relates to gains (losses) on disposal of investments and share in net gains (losses) of associates.
- (d) The Motor Vehicle Dealership segment pertains to the luxury motor vehicle retailers and provision of aftersales services of H.R. Owen.

### ***4.2 Segment Assets and Liabilities***

Segment assets are allocated based on their physical location and use or direct association with a specific segment. Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, advances, inventories and property, plant and equipment, net of allowances and provisions.

Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

#### 4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

The Group's operating business are organized and managed separately according to the nature of segment accounting policies.

#### 4.4 Analysis of Segment Information

The tables in the succeeding pages present revenue and profit information regarding business segments for the three months ended July 31, 2016, July 31, 2015 and for the year ended April 30, 2016, and certain assets and liabilities information regarding industry segments as at July 31, 2016, July 31, 2015 and April 30, 2016.

	July 31, 2016					
	Leasing	Services	Holding and Investments	Motor Vehicle Dealership	Elimination	Consolidated
Revenues:						
External	P 423,163,337	P 36,567,763	P 58,126,049	P 7,235,072,047	P -	P 7,752,929,196
Inter-segment	-	-	-	-	-	-
Total revenues	<u>P 423,163,337</u>	<u>P 36,567,763</u>	<u>P 58,126,049</u>	<u>P 7,235,072,047</u>	<u>P -</u>	<u>P 7,752,929,196</u>
Expenses:						
External	P 186,087,839	P 35,734,975	P 137,507,619	P 7,154,947,003	P -	P 7,514,277,435
Inter-segment	-	-	-	-	-	-
Total expenses	<u>P 186,087,839</u>	<u>P 35,734,975</u>	<u>P 137,507,619</u>	<u>P 7,154,947,003</u>	<u>P -</u>	<u>P 7,514,277,435</u>
Profit before tax	<u>P 237,075,498</u>	<u>P 832,787</u>	<u>(P 79,381,569)</u>	<u>P 80,125,044</u>	<u>(P -)</u>	<u>P 238,651,761</u>
Net Profit	<u>P 172,302,572</u>	<u>P 579,207</u>	<u>(P 79,906,853)</u>	<u>P 59,703,152</u>	<u>(P -)</u>	<u>P 152,678,079</u>
Segment assets	<u>P 571,348,907</u>	<u>P 765,616,099</u>	<u>P 6,652,477,119</u>	<u>P 8,076,048,366</u>	<u>(P 1,689,774,336)</u>	<u>P 14,375,716,155</u>
Segment liabilities	<u>P 140,372,652</u>	<u>P 760,210,719</u>	<u>P 64,032,521</u>	<u>P 6,734,275,679</u>	<u>(P 740,547,059)</u>	<u>P 6,958,344,511</u>
Other segment items:						
Capital expenditures	<u>P 1,674,559</u>	<u>P 355,608</u>	<u>P -</u>	<u>P 1,874,347</u>	<u>P -</u>	<u>P 3,904,514</u>
Depreciation and amortization	<u>P 677,982</u>	<u>P 7,377,263</u>	<u>P 625,301</u>	<u>P 44,023,084</u>	<u>P -</u>	<u>P 52,703,630</u>

	July 31, 2015					
	Leasing	Services	Holding and Investments	Motor Vehicle Dealership	Elimination	Consolidated
Revenues:						
External	P 441,319,896	P 36,233,948	P 66,214,713	P 6,447,801,576	P -	P 6,991,570,133
Inter-segment	-	-	100,000,000	-	( 100,000,000)	-
Total revenues	<u>P 441,319,896</u>	<u>P 36,233,948</u>	<u>P 144,687,259</u>	<u>P 6,447,801,576</u>	<u>(P 100,000,000)</u>	<u>P 6,991,570,133</u>
Expenses:						
External	P 191,755,233	P 35,878,768	P 10,136,495	P 6,316,626,939	P -	P 6,554,397,435
Inter-segment	-	-	-	-	-	-
Total expenses	<u>P 191,755,233</u>	<u>P 35,878,768</u>	<u>P 10,136,495</u>	<u>P 6,316,626,939</u>	<u>P -</u>	<u>P 6,554,397,435</u>

Profit before tax	<u>P 249,564,663</u>	<u>P 355,180</u>	<u>P 134,550,764</u>	<u>P 131,174,637</u>	<u>(P - )</u>	<u>P 437,172,698</u>
Net Profit	<u>P 182,193,992</u>	<u>P 238,122</u>	<u>P 123,670,622</u>	<u>P 97,135,966</u>	<u>(P - )</u>	<u>P 324,766,156</u>
Segment assets	<u>P 618,503,546</u>	<u>P 784,913,712</u>	<u>P 6,460,762,389</u>	<u>P 7,771,659,728</u>	<u>(P 1,633,063,726)</u>	<u>P 14,002,775,649</u>
Segment liabilities	<u>P 211,427,075</u>	<u>P 782,663,460</u>	<u>P 11,156,608</u>	<u>P 6,307,706,610</u>	<u>(P 771,547,059)</u>	<u>P 6,541,406,694</u>
Other segment items:						
Capital expenditures	<u>P 1,974,421</u>	<u>P 405,333</u>	<u>P -</u>	<u>P 6,700,127</u>	<u>P -</u>	<u>P 9,079,881</u>
Depreciation and amortization	<u>P 31,553,501</u>	<u>P 7,541,097</u>	<u>P 625,301</u>	<u>P 38,537,148</u>	<u>P -</u>	<u>P 78,257,047</u>

April 30, 2016						
	Leasing	Services	Holding and Investments	Motor Vehicle Dealership	Elimination	Consolidated
Revenues:						
External	P 1,638,353,797	P 151,136,550	P 162,560,235	P24,835,088,669	P -	P 26,787,139,251
Inter-segment	-	-	680,000,000	-	( 680,000,000)	-
Total revenues	<u>P 1,638,353,797</u>	<u>P 151,136,550</u>	<u>P 842,560,235</u>	<u>P24,835,088,669</u>	<u>(P 680,000,000)</u>	<u>P 26,787,139,251</u>
Expenses:						
External	P 781,841,990	P 147,280,989	P 205,727,147	P24,721,036,683	P -	P 25,855,886,809
Inter-segment	-	-	-	-	-	-
Total expenses	<u>P 781,841,990</u>	<u>P 147,280,989</u>	<u>P 205,727,147</u>	<u>P 24,721,036,</u>	<u>P -</u>	<u>P25,855,886,809</u>
Profit before tax	<u>P 856,511,807</u>	<u>P 3,855,561</u>	<u>P 636,833,088</u>	<u>P 114,051,986</u>	<u>(P 680,000,000)</u>	<u>P 931,252,442</u>
Net Profit	<u>P 613,846,986</u>	<u>P 2,758,074</u>	<u>P 669,594,332</u>	<u>P 100,126,717</u>	<u>(P 680,000,000)</u>	<u>P 706,326,109</u>
Segment assets	<u>P 564,967,154</u>	<u>P 769,750,002</u>	<u>P 6,975,061,212</u>	<u>P 9,060,906,438</u>	<u>(P 1,773,752,099)</u>	<u>P 15,596,932,707</u>
Segment liabilities	<u>P 306,293,471</u>	<u>P 764,923,829</u>	<u>P 114,374,617</u>	<u>P 7,645,126,716</u>	<u>(P 899,147,059)</u>	<u>P 7,931,571,574</u>
Other segment items:						
Capital expenditures	<u>P 12,509,631</u>	<u>P 1,322,305</u>	<u>P -</u>	<u>P 772,198,812</u>	<u>P -</u>	<u>P 786,030,748</u>
Depreciation and amortization	<u>P 43,016,075</u>	<u>P 30,449,519</u>	<u>P 2,501,204</u>	<u>P 162,392,546</u>	<u>P -</u>	<u>P 238,359,344</u>

Currently, the Group's operation has two geographical segments: London, England for the motor dealership segment and all other segments are in the Philippines.

## 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<b>July 31, 2016</b> <b>(Unaudited)</b>	April 30, 2016 (Audited)
Cash on hand and in banks	<b>P 651,338,863</b>	P 651,338,863
Short-term placements	<u>86,206,565</u>	<u>117,204,965</u>
	<b><u>P 737,545,428</u></b>	<b><u>P 1,034,432,119</u></b>

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements have an average maturity of 30 days and average annual effective interest ranging from 0.75% to 1.50% in 2016.

## 6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	<u>July 31, 2016</u> (Unaudited)	<u>April 30, 2016</u> (Audited)
Trade receivables	<b>P 687,000,144</b>	P 750,151,310
Payments for future acquisition of investments	<b>1,125,985,346</b>	1,230,955,446
Loans receivable	<b>665,287,730</b>	665,287,730
Interest receivable	<b>98,859,462</b>	88,682,628
Advances for stock subscriptions	<b>35,000,000</b>	82,283,456
Advances to officers and employees	<b>6,399,426</b>	5,301,754
Other receivables	<b><u>281,005,981</u></b>	<u>184,040,041</u>
	<b>2,899,538,089</b>	3,3006,702,365
Allowance for impairment	<b>( 28,074,879)</b>	( 32,123,034)
	<b><u>P 2,871,463,210</u></b>	<u>P2,974,579,331</u>

Other receivables include deposits with manufacturers and stocking plans such deposits are classified as bulk deposits and amounts paid in respect of individual vehicles on a consignment and or sale or return basis, and where title to the vehicle has not passed to the dealership.

## 7. INVENTORIES

The composition of this account are shown below.

	<u>July 31, 2016</u> (Unaudited)	<u>April 30, 2016</u> (Audited)
Vehicles	<b>P4,870,393,778</b>	P5,123,409,109
Parts and components	<b>273,716,120</b>	208,941,435
Work in progress	<b>57,181,261</b>	43,209,090
Spare parts and accessories	<b>22,380,285</b>	32,265,879
Hotel supplies	<b><u>6,899,254</u></b>	<u>7,143,014</u>
	<b>5,230,570,698</b>	5,414,968,527
Allowance for inventory write down	<b>( 129,838,721)</b>	( 135,820,397)
	<b><u>P5,100,731,977</u></b>	<u>P5,279,148,130</u>

## 8. PREPAYMENTS AND OTHER CURRENT ASSETS

The details of this account are as follows:

	<u>July 31, 2016</u> (Unaudited)	<u>April 30, 2016</u> (Audited)
Prepaid expenses	<b>P 347,970,337</b>	P 618,696,465
Refundable deposits	<b>101,261,233</b>	111,152,403
Input VAT	<b>44,065,974</b>	52,938,782
Prepaid taxes	<b>27,594,507</b>	28,112,637
Advance rental	<b>12,000,000</b>	12,000,000
Creditable withholding tax	<b>3,423,229</b>	3,062,497
Other current assets	<u><b>24,556,322</b></u>	<u>20,244,373</u>
	<b>560,871,602</b>	846,207,157
Allowance for impairment	<u><b>( 9,375,000)</b></u>	<u>( 9,375,000)</u>
	<b><u>P 551,496,602</u></b>	<b><u>P 836,832,157</u></b>

Prepaid expenses include subscriptions, refurbishment costs, maintenance expenses, license and support arrangements, prepaid insurance, benefits and advertising which are expected to be realized in the next reporting period.

## 9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account consists of the following financial assets:

	<u>July 31, 2016</u> (Unaudited)	<u>April 30, 2016</u> (Audited)
Equity securities	<b>P 717,889,256</b>	P 848,086,531
Debt securities	<b>68,037,396</b>	96,984,777
Others	<u><b>14,482,943</b></u>	<u>15,496,352</u>
	<b>800,409,594</b>	960,567,660
Allowance for impairment	<u><b>( 91,158,267)</b></u>	<u>( 91,158,267)</u>
	<b><u>P 709,251,327</u></b>	<b><u>P 869,409,393</u></b>

## 10. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of reporting periods July 31, 2016 and April 30, 2016 are shown below.

	Computers and On-line Lottery Equipment	Building	Transportation Equipment	Workshop Equipment	Office Furniture, Fixtures and Equipment	Hotel and Kitchen Equipment and Utensils	Communication Equipment	Leasehold Improvements	Construction in Progress	Land	TOTAL
<b>July 31, 2016</b> (Unaudited)											
Cost	P 1,462,825,506	P 720,291,386	P 53,839,230	P 575,998,131	P 44,288,223	P 12,686,513	P 3,782,237	P 1,209,509,179	-	P 309,176,678	P 4,392,397,083
Accumulated depreciation and amortization	( 1,456,884,365)	( 87,317,743)	( 45,145,542)	( 309,695,347)	( 36,961,902)	( 10,395,965)	( 3,592,237)	( 610,247,176)	-	-	( 2,560,240,277)
Net carrying amount	<b>P 5,941,141</b>	<b>P 632,973,643</b>	<b>P 8,693,688</b>	<b>P 266,302,784</b>	<b>P 7,326,321</b>	<b>P 2,290,548</b>	<b>P 190,000</b>	<b>P 599,262,003</b>	<b>-</b>	<b>P 309,176,678</b>	<b>P 1,832,156,807</b>
Balance at May 1, 2016 net of accumulated depreciation and amortization	P 5,775,739	P 636,586,459	P 9,614,471	P 312,271,104	P 6,322,332	P 2,371,310	P 202,071	P 674,635,336	P 264,584,956	P 89,396,781	P 2,001,760,559
Property and equipment of new business	-	-	-	-	-	-	-	-	-	-	-
Additions	222,571	-	-	1,874,347	1,539,667	267,929	-	-	-	-	3,904,514
Disposals	( 1,000)	-	-	-	-	-	-	-	-	-	( 1,000)
Depreciation and amortization charges for the year	( 56,168)	( 3,612,816)	( 920,783)	( 19,602,730)	( 535,678)	( 348,691)	( 12,071)	( 27,614,692)	P -	P -	( 52,703,630)
Translation adjustment	-	-	-	( 28,239,933)	-	-	-	( 59,685,651)	( 24,574,822)	( 8,303,230)	( 120,803,636)
Balance at July 31, 2016 net of accumulated depreciation and amortization	<b>P 5,941,141</b>	<b>P 632,973,643</b>	<b>P 8,693,688</b>	<b>P 266,302,788</b>	<b>P 7,326,321</b>	<b>P 2,290,548</b>	<b>P 190,000</b>	<b>P 587,334,993</b>	<b>P 240,010,134</b>	<b>P 81,093,551</b>	<b>P 1,832,156,807</b>
<b>April 30, 2016</b> (Audited)											
Cost	P 1,462,780,058	P 720,291,386	P 53,839,230	P 632,908,760	P 42,748,557	P 12,418,584	P 3,782,237	P 1,309,362,470	P 264,584,956	P 89,396,781	P 4,592,113,019
Accumulated depreciation and amortization	( 1,457,004,319)	( 83,704,927)	( 44,224,760)	( 320,637,660)	( 36,426,225)	( 10,047,274)	( 3,580,166)	( 634,726,994)	-	-	( 2,590,352,325)
Net carrying amount	<b>P 41,946,263</b>	<b>P 651,037,724</b>	<b>P 9,689,243</b>	<b>P 204,926,151</b>	<b>P 3,529,313</b>	<b>P 4,060,466</b>	<b>P 250,357</b>	<b>P 427,574,426</b>	<b>P 264,584,956</b>	<b>P 89,343,937</b>	<b>P 2,001,760,694</b>
Balance at May 1, 2015 net of accumulated depreciation and amortization	P 41,946,263	P 651,037,724	P 9,689,243	P 204,926,151	P 3,529,313	P 4,060,466	P 250,357	P 427,574,426	-	P 89,343,937	P 1,432,357,880
Property and equipment of new business	-	-	-	9,845,257	-	-	-	9,435,306	-	-	19,280,563
Additions	1,061,944	-	5,917,641	169,119,575	5,261,368	313,176	-	339,772,088	264,584,956	-	786,030,748
Disposals	( 12,000)	-	-	( 180,088)	-	-	-	-	-	-	( 192,088)
Depreciation and amortization charges for the year	( 37,220,468)	( 14,451,265)	( 5,992,414)	( 72,505,128)	( 2,468,349)	( 2,002,332)	( 48,286)	( 103,671,102)	P -	P -	( 238,359,344)
Translation adjustment	-	-	-	1,065,333	-	-	-	1,524,758	-	52,844	2,642,935
Balance at April 30, 2016 net of accumulated depreciation and amortization	<b>P 5,775,739</b>	<b>P 636,586,459</b>	<b>P 9,614,470</b>	<b>P 312,271,100</b>	<b>P 6,322,332</b>	<b>P 2,371,310</b>	<b>P 202,071</b>	<b>P 674,635,476</b>	<b>P 264,584,956</b>	<b>P 89,396,781</b>	<b>P 2,001,760,694</b>

## 11. INVESTMENTS IN AND ADVANCES TO ASSOCIATES AND NON-CONTROLLING INTEREST

### 11.1 Breakdown of Carrying Values

The components of the carrying values of investments in associates are shown below. These investments are accounted for under the equity method in the consolidated financial statements of the Group:

#### July 31, 2016 (Unaudited)

	<u>PLPI</u>	<u>BPPI</u>	<u>BAPI</u>	<u>CPI</u>	<u>SBMPI</u>	<u>NPI</u>	<u>Total</u>
Investment:							
Acquisition Costs							
Initial Investment	P 399,997	P 26,000,000	P 62,700,000	P 399,996	P 22,500,000	P 82,283,456	P 194,283,449
Reclassification	7,600,000	91,400,000	-	-	-	-	99,000,000
Additional Investment	-	-	115,680,000	-	-	-	115,680,000
	<u>7,999,997</u>	<u>117,400,000</u>	<u>178,380,000</u>	<u>399,996</u>	<u>22,500,000</u>	<u>82,283,456</u>	<u>408,963,449</u>
Accumulated equity share in net profit (losses)							
Share in net profit (losses) in prior years	34,608,843	(117,400,000)	223,225,677	(399,996)	-	-	140,034,524
Share in net profit (losses) in during year	239,424	-	37,416,528	-	263,895	(5,742,768)	32,177,079
	<u>34,848,267</u>	<u>(117,400,000)</u>	<u>260,642,205</u>	<u>(399,996)</u>	<u>263,895</u>	<u>(5,742,768)</u>	<u>172,211,603</u>
Total Investments in associates	42,848,264	-	439,022,205	-	22,763,895	76,540,688	581,175,052
Advances	29,683,131	140,160,000	-	2,623,496	-	-	172,466,627
	<u>P 72,531,395</u>	<u>P 140,160,000</u>	<u>P 439,022,205</u>	<u>P 2,623,496</u>	<u>P 22,763,895</u>	<u>P 76,540,688</u>	<u>P 753,641,679</u>

#### April 30, 2016 (Audited)

	<u>PLPI</u>	<u>BPPI</u>	<u>BAPI</u>	<u>CPI</u>	<u>SBMPI</u>	<u>NPI</u>	<u>Total</u>
Investment:							
Acquisition Costs							
Initial Investment	P 399,997	P 26,000,000	P 62,700,000	P 399,996	P 22,500,000	-	P 111,999,993
Reclassification	7,600,000	91,400,000	-	-	-	-	99,000,000
Additional Investment	-	-	115,680,000	-	-	-	115,680,000
	<u>7,999,997</u>	<u>117,400,000</u>	<u>178,380,000</u>	<u>399,996</u>	<u>22,500,000</u>	<u>-</u>	<u>326,679,993</u>
Accumulated equity share in net profit (losses)							
Share in net profit (losses) in prior years	32,680,551	(61,400,000)	113,388,214	(399,996)	-	-	84,268,769
Share in net profit (losses) in during year	1,928,292	(56,000,000)	109,837,463	-	-	-	55,765,755
	<u>34,608,843</u>	<u>(117,400,000)</u>	<u>223,225,677</u>	<u>(399,996)</u>	<u>-</u>	<u>-</u>	<u>140,034,524</u>
Total Investments in associates	42,608,840	-	401,605,677	-	22,500,000	-	466,714,517
Advances	29,683,131	138,200,000	-	2,423,496	-	-	170,306,627
	<u>P 72,291,971</u>	<u>P 138,200,000</u>	<u>P 401,605,677</u>	<u>P 2,423,496</u>	<u>P 22,500,000</u>	<u>P -</u>	<u>P 637,021,144</u>

## 12. INTANGIBLE ASSETS

The compositions of this account are shown below.

	<u>July 31, 2016</u> (Unaudited)	<u>April 30, 2016</u> (Audited)
Goodwill	P 1,097,313,477	P 1,167,284,328
Dealership rights	641,508,044	707,192,546
Customer relationship	<u>36,578,112</u>	<u>40,323,373</u>
	<u>P 1,770,399,633</u>	<u>P 1,914,800,247</u>

## 13. OTHER NON-CURRENT ASSETS

Other non-current assets of the Group pertain to security deposits refundable from various lessors and utility companies amounting to P4,432,318 and P4,532,318 as at July 31, 2016 and April 30, 2016, respectively.

## 14. TRADE AND OTHER PAYABLES

This account consists of the following:

	<u>July 31, 2016</u> (Unaudited)	<u>April 30, 2016</u> (Audited)
Trade payables	P 902,720,292	P 1,367,122,558
Advances from customers	1,231,503,629	1,439,274,113
Accrued expenses	231,474,237	363,787,871
Withholding taxes payable	65,431,728	134,088,729
Deferred income	63,403,197	41,890,790
Deferred output VAT	32,359,035	28,732,782
Management fee payable	20,223,000	19,880,000
Due to a related party	712,668	3,178,732
Other payables	<u>184,872,870</u>	<u>173,934,813</u>
	<u>P2,732,700,656</u>	<u>P 3,571,890,388</u>

## 15. LOANS PAYABLE AND BORROWINGS

This account consists of the following:

	<u>July 31, 2016</u> (Unaudited)	<u>April 30, 2016</u> (Audited)
Manufacturers' vehicle stocking loans	P 2,622,731,846	P 2,872,403,969
Other third party vehicle stocking loans	984,132,181	988,786,789
Bank loans and mortgages	<u>322,785,921</u>	<u>373,378,800</u>
	<u>P 3,929,649,948</u>	<u>P4,234,569,558</u>

### *15.1 Vehicle Stocking Loans*

Manufacturers' vehicle stocking loans and other loans are all at variable, floating commercial rates of interest. These are secured at any time by fixed and floating charges on stocks of new and demonstrator cars and commercial vehicles held. Other third party vehicle stocking loans are secured by fixed and floating charges on stocks of used cars.

### *15.2 Bank Loans*

In 2016, the Parent Company obtained a secured loan from a local bank for its working capital requirements. Such loan bears a fixed annual interest based on prevailing market rate and is secured by surety from PGMC and real estate mortgage over parcels of land, including the improvements therein, owned by PLPI.

H.R. Owen's loans are secured by fixed and floating charges over the assets (i.e., vehicles) of H.R. Owen and are repayable on demand. H.R. Owen has entered into an agreement with Barclays Bank Plc whereby its credit balance with the bank can, at any time, be used to discharge sums due to the bank by any Group undertaking.

In June 2016, H.R. Owen obtained a secured loan with Maybank to facilitate its working capital requirements.

## **16. DIVIDENDS**

On October 5, 2015, the Parent Company's BOD approved the following resolutions:

- (i) increase in authorized capital stock from P2,000,000,000 divided into 2,000,000,000 shares to P6,000,000,000 divided into 6,000,000,000 shares;
- (ii) reversal of P4,000,000,000 previously allocated funds for capital expenditures and corporate expansion back to unrestricted retained earnings; and,
- (iii) declaration of stock dividends at a rate of 4 common shares for every common share held to be taken from the increase in authorized capital stock.

Consequently, the Company appropriated P3,473,024,684 retained earnings for distribution of stock dividends.

On May 27, 2016, the Parent Company filed the declaration of stock dividends and the increase in authorized capital stock for approval of the SEC. Subsequently, the SEC approved the increase in authorized capital stock on May 31, 2016. Further, on June 6, 2016 the SEC approved the declaration of stock dividends setting the date of record on June 24, 2016 and the date of payment on July 20, 2016. Consequently on July 20, 2016, the Parent Company issued stock dividends of 3,473,024,684 shares at par.

## 17. EARNINGS PER SHARE

In fiscal year 2016, the Parent Company declared stock dividends at a rate of 4 shares for every one share held (see Note 16). Consequently, the EPS has been adjusted retrospectively to account for the increase in the number of issued and outstanding shares. For purposes of calculating EPS, the weighted average number of outstanding common shares in three months ended July 31, 2016 and for the years ended April 30, 2016 increased from 868,256,171 shares to 4,341,280,855 shares. The calculation of EPS is presented as follows.

	July 30, 2016 (Unaudited)	July 30, 2015 (Unaudited)		April 30, 2016 (Audited)
		Previously Presented	As Restated	
Net profit attributable to Owners of the Parent Company	P 135,979,107	P 297,597,226	P 297,597,226	P 678,320,666
Divided by weighted average number of outstanding shares	<u>4,341,280,855</u>	<u>868,256,171</u>	<u>4,341,280,855</u>	<u>4,341,280,855</u>
Earnings Per Share	<u>P 0.03</u>	<u>P 0.34</u>	<u>P 0.07</u>	<u>P 0.16</u>

The Group has no potentially dilutive instruments; thus, basic and dilutive earnings per share are the same.

## 16. CATEGORIES, FAIR VALUES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 16.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of assets and liabilities presented in the consolidated statements of financial position are shown below.

		July 31, 2016 (Unaudited)		April 30, 2016 (Audited)	
		Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial Assets</b>					
Loans and receivables:					
Cash and cash equivalents	5	P 737,545,428	P 737,545,428	P 1,034,432,119	P 1,034,432,119
Trade and other receivables - net	6	2,871,463,210	2,871,463,210	2,964,012,762	2,964,012,762
Advances to associates	11	172,466,627	172,466,627	170,306,627	170,306,627
Other non-current assets	13	<u>4,432,318</u>	<u>4,432,318</u>	<u>4,352,318</u>	<u>4,352,318</u>
		<u>P 3,785,907,583</u>	<u>P 3,785,907,583</u>	<u>P 4,173,103,826</u>	<u>P 4,173,103,826</u>
AFS financial assets	9	<u>P 709,251,327</u>	<u>P 709,251,327</u>	<u>P 869,409,393</u>	<u>P 869,409,393</u>
<b>Financial Liabilities</b>					
Financial liabilities at amortized cost:					
Loans payable and borrowings	15	P 3,929,649,948	P 3,929,649,948	P 4,234,569,558	P 4,234,569,558
Trade and other payables	14	<u>2,732,700,656</u>	<u>2,732,700,656</u>	<u>2,000,465,442</u>	<u>2,000,465,442</u>
		<u>P 6,662,350,604</u>	<u>P 6,662,350,604</u>	<u>P 6,235,035,000</u>	<u>P 6,235,035,000</u>

### *16.2 Offsetting of Financial Assets and Financial Liabilities*

Currently, financial assets and liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis through approval by both parties' BOD and stockholders or upon instruction by the Parent Company.

## **17. FAIR VALUE MEASUREMENT AND DISCLOSURES**

### *17.1 Fair Value Hierarchy*

In accordance with PFRS 13, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- (a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- (c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Parent Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

### *17.2 Financial Instruments Measured at Fair Value*

Quoted equity securities, debt securities and others classified as AFS financial assets are included in Level 1 as their prices are derived from quoted prices in active market

that the entity can access at the measurement date, except for certain equity securities with carrying amount of P135,411,534 which are carried at cost as at April 30, 2015 (provided with full allowance in 2016).

The fair value of these shares decreased by P160,158,065 and P70,101,612 in three months ended July 31, 2016 and 2015, respectively. This was presented as Net Unrealized Fair Value Gains on Available-for-sale Financial Assets under Other Comprehensive Income (Loss) of the consolidated statements of comprehensive income.

The Group has no financial liabilities measured at fair value for the three months ended July 31, 2016 and for the years ended April 30, 2016. There were no transfers across the levels of the fair value hierarchy in both years.

### *17.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed*

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statement of financial position on a recurring basis on three months ended July 31, 2016 and for the year ended April 30, 2016:

		<b>July 31, 2016</b>			
		<b>(Unaudited)</b>			
		Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>					
Cash and cash equivalents	P	737,545,428	P -	P -	P 737,545,428
Trade and other receivables		-	-	2,871,463,210	2,871,463,210
Advances to associates		-	-	172,466,627	172,466,627
Other non-current assets		-	-	4,432,318	4,432,318
		<b><u>P 737,545,428</u></b>	<b><u>P -</u></b>	<b><u>P 3,048,362,155</u></b>	<b><u>P 3,785,907,583</u></b>
<b>Financial liabilities:</b>					
Loans payable and borrowings	P	-	P -	P 3,929,649,948	P 3,929,649,948
Trade and other payables		-	-	2,732,700,656	2,732,700,656
		<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 6,662,350,604</u></b>	<b><u>P 6,662,350,604</u></b>
		<b>April 30, 2016</b>			
		<b>(Audited)</b>			
		Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>					
Cash and cash equivalents	P	1,034,432,119	P -	P -	P 1,034,432,119
Trade and other receivables		-	-	2,964,012,762	2,964,012,762
Advances to associates		-	-	170,306,627	170,306,627
Other non-current assets		-	-	4,352,318	4,352,318
		<b><u>P 1,034,432,119</u></b>	<b><u>P -</u></b>	<b><u>P 3,138,671,707</u></b>	<b><u>P 4,173,103,826</u></b>
<b>Financial liabilities:</b>					
Loans payable and borrowings	P	-	P -	P 4,134,569,558	P 4,234,569,558
Trade and other payables		-	-	2,000,465,442	2,000,465,442
		<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 6,135,035,000</u></b>	<b><u>P 6,235,035,000</u></b>

## 18. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

### *18.1 Operating Lease Commitments – PGMC and H.R. Owen as Lessees*

PGMC and H.R. Owen lease its office and dealership spaces, respectively, under lease agreements from certain lessors. The lease agreements also provide for renewal options upon mutual consent of both parties.

Future minimum rental payable related to this lease as follows:

	<u>July 31, 2016</u> (Unaudited)	<u>April 30, 2016</u> (Audited)
Within one year	<b>P 325,153,211</b>	P 351,125,448
After one year but not more than five years	<b>942,167,112</b>	1,048,045,719
More than five years	<b><u>1,168,205,702</u></b>	<u>1,325,209,406</u>
	<b><u>P2,435,526,025</u></b>	<b><u>P 2,724,389,572</u></b>

### *18.2 Operating Lease Commitments – PGMC as Lessor*

PGMC entered into an ELA with PCSO covering the lease of its on-line lottery equipment for a period of three years under certain conditions.

For the Fiscal Year  
Currency

July 2016  
Philippine Peso

July 2015  
Philippine Peso

April 2016  
Philippine Peso

	3 mos ended July 31 2016	3 mos ended July 31 2016	3 mos ended July 31 2015	3 mos ended July 31 2015	12 mos ended April 30 2016
<b>Balance Sheet</b>					
Current Assets	9,433,703,844	9,433,703,844	9,278,033,858	9,278,033,858	10,295,298,364
Total Assets	14,375,716,155	14,375,716,155	14,002,775,649	14,002,775,649	15,596,932,707
Current Liabilities	6,732,711,129	6,732,711,129	6,448,820,996	6,448,820,996	7,845,999,342
Total Liabilities	6,958,344,511	6,958,344,511	6,541,406,694	6,541,406,694	7,931,571,574
Retained Earnings	4,105,085,081	4,105,085,081	7,031,407,218	7,031,407,218	7,442,130,658
Stockholders Equity	7,417,371,644	7,417,371,644	7,461,368,955	7,461,368,955	7,665,361,133
Stockholders Equity-Parent	7,096,632,612	7,096,632,612	7,114,524,553	7,114,524,553	7,329,471,059
Book Value Per Share	1.71	1.71	7.82	7.82	8.04
<b>Income Statement</b>					
Operating Revenue	7,686,430,029	7,686,430,029	6,884,399,609	6,884,399,609	26,501,585,414
Other Revenue	58,220,408	58,220,408	107,170,524	107,170,524	285,553,837
Gross Revenue	7,744,650,437	7,744,650,437	6,991,570,133	6,991,570,133	26,787,139,251
Operating Expense	7,378,011,603	7,378,011,603	6,528,196,185	6,528,196,185	25,547,239,323
Other Expense	127,987,073	127,987,073	26,201,250	26,201,250	308,647,486
Gross Expense	7,505,998,676	7,505,998,676	6,554,397,435	6,554,397,435	25,855,886,809
Net Income/(Loss) Before Tax	238,651,761	238,651,761	437,172,698	437,172,698	931,252,442
Income Tax Expense	85,973,682	85,973,682	112,406,541	112,406,541	224,926,333
Net Income/(Loss) After Tax	152,678,079	152,678,079	324,766,157	324,766,157	706,326,109
Net Income/(Loss) Attributable to Parent Equity Holder	135,979,107	135,979,107	297,597,226	297,597,226	678,320,666
Earnings/(Loss) Per Share (Basic)	0.03	0.03	0.07	0.07	0.16
Earnings/(Loss) Per Share (Diluted)					

Financial Ratios		3 mos ended July 31 2016		3 mos ended July 31 2016		3 mos ended July 31 2015		3 mos ended July 31 2015		12 mos ended April 30 2016
<b>Liquidity Analysis Ratios:</b>										
<b>Current Ratio or Working Capital ratio</b>										
	Current Assets/	9,433,703,844	1.40	9,433,703,844	1.40	9,278,033,858	1.44	9,278,033,858	1.44	1.31
	Current Liabilities	6,732,711,129		6,732,711,129		6,448,820,996		6,448,820,996		
<b>Quick Ratio</b>										
	Current Assets-Inventory-Prepayments/	3,781,475,265	0.56	3,781,475,265	0.56	3,726,073,348	0.58	3,726,073,348	0.57	0.53
	Current Liabilities	6,732,711,129		6,732,711,129		6,448,820,996		6,448,820,996		
<b>Solvency Ratio</b>										
	Total Assets/	14,375,716,155	2.07	14,375,716,155	2.07	14,002,775,649	2.14	14,002,775,649	2.14	1.97
	Total Liabilities	6,958,344,511		6,958,344,511		6,541,406,694		6,541,406,694		
<b>Financial Leverage Ratios</b>										
<b>Debt Ratio</b>										
	Total Debt/	6,958,344,511	0.48	6,958,344,511	0.48	6,541,406,694	0.47	6,541,406,694	0.47	0.51
	Total assets	14,375,716,155		14,375,716,155		14,002,775,649		14,002,775,649		
<b>Debt to Equity Ratio</b>										
	Total Debt/	6,958,344,511	0.94	6,958,344,511	0.94	6,541,406,694	0.88	6,541,406,694	0.88	1.03
	Total Stockholder's Equity	7,417,371,644		7,417,371,644		7,461,368,955		7,461,368,955		
<b>Interest Coverage</b>										
	Earnings Before Interest and Taxes (EBIT)/	238,651,761	8.35	238,651,761	8.35	437,172,698	17.69	437,172,698	17.69	4.22
	Interest Charges	32,482,965		32,482,965		26,201,250		26,201,250		
<b>Assets to Equity Ratio</b>										
	Total assets/	14,375,716,155	1.94	14,375,716,155	1.94	14,002,775,649	1.88	14,002,775,649	1.88	2.03
	Total Stockholders Equity	7,417,371,644		7,417,371,644		7,461,368,955		7,461,368,955		
<b>Profitability Ratios</b>										
<b>Gross Profit Margin</b>										
	Gross Profit	7,686,430,029	0.17	7,686,430,029	0.17	6,884,399,609	0.19	6,884,399,609	0.19	0.19
	Sales-Cost of Goods Sold or Cost of Service/	(6,356,913,302)		(6,356,913,302)		(5,571,251,910)		(5,571,251,910)		
	Sales	7,686,430,029		7,686,430,029		6,884,399,609		6,884,399,609		
<b>Net Profit Margin</b>										
	Net Profit/	152,678,079	0.02	152,678,079	0.02	324,766,157	0.05	324,766,157	0.05	0.03
	Sales	7,686,430,029		7,686,430,029		6,884,399,609		6,884,399,609		
<b>Return of Assets</b>										
	Net Income/	152,678,079	0.04	152,678,079	0.04	324,766,157	0.02	324,766,157	0.02	0.05
	Total Assets	14,375,716,155		14,375,716,155		14,002,775,649		14,002,775,649		
<b>Return of Equity</b>										
	Net Income/	152,678,079	0.08	152,678,079	0.08	324,766,157	0.04	324,766,157	0.04	0.09
	Total Stockholders Equity	7,417,371,644		7,417,371,644		7,461,368,955		7,461,368,955		
<b>Price/Earnings Ratio</b>										
	Price Per Share/	5.80	185.17	5.80	185.17	27.00	393.87	27.00	393.87	182.40
	Earnings Per Common Share	0.031		0.031		0.069		0.069		

**BERJAYA PHILIPPINES INC. AND SUBSIDIARIES**  
 9th Floor, Rufino Pacific Tower  
 6784 Ayala Avenue, Makati City

**Financial Indicators**  
 July 31, 2016

Financial Indicators	Computation		Ratios		Computation	Ratios
	July 2016	July 2015	July 2016	July 2015	April 2016	April 2016
<b>Quick ratio</b>						
Cash and cash equivalents +	737,545,428	947,954,181				
Trade and other receivables - net +	2,871,463,210	2,555,192,540				
Advances to associates	172,466,627	222,926,627	0.56	0.57	4,179,318,077	0.53
Total Current Liabilities	6,732,711,129	6,541,406,694			7,845,999,342	
<b>Current/liquidity ratio</b>						
Total Current Assets	9,433,703,844	9,278,033,858	1.36	1.42	10,295,298,364	1.31
Total Current Liabilities	6,958,344,511	6,541,406,694			7,845,999,342	
<b>Debt-to-equity ratio</b>						
Total Liabilities	6,958,344,511	6,541,406,694	0.94	0.88	7,931,571,574	1.03
Total Equity	7,417,371,644	7,461,368,955			7,665,361,133	
<b>Debt-to-assets ratio</b>						
Total Liabilities	6,958,344,511	6,541,406,694	0.48	0.47	7,931,571,574	0.51
Total Assets	14,375,716,155	14,002,775,649			15,596,932,707	
<b>Equity-to-assets ratio</b>						
Total Equity	7,417,371,644	7,461,368,955	0.52	0.53	7,665,361,133	0.49
Total Assets	14,375,716,155	14,002,775,649			15,596,932,707	
<b>Annualized PPE Turnover</b>						
Net Revenue	7,686,430,029	6,884,399,609	16.78	19.79	26,501,585,414	13.24
PPE	1,832,156,807	1,391,490,161			2,001,760,694	
<b>Annualized Return on assets</b>						
Net Profit	152,678,079	324,766,157	4.25%	9.28%	706,326,108	4.53%
Total Assets	14,375,716,155	14,002,775,649			15,596,932,707	
<b>Annualized Return on equity</b>						
Net Profit	152,678,079	324,766,157	8.23%	17.41%	706,326,109	9.21%
Total Equity	7,417,371,644	7,461,368,955			7,665,361,133	
<b>Annualized</b>	4	4			1	
<b>Earnings per share</b>						
Net Profit Attributable to Owners of the Parent Company	135,979,107	892,549,186	0.03	0.21	678,320,666	0.16
Weighted Average Number of Outstanding Common Shares	4,341,280,855	4,341,280,855			4,341,280,855	