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

1. For the quarterly period ended **-** **March 31, 2015**

2. SEC Identification Number - **15923**

3. BIR Tax Identification Number - **000-746-558**

4. Exact name of registrant as specified in its charter –
MANILA BULLETIN PUBLISHING CORPORATION

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

6. Industry Classification Code – **(to be provided by SEC)**

7. Address of principal office – **Manila Bulletin Building, Muralla corner Recoletos Sts., Intramuros, Manila**

8. Registrant's telephone number – **527-8121**

9. Former name, former address and former fiscal year, if changed since last report
none

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Class Title	Number of Shares Outstanding
Common Stock	**3,267,168,510 shares**

11. Are any or all of the securities listed on a Stock Exchange?

Yes [/]
No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein :

Philippine Stock Exchange Common Stock

12. The Company has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder of Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months.

MANILA BULLETIN PUBLISHING CORPORATION
QUARTERLY REPORT
For the First Quarter Ended, March 31, 2015

Name of Registrant : **MANILA BULLETIN PUBLISHING CORPORATION**

Address : **P.O. Box 769**
Manila Bulletin Building
Muralla corner Recoletos Streets
Intramuros, Manila

Nature of Business : **Newspaper Publication**

Board of Directors :

Mr.Basilio C. Yap
Atty. Hermogenes P. Pobre
Dr. Emilio C. Yap III
Chief Justice Hilario G. Davide, Jr. (SC Ret.) - Independent Director
Secretary Alberto G. Romulo (DFA Ret.)- Independent Director
Dr. Enrique Y. Yap, Jr.
Mrs. Paciencia M. Pineda
Atty. Francis Y. Gaw
Dr. Esperanza I. Cabral – Independent Director
Dr. Crispulo J. Icban, Jr.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements Required Under SRC Rule 68.1

Attached herein are the following reports:

a. Comparative Statements of Income and Retained Earnings

b. Comparative Balance Sheets

c. Comparative Statements of Cash Flows

d. Comparative Statements of Changes in Stockholders' Equity

e. Notes to Financial Statements

f. Aging of Accounts Receivable – trade (please see note 24)

g. Beneficial Ownership, Top 100 Shareholders, Board lot report, Security Ownership of more than 5% of Outstanding shares and Top 20 Shareholders report as prepared by the Hongkong and Shanghai Banking Corporation Ltd.

MANILA BULLETIN PUBLISHING CORPORATION

COMPARATIVE STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2015 AND DECEMBER 31, 2014

	Notes	31-Mar 2015 (Unaudited)	31-Dec 2014 (Audited)
ASSETS			
Current			
Cash and cash equivalents	2,3,4,23	105,667,815	110,218,460
Trade and other receivables	2,3,5,23	1,933,230,921	1,958,019,769
Inventories	2,3,6	1,232,065,721	1,240,212,207
Others	2,3,7,23	240,815,270	251,421,432
		3,511,779,727	3,559,871,868
Noncurrent			
Property, plant and equipment	2,3,11	2,719,657,322	2,735,904,269
Investment property	2,3,10	94,808,970	94,808,970
Deferred tax asset - net	2,3,19	49,381,722	49,381,722
Prepaid benefit obligation	2,20	6,477,189	6,477,189
Goodwill	2,10	5,000,000	5,000,000
Other non - current assets	11	168,264,162	170,295,620
		3,043,589,365	3,061,867,770
TOTAL ASSETS		6,555,369,092	6,621,739,638
LIABILITIES AND EQUITY			
Current			
Trade and other payables	2,12,23,25	2,342,880,173	2,387,380,032
Trust receipts payable	13,24,25	193,432,472	196,542,954
Current portion of loans payable	14,24,25	110,000,000	110,000,000
Income tax payable	2	14,261,542	13,086,926
		2,660,574,187	2,707,009,912
Noncurrent			
Loans payable net of current portion	2,14,24	459,500,000	489,500,000
EQUITY	2,15		
Paid-up capital	2,15	3,276,493,160	3,276,493,160
Retained earnings	2,15	249,404,113	239,338,934
Accumulated remeasurement losses on retirement benefit plan	3	(74,254,391)	(74,254,391)
Treasury shares	2,15	(16,347,977)	(16,347,977)
		3,435,294,905	3,425,229,726
TOTAL LIABILITIES AND EQUITY		6,555,369,092	6,621,739,638

See accompanying notes to financial statements.

MANILA BULLETIN PUBLISHING CORPORATION

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
For the First Quarter Ended, March 31, 2015 and 2014

		First Quarter Ended	
	Notes	**2015**	**2014**
INCOME	*2,3*		
Advertising	*16*	P378,256,900	P375,291,100
Circulation	*16*	172,022,852	170,021,030
Others	*18*	30,452,100	27,843,133
		580,731,852	573,155,263
EXPENSES	*2*		
Cost of printing and materials used	*2,17*	310,500,745	290,595,895
Compensations and benefits		59,793,436	63,273,268
Promotions and advertising		28,572,521	27,443,923
Utilities		16,637,821	18,239,927
Depreciation	*2,8*	10,852,400	9,576,579
Maintenance		9,598,667	9,895,372
Rental	*2,3,22*	5,721,463	6,624,160
Provision for impairment losses	*2,3,5*	837,929	839,496
Other operating expenses		108,870,796	115,917,522
		551,385,778	542,406,142
OPERATING INCOME		29,346,074	30,749,121
NET FINANCE COSTS			
Finance charge	*2*	(15,205,371)	(17,982,892)
Finance income	*2*	25,410	27,428
		(15,179,961)	(17,955,464)
INCOME BEFORE INCOME TAX		14,166,113	12,793,657
PROVISION FOR INCOME TAX	*2,3,19*	4,100,934	3,681,567
NET INCOME		10,065,179	9,112,090
OTHER COMPREHENSIVE INCOME		-	-
TOTAL OTHER COMPREHENSIVE INCOME		10,065,179	9,112,090
EARNINGS PER SHARE			
Basic/Diluted	*2,21*	P 0.0031	P 0.0029

See accompanying notes to financial statements.

MANILA BULLETIN PUBLISHING CORPORATION
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the First Quarter Ended, March 31, 2015 and 2014

	2015	2014
COMMON		
Balance at beginning of quarter	3,276,493,160	3,181,332,912
Issued	-	-
Balance at end of quarter	3,276,493,160	3,181,332,912
RETAINED EARNINGS		
Unapproriated		
Balance at beginning of quarter	239,338,934	248,160,218
Net Income	10,065,179	9,112,090
Balance at end of quarter	249,404,113	257,272,308
NET UNREALIZED GAIN/ (LOSS) ON AVAILABLE FOR SALE INVESTMENTS		
Balance at beginning of quarter	-	-
Additions/ deductions	-	-
Balance at end of quarter	-	-
REMEASUREMENT LOSSES ON RETIREMENT BENEFIT PLAN		
Balance at beginning of quarter	(74,254,391)	(61,561,636)
Additions/ deductions		
Balance at end of quarter	(74,254,391)	(61,561,636)
TREASURY SHARES		
Balance at beginning of period	(16,347,977)	(16,347,977)
Additions/Deductions	-	-
Balance at end of quarter	(16,347,977)	(16,347,977)
TOTAL STOCKHOLDERS' EQUITY	3,435,294,905	3,360,695,607

MANILA BULLETIN PUBLISHING CORPORATION
COMPARATIVE STATEMENTS OF CASH FLOWS
For the First Quarter Ended, March 31, 2015 and 2014

	JANUARY TO	MARCH
	2015	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	PHP 10,065,179	PHP 9,112,090
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation	19,741,244	20,367,033
Changes in operating assets and liabilities :		
Accounts receivable	24,788,848	63,356,415
Inventories	8,146,486	53,930,366
Prepaid items and other current assets	10,606,162	22,817,693
Other assets	2,031,458	29,999,578
Accounts payable and accrued expenses	(44,499,859)	(147,206,055)
Income tax payable	1,174,616	101,072
Net cash provided by operating activities	32,054,134	52,478,192
CASH FLOWS FROM INVESTING ACTIVITIES		
Net additions to property and equipment	(3,494,297)	(9,299,418)
Net cash used in investing activities	(3,494,297)	(9,299,418)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment / Payment of bills/ loans	(33,110,482)	(40,709,170)
Net cash used in financing activities	(33,110,482)	(40,709,170)
NET INCREASE (DECREASE) IN CASH	(4,550,645)	2,469,604
CASH AND CASH EQUIVALENTS, JANUARY 1	110,218,460	105,597,019
CASH AND CASH EQUIVALENTS, MARCH 31	**PHP 105,667,815**	**PHP 108,066,623**

See accompanying notes to financial statements

MANILA BULLETIN PUBLISHING CORPORATION

NOTES TO FINANCIAL STATEMENTS
March 31, 2015
(With comparative figures for 2014)
(In Philippine Peso)

1. Corporate Information

Manila Bulletin Publishing Corporation (the 'Company') was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on February 2, 1900 under SEC registration number 15923. Its principal office is located at Manila Bulletin Bldg., Muralla corner Recoletos Sts., Intramuros, Manila. It is the first newspaper company in the Philippines to go public. As of this date, it is the oldest newspaper published in the country and the second oldest English newspaper in the Far East. It started as a commercial newspaper, publishing advertisements of shipping companies.

It has maintained its leadership in the newspaper industry and in the publications of magazines with its advertisements, circulation and clientele. The broad sheet, Manila Bulletin is published seven days a week; the Philippine Panorama, a Sunday Weekly Magazine; Style Weekend, a Friday Weekly Magazine; Travel Magazine, published every second and fourth Thursday of the month; Tempo, a daily English tabloid; Balita, a daily Filipino; monthly magazines, namely: Agriculture, to help boost food production and promote livelihood programs; Cruising for sports and travel; Sense and Style, an upscale magazine, covers various facets lifestyle from its core content on homes and gardening to beauty and fashion, health and fitness, career, cooking and dining, travel, leisure and everything relevant to busy young urbanities; Animal Scene, which focuses on animals from pets to endangered species; and Sports Digest for sports aficionados and healthy entertainment; Sense and Style Magazine for woman's fashion and beauty.

On June 22, 1989, the SEC approved the Company's amended Articles of Incorporation extending its life for another fifty (50) years.

On July 1, 2005 Manila Bulletin Publishing Corporation acquired from Liwayway Publishing, Inc., its Tagalog daily newspaper, Balita, and weekly vernacular magazines, Liwayway, Bisaya, Hiligaynon and Bannawag including their trade names.

The Company is 54.18% owned by U.S. Automotive Co., Inc, which is also incorporated in the Philippines.

2. Summary of Significant Accounting and Financial Reporting Policies

<u>Basis of Preparation</u>
The accompanying financial statements of the Company have been prepared under the historical cost convention basis. The financial statements are presented in Philippine Peso, which is the Company's functional and presentation currency. All financial information is rounded off to the nearest peso, except when otherwise indicated.

<u>Statement of Compliance</u>
The Company's financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). The term PFRS includes all applicable PFRS, Philippine Accounting Standards (PAS) and interpretation, which have been approved by the Financial Reporting Standard Council (FRSC) and adopted by the SEC, including SEC pronouncements.

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted in the preparation of the Company financial statements are consistent with those of the previous financial years except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 01, 2014.

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

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements,* PFRS 12, *Disclosure of Interests in Other Entities,* and PAS 27, *Separate Financial Statements*)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively subject to certain relief. These amendments have no impact to the Company.

- Amendments to PAS 36, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
  The amendments remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment on the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less cost of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosures require by PFRS 13, *Fair Value Measurements.* The adoption of these amendments has no material impact on the disclosures in the Company's financial statements.

- PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Company's financial statements since the Company has no offsetting arrangements.

- PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*,
  The amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendment does not have any significant impact on the Company's financial position or performance.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The adoption of the standard has no impact on the Company's financial statements.

- Annual Improvements to PFRSs (2010-2012 cycle)
  In the 2010-2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement.* The amendment to PFRS 13 is effective immediately and it clarifies the short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Company's financial statements.

- Annual Improvements to PFRSs (2011-2013 cycle)
  In the 2011-2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First Time Adoption of Philippine Financial*

Reporting Standards – First Time Adoption of PFRS. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Company's financial statements as it is not a first time PFRS adopter.

Future Changes in Accounting Policies
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 01, 2014, and have not been applied in preparing these financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the financial statements of the Company.

- PFRS 9, *Financial Instruments* – Classification and Measurement (2010 version)
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 may have an effect on the classification and measurement of the Company's financial assets, but may potentially have no significant impact on the classification and measurement of financial liabilities.

  PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA). The Company will continue to monitor developments in this reporting standard and assess its impact on or need for adoption.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*. This Interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials, and where the risk and rewards of ownership are transferred to the buyer on a continuous basis, will also be accounted for based on the stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard against the practices of the Philippine real estate industry is completed. This will not have any impact on the Company's financial statements.

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

Effective January 01, 2015

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 01, 2015. It is not expected that this amendment would be relevant to the Company, since the Company has no defined benefit plans with contributions from employees or third parties.

- Annual Improvements to PFRSs (2010-2012 cycle)
  The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 01, 2015 and are not expected to have a material impact on the Company. They include:

  PFRS 2, *Share-based Payment – Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 01, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Company shall consider this amendment for future business combinations.

  PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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

The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

PAS 24, *Related Party Disclosures – Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- Annual Improvements to PFRSs (2011-2013 cycle)
  The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 01, 2015 and are not expected to have a material impact on the Company. They include:

  PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  PFRS 13, *Fair Value Measurement – Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or *PFRS 9, as applicable*).

  PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 01, 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue- based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 01, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment, and PAS 41, Agriculture – Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost

(before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company as the Company does not have any bearer plants.

- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 01, 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.

- PFRS 10, *Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 01, 2016.

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

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any significant impact to the Company.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the

effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 01, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.

- Annual Improvements to PFRSs (2012-2014 cycle)
  The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 01, 2016 and are not expected to have a material impact on the Company. They include:

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

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

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

  PAS 19, *Employee Benefits – regional market issue regarding discount rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

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

Effective January 1, 2018

- PFRS 9, *Financial Instruments* – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include

replacing the rules- based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 01, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The adoption of PFRS 9 may have an effect on the classification and measurement of the Company's financial assets but will have no impact on the classification and measurement of the Company's financial liabilities. The adoption will also have an effect on the Company's application of hedge accounting. The Company will continue to monitor developments in this reporting standard and assess its impact on or need for adoption by the Company.

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 01, 2015.

  The adoption of PFRS 9 may have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities. The Company will continue to monitor developments in this reporting standard and assess its impact on or need for adoption.

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

- IFRS 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 01 January 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally

<u>Cash</u>
Cash includes cash on hand and in banks which are stated at face value.

<u>Financial Assets and Financial Liabilities</u>
Date of recognition

The Company recognizes a financial asset or financial liability in the statement of financial position when it becomes a party to the contractual provision of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
Financial instruments are recognized initially at fair value. Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities includes transaction cost.

The Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available for sale (AFS) financial assets, and loans and receivables. The Company classifies its financial liabilities as other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

Financial assets and financial liabilities at FVPL
Financial assets and financial liabilities at FVPL include derivatives, financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL.

Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets and financial liabilities may be designated at initial recognition as at FVPL if any of the following criteria are met:

i. the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
ii. the assets or liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
iii. the financial instrument contains an embedded derivative that would need to be separately recorded.

As at March 31, 2015 and December 31, 2014 , the Company has no financial assets and financial liabilities at FVPL.

HTM investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. Where the company sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS securities. Moreover the Company would be prohibited to classify any financial assets as HTM investments for the following two (2) years. After initial measurement, these investments are subsequently measured at amortized cost using the effective interest rate method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the investment income in the statement of comprehensive income. Gains and losses are amortized in income when the HTM investments are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the statement of comprehensive income.

As at March 31, 2015 and December 31, 2014, the Company has no investment under this category.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any allowance for credit losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the financial position date.

These are considered as noncurrent asset if maturity is more than one year from the financial position date.

As at March 31, 2015 and December 31, 2014, the Company's cash and trade and other receivables are included in this category.

AFS financial assets
AFS investments are those non-derivative financial assets that are either designated in this category or not classified in any of the other categories. After initial recognition, AFS investments are measured at fair value with unrealized gains or losses being recognized in the statements of comprehensive income. When the investment is disposed of, the cumulative gains or losses previously recognized as other comprehensive income is recognized in other income. Interest earned or paid on the investment is reported as interest income or expense using the effective interest rate.

AFS investments are classified as current, if these investments are expected to be realized within twelve (12) months from the financial position date. Otherwise, AFS investments are classified as noncurrent.

As at March 31, 2015 and December 31, 2014, the Company has financial instruments classified as AFS included under non-current assets (see Note 11).

Other financial liabilities
This classification relates to financial liabilities that are not held for trading or not designated as FVPL upon the inception of the liability. These are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, other financial liabilities are recognized at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium.

Other financial liabilities pertain to "Trade and other payables", "Loans payable – including current portion", "Trust receipts payable".

Other financial liabilities include interest bearing loans and borrowings. All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

Gains and losses are recognized under the "other income (charges)" account in the statement of comprehensive income when the liabilities are derecognized or impaired, as well as through amortization process.

Fair Value Measurement

The Company measures financial instruments, such as AFS investments at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost.

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

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

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset is derecognized when:

- the rights to receive cash flows from the assets have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a "pass-through" arrangement; or

- the Company has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

Impairment of Financial Assets
At each reporting date, the Company assesses whether a financial asset or group of financial assets is impaired.

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the statement of comprehensive income. Interest income continues to be recognized based on the original effective interest rate of the asset. Loans and receivables, together with the associated allowance account, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as type of borrower, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

AFS financial assets
In case of equity investments classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of comprehensive income – is removed from the equity and recognized in the statement of comprehensive income. Impairment losses on equity investments are not reversed through the statement of comprehensive income. Increases in fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. This is recorded as part of "Investment income" in the statement of comprehensive income. If in subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

<u>Classification of Financial Instruments between Debt and Equity</u>
A financial instrument is classified as debt if it provides for contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another equity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to stockholder's equity net of any related income tax benefits.

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

Inventories

Inventories are valued at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined by the weighted average method for newsprint and by first-in, first-out method for machinery spare parts and supplies. Cost comprises all costs of purchase, handling costs and other costs incurred in bringing the inventories to the present location or condition.

Allowance is provided for obsolescence due to deterioration, damage, bad quality, age and technological changes. Full obsolescence allowance is provided when the inventory is non-moving for more than one year. An allowance for market decline is also provided equivalent to the difference between the cost and the NRV of inventories. When inventories are sold, the related allowance is reversed in the same period.

Newsprint and printing supplies are consumed upon withdrawal from the storeroom for use in the daily printing of newspapers and magazines.

Property, Plant and Equipment

Property, plant and equipment, except for land, are stated at cost less any accumulated depreciation. Cost of an item of property, plant and equipment comprises of its purchase price and any cost attributable in bringing the asset to its intended location and working condition. The cost of self-constructed assets includes the costs of materials and direct labor, and any other cost directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring to site on which they are located. Cost also includes interest and other financing charges on borrowed funds used to finance the acquisition of property and equipment to the extent incurred during the period of installation and construction.

Land is stated at cost less impairment in value, if any.

Major spare parts and stand-by equipment items that the Company expects to use more than one (1) period and can be used only in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

Construction in progress, included in property, plant and equipment, is stated at cost. This cost includes cost of construction and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Projects under construction are transferred to the related property, plant and equipment account when the construction or installation and related activities necessary to prepare the property, plant and equipment for their intended use are completed, and the property, plant and equipment are ready for service.

Subsequent costs

The cost of replacing of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in the circumstances indicate that the carrying values may not be recoverable.

Depreciation
Depreciation and amortization of property, plant and equipment commence, once the property, plant and equipment are available for use (i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Company) and are computed using the straight-line method over the estimated useful lives (EUL) of the assets regardless of utilization. Depreciation is recognized in profit or loss.

The EUL for each item of property, plant and equipment of the Company follows:

	Years
Buildings	10-20
Machineries and equipment	10-15
Furniture, fixtures and equipment	3-10
Transportation equipment	3-7

The cost of the leasehold improvements is amortized over the shorter of the covering lease term or the EUL of the improvements of 5-10 years.

Depreciation methods, useful lives and residual values are reassessed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Derecognition
An item of property, plant and equipment 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 the statements of comprehensive income, in the year the item is derecognized.

Investment Property
Investment property consists of land which is being held for capital appreciation. It is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less impairment, if any.

An investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use or no future economic benefit is expected from its disposal.

Intangible Asset
Goodwill
Goodwill represents the excess of cost of the acquisition over the fair value of identifiable net assets of the investee at the date of acquisition which is not identifiable to specific assets. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill on acquisitions is not amortized but is reviewed for impairment, annually or more frequently if events of changes in circumstances indicate that the carrying value may be impaired.

Non-current Asset Held for Sale
Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be

committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Impairment of Non-Financial Assets
The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates using the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

Equity
Share Capital
Share Capital is determined using the nominal value of shares that have been issued.

Retained earnings
Retained earnings represent the cumulative balance of net income or loss, dividend distributions, prior period adjustments, effects of the changes in accounting policy and other capital adjustments.

Treasury shares
Treasury shares are recorded at cost and are presented as a deduction from equity. When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given: (a) additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued, and (b) retained earnings. No gain or loss is recognized in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Comprehensive Income
The Company uses single statement of comprehensive income, in which it presents all items of income and expenses recognized during the period.

Revenue and Expense Recognition
Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. The Company assesses its revenue arrangement against specific criteria to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognized:

Advertising
Advertising revenue is recognized as income on the dates the advertisements are published. The fair values of barter transactions from advertisements exchanged for assets or services are included in advertising revenue and the related accounts.

Goods received in exchange for advertisement pursuant to ex-deal transactions executed between the Company and its customers are recorded at fair value of assets received or receivable. When the fair value of the consideration received cannot be measured reliably, the revenue is measured at the fair value of services provided, adjusted by the amount of any cash or cash equivalents transferred.

Circulation
Revenue from circulation which consists of sales of daily newspapers and the weekly and monthly magazines is recognized upon delivery, when the significant risks and rewards of ownership of the goods have passed to the buyer and the amounts of revenue can be measured reliably. This is stated net of sales discounts, returns and allowances.

Rental income
Rental income is recognized in the statement of comprehensive income when earned in accordance with the term of the lease agreement and on a straight-line basis over the term of the lease.

Dividend income
Dividend income from investment is recognized in the period in which the Company's right to receive payment has been established.

Royalty income
Royalty income is recognized as the royalty accrues in accordance with the substance of the relevant agreement.

Interest income
Revenue is recognized when it is determined that such income will accrue to the Company taking into account the effective yield on the asset and is presented gross of applicable tax withheld by the banks.

Other income
Revenue from printing services is recognized when the services are rendered. Revenue from sale of scrap and spoiled newspapers is recognized upon delivery. Revenue from notarization is recognized when services are rendered.

<u>Costs and Expenses</u>
Cost and expenses are recognized in the statement of comprehensive income when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Cost of sales and services
Cost of sales and services is recognized as expense when the related goods are sold and when the services are rendered.

Operating expenses
Operating expenses are charged against current operations as incurred.
<u>Retirement Benefits</u>
The Company maintains a funded, non-contributory defined benefit retirement plan. The Company recognizes net defined benefit liability or asset which is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Defined benefit costs comprise service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset. Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Borrowings and Borrowing Costs
All borrowings are initially recognized at the fair value of the consideration received less directly attributable debt issuance costs.
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into consideration any issue costs, and any discount or premium of settlement.

Borrowing costs are generally expensed in the period in which they are incurred and are shown in the statements of comprehensive income. Borrowing costs and other finance costs incurred during the construction period on borrowing used to finance the construction of an asset are capitalized to the appropriate asset accounts. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. The capitalization of these borrowing costs ceases when substantially all the activities necessary to prepare the asset to its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on the applicable weighted average borrowing rate.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, and requires 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. A reassessment is made after inception of the lease only if one of the following applies:

(i) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(ii) a renewal option is exercised or an extension is granted, unless that term of the renewal or extension was initially included in the lease term;
(iii) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(iv) there is a substantial change to the asset.

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

Company as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Indirect costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognized over the lease term on the same bases as the lease income. Minimum lease payments are recognized on a straight-line basis while the variable rent is recognized as an expense based on the terms of the leased contract.

Company as a lessor
Leases where the Company retains substantially all the risk and benefits of ownership of the assets are classified as operating leases. Contingent rents are recognized as revenue in the period in which they are earned.

<u>Income Taxes</u>
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the financial position date.

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

Deferred income tax liability is recognized for taxable temporary differences. Deferred income tax asset is recognized for carryforward benefit of unused tax credits (minimum corporate income tax or MCIT) and unused tax losses (net operating loss carry over or NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefit of unused tax credits and unused tax losses can be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rates that is expected to apply to the period when the asset is realized or settled, based on tax rate (and tax laws) that has been enacted or substantively enacted at the financial position date.

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

Value added Tax
Revenue, expenses and assets are recognized net of the amount of Value added tax (VAT) except:

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

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of “Other non-current asset” or “Trade and other payables” account in the statement of financial position.

Provision and Contingencies
Provision
Provision is recognized when: (a) the Company has a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each financial position date and adjusted to reflect the current best estimate.

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

Foreign Currency-denominated Transactions
The functional and presentation currency of the Company is the Philippine Peso. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of reporting period.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. All foreign exchange differences are taken to profit or loss, except where it relates to equity securities where gains or losses are recognized directly in other OCI.

Earnings per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year, excluding capital stock purchased by the Company and treated as treasury shares after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any.

Diluted EPS amounts are calculated by dividing the net income for the year attributable to ordinary equity holders of the Company (after deducting interest on convertible preferred shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary

The Company does not have any dilutive potential common shares, thus, diluted EPS is the same as basic EPS.

Dividend Distributions
Cash dividends on common shares are recognized as a liability and deducted from equity when approved by the respective BOD of the Company. Stock dividends are treated as transfers from retained earnings to capital stock. Dividends for the year that are approved after the end of reporting period are dealt with as a non-adjusting event after the end of reporting period.

Related Party Relationships and Transactions
Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

Events after the End of Reporting Period
Events after the end of reporting period that provides additional information about the Company's position at the end of reporting period (adjusting event) are reflected in the financial statements. Events after the end of reporting period that are not adjusting events, if any, are disclosed when material to the financial statements.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Estimates and judgments 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.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on amounts recognized in the financial statements:
Revenue recognition
In making judgment, the management considered the detailed criteria for the recognition of revenue from the sale of goods set out in PAS 18 Revenue and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods.

Classification of financial instruments
The Company exercises judgment in classifying financial instruments in accordance with PAS 39. The Company classifies a financial instrument, or its components, on initial recognition as a

financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Company's statements of financial position.

Operating leases agreement
The Company has entered into various lease agreements either as a lessor or as a lessee. Critical judgment was exercised by the 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. All of the Company's lease agreements were determined as operating leases.

Rental income amounted to P1.6 million and P4.59 million, as of March 31, 2015 and December 31, 2014 respectively (see Note 18).

Rental expense amounted to P5.72 million and P20.4 million as of March 31, 2015 and December 31, 2014, respectively (see Notes 19).

Distinction between investment properties and owner-occupied properties
The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties consist of a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production of services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making judgment.

The Company classifies all properties which have a portion that is earning rentals and another portion which are used in production of services or used in administrative purposes as owner-occupied properties based on the criterion above. In this case, such properties were included in the account "Property, plant equipment".

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainties at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Fair values of financial assets and liabilities
The Company carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgments. Fair value determinations for financial assets and liabilities are based generally on listed or quoted market prices. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time.

The fair values of the financial assets and liabilities as at March 31, 2015 and December 31, 2014 are disclosed in Note 26.

Estimated allowance for impairment losses on trade receivables

The Company maintains an allowance for doubtful accounts based on the results of the individual and collective assessments under PAS 39. Under the individual assessment, the Company is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Company to group its receivables based on the credit risk characteristics (customer type, payment history, past due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year (see Note 5).

Net realizable value of inventories

The Company records a provision for excess of cost over the net realizable value of materials and supplies whenever the value of material and supplies becomes lower than cost due to damage, physical deterioration, obsolescence, change in price levels or other causes. The lower of cost or net realizable value of inventories is reviewed on a monthly basis to reflect the accurate valuation in the financial records. Materials and supplies identified to be obsolete and unusable are written off and charged as expense for the year.

The carrying values of inventories amounted to P1.23 million and P1.24 million as at March 31, 2015 and December 31, 2014, respectively. There were no provisions for inventory losses in 2015 and 2014 (see Note 6).

Impairment of AFS financial assets

The computation for the impairment of AFS financial assets requires an estimation of the present value of the expected future cash flows and the selection of an appropriate discount rate. An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In making this judgment, the Company evaluates the financial health of the issuer, among others. In the case of AFS equity instruments, the Company expands its analysis to consider changes in the issuer's industry performance, legal and regulatory framework, and other factors that affect the recoverability of the Company's investments. Further, the impairment assessment would include an analysis of the significant or prolonged decline in fair value of the investments below its cost.

As at March 31, 2015 and December 31, 2014, the carrying value of the Company's AFS financial assets amounted to P0.3 million in both period. (see Note 11).

Estimated useful lives of property, plant and equipment

The Company reviews annually the estimated useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

The related balances follow (see Note 8):

	As of March 31, 2015		2014
Cost	**5,017,258,842**	P	5,012,560,226
Accumulated depreciation	**2,297,601,519**		2,276,655,957
Depreciation expense	**19,741,244**		79,235,535

Estimated useful lives of intangible assets with finite lives

The useful lives of intangible assets are assessed at the individual level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflow for the Company.

Impairment of Non-Financial Assets

The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to the expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business;
- significant negative industry or economic trends; and
- significant changes with an adverse effect on the Company during the period, or are expected to take place in the future, in the extent to which, or manner in which, an asset is used or is expected to be used.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that can materially affect the financial statements.

No indications of impairment were noted on property, plant and equipment and investment property as at March 31, 2015 and December 31, 2014.

Recognition of deferred income tax assets

The Company reviews the carrying amounts of the deferred income tax assets at the end of each reporting period and adjusts the balance of deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company's assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses as well as future tax planning strategies. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of the deferred income tax assets to be utilized.

As at March 31, 2015 and December 31, 2014, the carrying values of the Company's deferred tax assets net of deferred tax liability amounted to P49.4 million for both years.

Estimation of retirement benefits cost and liability

The cost of defined benefit retirement plans and as well as the present value of the retirement obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and expected return on plan assets. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on the 1994 Group Annuity Mortality Table developed by the Society of Actuaries, which provides separate rates for males and females and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

The prepaid benefit obligation as at March 31, 2015 and December 31, 2014 amounted to P6.48 million for both period. Further details are provided in Note 22.

4. Cash

The account at March 31, 2015 and December 31, 2014 consists of the following:

	31-Mar-15		2014
Cash on hand	**7,352,920**	P	8,348,883
Cash in banks	**98,314,895**		101,869,577
	105,667,815	P	110,218,460

Cash in banks consist of savings, current and dollar deposits, which are unrestricted as to withdrawal. Savings Peso and dollar deposits earned interest at the prevailing bank deposit rates. Interest income earned from cash in banks amounted to P25,410 and P57,281 as at March 31, 2015 and December 31, 2014, respectively. As at March 31, 2015 and December 31, 2014, cash in bank includes foreign currency-denominated deposits amounting to $12,915 and $8,449 respectively (see Note 25).

5. Trade and Other Receivables

The account at December 31 consists of the following:

	As at March 31, 2015		2014
Trade	**1,920,282,259**	P	1,947,818,440
Others	**72,342,986**		68,757,724
	1,992,625,245		2,016,576,164
Allowance for doubtful accounts	**59,394,324**		58,556,395
	1,933,230,921	P	1,958,019,769

Trade receivables are non-interest bearing and generally on a 60-day credit term. All provincial circulations are covered by post-dated checks.

Other receivables are receivables from other revenues generated from commercial printing, gift certificates and credit cards which are collected within one year.

The Company evaluates the possibility of losses that may arise out of the non-collection of receivables based on a certain percentage of the outstanding balance of receivable and on an evaluation of the current status of the account. Allowance for doubtful accounts relates to trade receivables. No allowance was provided on non-trade receivables. Changes in the allowance for doubtful accounts as at March 31, 2015 and December 31, 2014 are as follows:

	As of March 31, 2015		2014
Balance, January 1	**58,556,395**	**P**	**55,039,260**
Provision for the year	**838,929**		**3,517,135**
	59,395,324	**P**	**58,556,395**

6. Inventories

The account at March 31, 2015 and December 31, 2014 consists of the following:

	As of March 31, 2015		2014
News print	**1,046,528,325**	P	1,061,642,979
Printing materials, supplies and spare parts	**192,605,720**		185,637,552
Total costs	**1,239,134,045**		1,247,280,531
Less : Allowance for inventory writedown	**7,068,324**		7,068,324
Net realizable value	**1,232,065,721**	P	1,240,212,207

There are no transactions or events which occurred during the year involving the following:

- Declines subsequent to financial position date in market prices of inventory not protected by firm sales contract.
- Changes in pricing methods and the effects thereof;
- Unusual purchase commitments and accrued net losses, if any, on such commitments. (Losses which are expected to arise from firm and non-cancellable commitments for the future purchase of inventory items should, if material, be recognized in the accounts and separately disclosed in statements of comprehensive income);
- The amount of any substantial and unusual write downs.

The cost of inventories recognized as expense in the statement of comprehensive income amounted to P.302 million and P1,666.05 million as of March 31, 2015 and December 31, 2014, respectively (see Note 17).

None of the inventories are used to secure any existing outstanding loan obligation with any public financial institutions.

7. Other Current Assets

The account at March 31, 2015 and December 31, 2014 consists of the following**:**

	As of March 31, 2015		2014
Receivable for exchange deal transactions	**120,705,620**	P	142,145,331
Prepaid expenses	**120,109,650**		109,276,101
	240,815,270	P	251,421,432

Receivable for exchange deal transactions
Ex-deal agreements are contracts executed between the Company and its customers wherein advertising services are provided in exchange for goods or other valuable consideration. The advertising services provided by the Company approximate the fair value of assets to be received.

Prepaid expenses consist mainly of insurance, postage, stationery and office supplies. These prepayments are being amortized within the next twelve (12) month period.

8. Property, Plant and Equipment

The rollforward analysis of this account follows:

	As of March 31, 2015						
	Land	Buildings	Leasehold improvements	Machinery, tools and equipment	Furniture, fixtures and equipment	Transportation equipment	Total
Cost							
At January 1, 2015	P254,015,916	P608,640,300	P 18,799,919	P 3,165,295,822	P888,426,651	P 77,381,618	P 5,012,560,226
Additions	-	-	-	3,494,297	-	-	3,494,297
Reclassifications	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-
At March 31, 2015	254,015,916	608,640,300	18,799,919	3,168,790,119	888,426,651	77,381,618	5,016,054,523
Accumulated depreciation and amortization							
At January 1, 2015	-	140,210,696	18,430,546	1,227,693,023	818,537,636	71,784,056	2,276,655,957
Depreciation and amortization	-	2,921,783	58,259	14,134,282	2,195,206	431,714	19,741,244
At March 31, 2015	-	143,132,479	18,488,805	1,241,827,305	820,732,842	72,215,770	2,296,397,201
	P254,015,916	P465,507,821	P 311,114	P 1,926,962,814	P 67,693,809	P 5,165,848	P 2,719,657,322

	2014						
	Land	Buildings	Leasehold improvements	Machinery, tools and equipment	Furniture, fixtures and equipment	Transportation equipment	Total
Cost							
At January 1, 2014	P266,444,459	P606,440,300	P 18,657,508	P 3,137,996,916	P877,009,772	P 77,037,868	P 4,983,586,823
Additions	-	-	1,124,554	28,516,763	11,416,879	343,750	41,401,946
Reclassifications	-	2,200,000	(982,143)	(1,217,857)	-	-	-
Disposal	(12,428,543)	-	-	-	-	-	(12,428,543)
At December 31, 2014	254,015,916	608,640,300	18,799,919	3,165,295,822	888,426,651	77,381,618	5,012,560,226
Accumulated depreciation and amortization							
At January 1, 2014	-	128,523,562	18,197,511	1,171,155,894	809,756,812	69,786,643	2,197,420,422
Depreciation and amortization	-	11,687,134	233,035	56,537,129	8,780,824	1,997,413	79,235,535
At December 31, 2014	-	140,210,696	18,430,546	1,227,693,023	818,537,636	71,784,056	2,276,655,957
	P254,015,916	P468,429,604	P 369,373	P 1,937,602,799	P 69,889,015	P 5,597,562	P 2,735,904,269

Included in the account furniture, fixtures and equipment is the total cost of upgraded versions of computer hardware and software for editorial, advertising, circulation and financial management systems.

The Company continues to modernize its facilities and it has computerized the entire process of preprinting until full-page output, including color. In addition, the Company acquired new machines for commercial printing, which are used for printing magazines, posters, catalogues and other collaterals; format printers were also installed for billboards and streamers. The upgrading and modernization of these facilities will be on a continuing basis.

Depreciation of property, plant and equipment are distributed as follows:

	As of March 31, 2015	2014
Cost of printing (Note 17)	**8,888,844**	P 58,166,942
Operating expenses (Note 19)	**10,852,400**	21,068,593
	19,741,244	P 79,235,535

Certain property and equipment with a carrying value of P666.90 million and P671.13 million as at March 31, 2015 and December 31, 2014 were pledged as collateral to secure a loan. (see Note 14).

Fully depreciated property and equipment with cost amounting to P17.50 million are still being used by the Company.

9. Investment Property

Investment property represents a land located in Sta. Rosa, Laguna which is being held for capital appreciation and future development.

Measurement of fair value

In 2014, the fair value of investment property was determined by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement for investment property of P95 million has been categorized at a Level 3 fair value based on the inputs to the valuation technique used (see Note 26). There were no transfers between Levels 1 and 2 during the year.

Valuation technique and significant unobservable inputs
The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation Technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Market Data Approach		
Fair value is determined based on the sales and listings of comparable property registered in the vicinity.	Asking price per square meter (P50,000 - P80,000)	The higher the price of comparable properties, the higher the fair market value.

10. Goodwill

The Company recognized goodwill from acquisition of Tagalog daily newspaper, Balita, and weekly vernacular magazines, Liwayway, Bisaya, Hiligaynon and Bannawag amounting to P5,000,000. This asset is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

No impairment loss on goodwill was recognized in the first quarter of 2015 and year end of 2014.

11. Other Non-current Assets

The account as at March 31, 2015 and December 31, 2014 consist of the following:

	As of March 31, 2015		2014
Deferred input tax	**101,597,178.00**	P	102,230,009
Input VAT	**8,808,034.00**		7,993,471
Rental and other deposits	**4,337,170.00**		6,555,835
Available-for-sale investments	**315,000.00**		315,000
Due from BIR	**105,493.00**		100,018
Others	**53,101,287.00**		53,101,287
	168,264,162.00	P	170,295,620

Deferred input tax pertains to various purchases of goods and services which cannot be claimed yet as credits against output VAT liabilities pursuant to the existing VAT rules and regulations. However, these can be applied on future output VAT liabilities.

Input VAT is fully recoverable and can be applied against output VAT

Available-for-sale financial assets are the Company's investment in Philippine Long Distance Corporation (PLDT), Meralco and proprietary shares. The fair value of Meralco and PLDT shares equal its year-end book value while the proprietary shares are carried at cost. Details of this account are as follows:

	As of March 31, 2015		2014
PLDT	**181,950**	P	181,950
Proprietary shares	**315,000**		315,000
	496,950		496,950
Less allowance for impairment	**(181,950)**		(181,950)
	315,000	P	315,000

The PLDT and Meralco shares represent stocks held by the Company under the investee's Subscribers Investment Plan. This is in connection with the various telephone and power lines acquired by the Company.

Other assets consist mainly of land, shares of stocks and other properties acquired from ex-deal transactions. As at March 31, 2015, these properties are classified under other asset account pending disposal. Management believes that these assets are realizable at their carrying amounts. No indications of impairment were noted in these assets.

12. Trade and Other Payables

The account as at March 31, 2015 and December 31, 2014 consists of the following:

	As of March 31, 2015		2014
Trade	**2,114,685,227**	P	2,141,726,887
Uncollected VAT payable	**111,194,517**		111,534,883
Accrued expenses	**98,675,405**		94,678,973
Withholding taxes payable	**5,713,738**		29,072,113
Output VAT	**9,308,529**		7,782,719
Premiums payable	**3,302,757**		2,584,457
	2,342,880,173	P	2,387,380,032

Trade payables pertain to unpaid billings to suppliers of raw materials which are normally settled within ninety (90) days. Trade payables do not bear any interest.

Accrued expenses consist mainly of accruals for salaries and various operating expenses which are normally settled within the next financial year.

Uncollected VAT payable pertains to vatable sales which are not collected as at March 31, 2015 and December 31, 2014. They are expected to be remitted to the government (net of input VAT) immediately upon collection of related receivables which are expected to be settled within twelve (12) months.

Premiums payable pertain to SSS, HDMF, healthcare, housing and other loans of the Company's employees.

13. Trust receipts payable

This account represents the payables incurred in the importation of newsprint materials, which are released to the Company under Trust Receipts (TR) Agreements with a bank. Under a Trust Receipt Agreement, title to or ownership of the assets covered by the TR Agreements theoretically remains with the Bank until the TR payables are fully paid. The inventory of newsprint materials, which is the major component in the production of newspapers and magazines, is maintained at a level that approximates the corresponding level of the TR obligation. The TR payables, which are due from 25 to 152 days, carry interest rate that ranges from 3.50% to 5.25%.

14. Loans Payable

This account consists of:

	As of March 31, 2015		2014
Current	**110,000,000**	P	110,000,000
Noncurrent	**459,500,000**		489,500,000
	569,500,000	P	599,500,000

The Company's loans payable are the credit facilities obtained from private banking institutions. The proceeds of the loans were used for the expansion of production facilities.

Loans payable mature until July 12, 2026 and bear interest rates ranging from 5%-5.25% both for the first quarter of 2015 and year end of 2014. Under the loan agreements, the company is required to pay P5,000,000 monthly however, it opted to make accelerated payments. The maturities of loans payable at nominal values as at March 31, 2015 and December 31, 2014 are as follows:

		As of March 31, 2015			
Description	**Interest rates**	**Within 1 year**	**More than 1 year but less than 3 years**	**More than 3 years**	**Total**
Term loans	5% to 5.25%	P 110,000,000	P 330,000,000	P 129,500,000	P 569,500,000

		2014			
Description	Interest rates	Within 1 year	More than 1 year but less than 3 years	More than 3 years	Total
Term loans	11%-14%	P 110,000,000	P 330,000,000	P 159,500,000	P 599,500,000

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

The Company is required to comply with certain loan covenants, including maintenance of certain financial ratios at the year end of every financial year.

The details of machineries and equipment pledged as security on loans payable follows (Note 8):

	As of March 31, 2015		2014
Cost	**844,677,850**	P	844,677,850
Accumulated depreciation	**(177,774,556)**		(173,551,166)
	666,903,294	P	671,126,684

Total interest expense recognized amounted to P15.20 million in the first quarter of 2015 and P46.40 million for the year 2014.The Company has no undrawn borrowing facilities.

15. Equity

Capital stock:

The details are as follows:

		As of March 31, 2015		2014
Authorized - 6,000,000,000 shares par value at P1 per share	**P**	**6,000,000,000**	P	6,000,000,000
Issued and subscribed		**3,276,493,160**		3,276,493,160
Treasury shares		**16,347,977**		16,347,977

Retained Earnings and Dividends

In a special meeting held on July 10, 2014, the BOD unanimously approved (and ratified by the shareholders at the annual stockholders' meeting on the same date) the declaration of a P95.16 million stock dividends to be taken from the unrestricted retained earnings of the Company as at December 31, 2013. Moreover, the BOD also approved the issuance of 95,160,248 shares with a par value of one peso (P1.00) per share from its authorized and unissued capital stock.

The stock dividend of P95,160,248 shares is equivalent to 3% based on the issued and outstanding capital stock of the Company of 3,172,008,262 (net of treasury shares 9,324,650) shares with a par value of One Peso (P1.00).

16. Revenues

The revenue from advertising and circulation for the first quarter of 2015 and years ended December 31, 2014 and 2013 are as follows:

		First Quarter 2015		2014	2013
Advertising	**P**	**378,256,900**	P	1,439,002,316	P1,578,038,313
Circulation		**235,195,970**		1,561,287,249	1,598,771,627
		613,452,870		3,000,289,565	3,176,809,940
Less:					
Sales return		**63,173,118**		260,602,054	277,391,449
	P	**550,279,752**	P	2,739,687,511	P2,899,418,491

17. Cost of Sales and Services

The account as of March 31, 2015 and December 31, 2014 consists of the following:

		First Quarter 2015	2014	2013
Newsprint, ink and press supplies	P	301,611,901	P 1,666,049,682	P 1,749,298,301
Depreciation of machinery and equipment (note 8)		8,888,844	58,166,942	60,102,806
	P	310,500,745	P 1,724,216,624	P 1,809,401,107

18. Other Operating Income

The account as of March 31, 2015 and December 31, 2014 consists of the following:

		First Quarter 2015		2014		2013
Printing services	**P**	**15,531,209**	P	65,919,917	P	76,688,273
Sale of spoiled newpapers		**8,450,701**		34,339,627		38,710,784
Sale of scrap newspapers		**2,531,323**		7,966,115		10,333,562
Sale of newsprint wastes		**-**		-		154,554
Income from notarization		**84,887**		576,290		562,652
Miscellaneous		**3,853,980**		13,997,638		6,509,544
	P	**30,452,100**	P	122,799,587	P	132,959,369

Miscellaneous income includes revenue from additional price that the Company charges for special designs, colors and borders of advertisement.

19. Income Tax

The Company's provision for income tax includes the regular corporate income tax (RCIT), minimum corporate income tax (MCIT) and final tax paid at the rate of 20% for peso deposits and 7.50% for foreign currency deposits which are final withholding tax on gross interest income. These income taxes as well as the deferred tax provisions are presented for income tax in the statement of comprehensive income. Details follow:

		First Qtr 2015		2014		2013
Current	**P**	**4,100,934**	**P**	**34,041,780**	P	54,018,607
Deferred		**-**		**(8,570,609)**		(1,984,920)
	P	**4,100,934**	**P**	**25,471,171**	P	52,033,687

The corporate income tax is 30% in 2015, 2014 and 2013.

The following are the composition of deferred income tax recognized by the Company:

		First Qtr 2015		2014		2013
Deferred tax asset						
Allowance for impairment	**P**	**17,566,919**	P	17,566,919	P	16,511,778
Accumulated actuarial losses		**31,823,310**		31,823,310		26,383,558
Unrealized gain on foreign exchange		**(8,507)**		(8,507)		(96,856)
Adjustment		**-**		-		(7,427,120)
	P	**49,381,722**	P	49,381,722	P	35,371,360

The movements of the deferred income tax assets are as follows:

	2014			
	Balance at beginning of year	Charged to income	Charged to equity	Balance at end of year
Prepaid benefit obligation	P 18,927,019	P 7,456,539	P 5,439,752	31,823,311
Unrealized gain (loss) on foreign exchange	(67,437)	58,929	-	(8,508)
Allowance for impairment losses	16,511,778	1,055,141	-	17,566,919
	P 35,371,360	P 8,570,609	P 5,439,752	P 49,381,722

20. Retirement Plan

The Company has a funded, non-contributory retirement plan, administered by a common retirement trustee, covering its employees on regular status. Retirement benefits are provided for under the Collective Bargaining Agreement (CBA). Pertinent provision of the Agreement provides for, the payment of gratuity benefits based on the longevity of service to resigned employees. However, under Section 4, Article X of the agreement, the Company at its option, may retire any employee or worker who had rendered at least 20 years of service or had reached the age of 60 years on his birthday by paying him full benefits provided in Section 1 of the same Article.

The Company set up a fund to fully cover the estimated liability for retirement benefits. As a result, the Company maintains a separate bank account exclusively for the purpose of the plan.

All officers and regular employees are allowed to borrow from the retirement fund. The Treasurer of the Company oversees the management of the said retirement fund.

Net benefit expenses recognized in the statements of comprehensive income are as follows:

	2014	2013	2012
Current service cost	**P 9,373,969**	P 8,509,899	P 6,928,908
Net interest cost	**(578,425)**	(971,320)	(573,403)
	P 8,795,544	P 7,538,579	P 6,355,505

The retirement expense (included in ‘salaries and wages’) is recognized in operating expenses.

The amounts recognized in the Company’s statements of financial position are as follows:

	2014	2013
Fair value of plan asset	**P 171,456,245**	P 176,370,715
Present value of obligation	**164,979,056**	164,566,113
Prepaid benefit obligation	**P 6,477,189**	P 11,804,602

Changes in the fair value of plan assets are as follows:

	2014	2013
Balance at beginning of year	**P 176,370,715**	P 161,822,571
Expected interest income	**8,642,165**	9,062,064
Contributions	**21,600,638**	10,409,198
Benefits paid	**(26,515,108)**	(12,704,561)
Actuarial gain (loss)	**(8,642,165)**	7,781,443
Balance at end of year	**P 171,456,245**	P 176,370,715

Changes in the present value of defined benefit obligations are as follows:

	2014	2013
Balance beginning of year	**P 164,566,113**	P 144,477,574
Current service cost	**9,373,969**	8,509,899
Net interest cost	**8,063,740**	8,090,744
Benefits paid	**(26,515,108)**	(12,704,561)
Actuarial loss/(gain) due to:		
Experience adjustments	**5,253,962**	7,322,101
Change in financial assumptions	**4,236,380**	9,350,774
Change in demographic assumptions	**-**	(480,418)
Balance at end of year	**P 164,979,056**	P 164,566,113

The movement in the plan asset recognized in the statement of financial position is as follow:

	2014	2013
Balance at beginning of year	**P 11,804,602**	P 17,344,997
Total retirement expense	**(8,795,544)**	(7,538,579)
Total actuarial losses recognized in OCI	**(18,132,507)**	(8,411,014)
Actual contributions	**21,600,638**	10,409,198
Balance at end of year	**P 6,477,189**	P 11,804,602

Shown below is the maturity profile of the undiscounted benefit payments:

Plan Year	Expected Benefit Payments
Less than 1 year	P 37,811,350
More than 1 year to 3 years	32,800,332
More than 3 years to 6 years	35,182,962
More than 6 years	47,937,100

The Company's retirement plan is maintained in a separate bank account which is being administered by the Company's treasurer. The fund consists of cash and cash equivalents amounting to P158,228,746 and P176,370,751 as of December 31, 2014 and 2013, respectively.

The assumptions used to determine retirement benefits of the Company are as follows:

	2014	2013
Discount rate	**4.60%**	4.90%
Salary increase rate	**3.00%**	3.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2014, assuming all other assumptions were held constant:

	Increase (decrease)	Impact on defined benefit obligation Increase (decrease)
Discount rates	+0.50%	P 13,429,668
	-0.50%	(1,045,045)
Salary increase rate	+0.50%	(444,541)
	-0.50%	12,931,781

The assumptions regarding future mortality rates are based on the 1994 Group Annuity Mortality Table developed by the Society of Actuaries, which provides separate rate for males and females.

In 2014 and 2013, Company applied a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

21. Earnings Per Share

Basic earnings per share are computed as follows:

	First Quarter 2015	**2014**	2013
Net income	**P 10,065,179**	**P 86,338,964**	P 125,329,941
Divide by: weighted average number of outstanding shares	**3,197,192,953**	**3,197,192,953**	3,101,146,581
	P 0.0031	**P 0.0270**	P 0.0404

There were no potential dilutive shares as of March 31, 2015, December 31, 2014 and 2013.

22. Commitments

Operating lease commitments – Company as lessee
The Company leases properties for the Company's branch office space. The operating lease agreements are renewable every year under certain terms and conditions. Total rental expense amounted to P5.72 million and P20.4 million in the first quarter of 2015 and for the year ended December 31, 2014 , respectively. Future minimum rentals payable under non-cancellable operating leases as of March 31, 2015 and December 31, 2014 are as follows:

	First Quarter 2015	2014
Within one year	**P 10,308,246**	P 14,633,256
More than one year up to five years	**15,066,325**	15,066,325
	P 25,374,571	P 29,699,581

Operating lease commitment – Company as lessor

The Company has entered into operating lease agreement covering a building owned located in Caloocan City. The leases typically run from 1 year to 5 years, with the option to renew the lease after that date. Rental income from leased properties which are included in "Other income" account in the statements of income amounted to P1.63 million for the quarter ended, March 31, 2015 and P4.58 million for the year ended, December 31, 2014, respectively. Future minimum rental receivables under non-cancellable operating leases as of March 31, 2015 and December 31, 2014 are as follows:

	First Quarter 2015		2014	
Within one year	**P**	**2,924,262**	P	2,924,262
More than one year up to five years		**9,536,228**		9,536,228
	P	**12,460,490**	P	12,460,490

23. Financial Risk Management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for the measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and other financial instruments.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry in which the customers operate, has less of an influence on credit risk. Approximately .001 percent of the Company's revenue is attributable to sales transactions with a single customer. However, geographically there is no concentration of credit risk.

The Credit Committee has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and conditions are offered. The Company's review includes external ratings, where available, and in some cases bank references. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the Credit Committee; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

More than 30 percent of the Company's customers have been transacting with the Company for over 20 years, and losses have occurred infrequently. In monitoring customer credit risk, customers are group according to their credit characteristics, including whether they are an individual or legal entity, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Company's valued clients.

Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made on a prepayment basis.

The Company establishes an allowance for credit losses that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are specific loss component that relates to individually significant exposures. The allowance is determined based on historical data or aging of accounts.

The maximum exposure of the Company to credit risk as of March 31, 2015 and December 31, 2014 is as follows:

	As of March 31, 2015	2014
Cash in banks	98,314,895	P 101,869,577
Receivables		
Trade	1,920,282,259	1,947,818,440
Others	72,342,986	68,757,724
Other noncurrent assets		
Rental and other deposits	4,337,170	6,555,835
Available for sale investments	315,000	315,000
	2,095,592,310	P 2,125,316,576

Credit quality of financial assets

The following tables summarize the credit quality of the Company's financial assets as March 31, 2015 and December 31, 2014.

	31-Mar-15				
	Neither past due nor impaired				
	High grade	Standard grade	Substandard grade	Past due but not impaired	Total
	(amounts in thousands)				
Cash in banks	P 98,315	P -	P -	P -	P 98,315
Receivables					
Trade	1,190,575	-	57,608	672,099	1,920,282
Others	72,343	-	-	-	72,343
Other noncurrent assets					
Rental and other deposits	4,337	-	-	-	4,337
Available for sale investments	315	-	-	-	315
	P 1,365,885	P -	P 57,608	P 672,099	P 2,095,592

	2014				
	Neither past due nor impaired				
	High grade	Standard grade	Substandard grade	Past due but not impaired	Total
	(amounts in thousands)				
Cash in banks	P 101,870	P -	P -	P -	P 101,870
Receivables					
Trade	1,177,883	-	58,556	711,379	1,947,818
Others	68,758	-	-	-	68,758
Other noncurrent assets					
Rental and other deposits	6,556	-	-	-	6,556
Available for sale investments	315	-	-	-	315
	P 1,355,382	P -	P 58,556	P 711,379	P 2,125,317

High grade accounts, other than cash are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Standard grade accounts are active accounts with propensity of deteriorating to mid-range age buckets. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. Substandard grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow up actions and extended payment terms.

Financial assets that are past due but not impaired
The tables below summarize the aging analysis of past due but not impaired accounts receivable-trade as at March 31, 2015 and December 31, 2014.

	31-Mar-15		2014
	(amounts in thousands)		
Less than 30 days	**409,025**	P	427,674
31-60 days	**76,200**		80,971
61-90 days	**54,502**		57,814
91 days - 1 year	**56,456**		57,891
Over 1 year	**75,916**		87,029
	672,099	P	711,379

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company focuses on its cash sales transactions, which assists it in monitoring cash flow requirements and optimizing its cash returns on investments, specifically on modern machineries. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintains the lines of credit with certain local bank.

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The key measure used by the Company for managing liquidity risk is the net liquidity gaps between assets and liabilities as to maturity. The details of the reported net liquidity gaps at the reporting date shown below:

	31-Mar-15				
	Less than 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Total
			(amounts in thousands)		
Financial assets					
Cash	P 98,315	P -	P -	P -	P 98,315
Trade and other receivables					
Trade	615,450	540,605	550,207	214,020	1,920,282
Others	72,343	-	-	-	72,343
Other noncurrent assets					
Rental and other deposits	4,337	-	-	-	4,337
Available for sale investments	315	-	-	-	315
	P 790,760	P 540,605	P 550,207	P 214,020	P 2,095,592
Financial liabilities					
Trade and other payables	857,716	244,880	1,012,089	-	2,114,685
Trust receipts payable	-	-	193,432	-	193,432
Loans payable	-	-	110,000	459,500	569,500
	857,716	244,880	1,315,521	459,500	2,877,617
Net liquidity surplus (gap)	P (66,956)	P 295,725	P (765,314)	P (245,480)	P (782,025)

	2014				
	Less than 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Total
			(amounts in thousands)		
Financial assets					
Cash	P 101,870	P -	P -	P -	P 101,870
Trade and other receivables					
Trade	623,302	545,389	564,867	214,260	1,947,818
Others	68,758	-	-	-	68,758
Other noncurrent assets					
Rental and other deposits	6,556	-	-	-	6,556
Available for sale investments	315	-	-	-	315
	P 800,801	P 545,389	P 564,867	P 214,260	P 2,125,317
Financial liabilities					
Trade and other payables	878,108	235,590	1,028,029	-	2,141,727
Trust receipts payable	-	-	196,543	-	196,543
Loans payable	-	-	110,000	489,500	599,500
	878,108	235,590	1,334,572	489,500	2,937,770
Net liquidity surplus (gap)	P (77,307)	P 309,799	P (769,705)	P (275,240)	P (812,453)

The tables above summarize the maturity profile of the company's financial assets and liabilities as at March 31, 2015 and December 31, 2014 based on undiscounted cash flows, including interest due.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Foreign exchange risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar rate, with all variables held constant, of the Company's profit before tax (due to change in the fair value of monetary asset) and the Company's equity.

Increase/Decrease in US$	Effect on income before income tax	Effect on equity
First Quarter 2015		
+1	12,915	9,040.5
- 1	(12,915) -	9,040.3
2014		
+1	**P 3,310**	**P 2,317**
- 1	**(3,380)**	**(2,366)**

Interest rate risk

Interest rate risk arises on interest-bearing financial instruments recognized in the statement of financial position.

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's short-term and long-term debt obligations. The Company's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The following table demonstrates the sensitivity to the Company's profit before tax and equity to a reasonably possible change in interest rates on and December 31, 2014 and 2013 with all variable held constant.

Increase/Decrease in basis points	Effect on income before income tax	Effect on equity
2014		
+100	**P (16,258,587)**	**P (11,381,011)**
- 100	**16,224,559**	**11,357,191**
2013		
+100	P (17,393,178)	P (12,175,224)
- 100	17,393,178	12,175,224

The terms and maturity profile of the interest-bearing financial assets and liabilities that are exposed to interest rate risks, together with the corresponding nominal amounts and carrying values, are shown below:

			31-Mar-15			
	Interest terms (p.a.)	Rate fixing period	Nominal amount	less than 1 year	1 to 5 years	Carrying value
Cash in banks	Fixed at the date of investment	Various	P 78,314,895	P 78,314,895	P -	P 78,314,895
Trust receipts payable	Variable ranging from 3.50% to 5.25%	Monthly	193,432,472	196,542,954	-	193,432,472
Loans payable	Variable ranging from 5% to 5.25%	Quarterly	569,500,000	110,000,000	459,500,000	569,500,000

	Interest terms (p.a.)	Rate fixing period	Nominal amount	less than 1 year	1 to 5 years	Carrying value
			2014			
Cash in banks	Fixed at the date of investment	Various	P 101,869,577	P 101,869,577	P -	P 101,869,577
Trust receipts payable	Variable ranging from 5.25% to 5.30%	Monthly	196,542,954	196,542,954	-	196,542,954
Loans payable	Variable ranging from 11% to 14%	Quarterly	599,500,000	110,000,000	489,500,000	599,500,000

Capital management

The primary objective of the Company's capital management policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors both the return on equity, which defines as total shareholders' equity, and the level of dividends to ordinary shareholders.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objective, policies or processes for the years ended December 31, 2014 and 2013.

The Company monitors capital using the gearing ratio of debt to equity and net debt to equity. Debt consists of bills payable and long-term debt. Net debt includes bills payable and long-term debt less cash. The Company considers as capital the equity attributable to equity holders of the Company.

	First Quarter 2015	2014
Trust receipts payable	**193,432,472**	P 196,542,955
Long-term debt	**569,500,000**	599,500,000
Total debt	**762,932,472**	796,042,955
Less: Cash	**105,667,815**	110,218,460
Net debt	**657,264,657**	685,824,495
Equity	**3,435,294,905**	3,425,229,726
Debt to equity	**22%**	23%
Net debt to equity	**19%**	20%

24. Financial Assets and Liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements.

	31-Mar-15				2014			
		Carrying amount		**Fair value**		Carrying amount		Fair value
				(amounts in thousands)				
Financial assets								
Cash in banks	**P**	**98,314,895**	**P**	**98,314,895**	P	101,870	P	101,870
Trade and other receivables								
Trade - net		**1,860,888**		**1,860,888**		1,889,262		1,889,262
Others		**72,343**		**72,343**		68,758		68,758
Other noncurrent assets								
Available-for-sale investments		**315**		**315**		315		315
Rental and other deposits		**4,337**		**4,337**		6,556		6,556
	P	**100,252,778**	**P**	**100,252,778**	P	2,066,761	P	2,066,761
Financial liabilities								
Trade payable	**P**	**2,114,685**	**P**	**2,114,685**	P	2,141,727	P	2,141,727
Trust receipts payable		**193,432**		**193,432**		196,543		196,543
Loans payable		**569,500**		**569,500**		599,500		599,500
	P	**2,877,617**	**P**	**2,877,617**	P	2,937,770	P	2,937,770

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Short-term financial instruments
Due to the short-term nature of the transactions, the carrying value of cash, trade and other receivables, rent and other deposits, trade payable and trust receipts payable approximate their fair values.

Available-for-sale financial assets
The fair values of publicly traded instruments and similar investments are based on quoted bid prices. The Company's available-for-sale financial assets represent PLDT and MERALCO stocks held under the Investees' Subscribers Investment Plan and corporate proprietary shares.

Loans payable
The fair value of the long-term debt approximates its carrying value *due to the quarterly repricing of the instrument.*

Fair Value Measurement Hierarchy
The following table provide the fair value measurement hierarchy of the Company's assets and liabilities:

	31-Mar-15							
	Fair value measurement using							
		Qouted prices in active markets (Level 1)		Significant observable inputs (Level 2)		Significant unobservable inputs (Level 3)		Total
Liabilities for which fair values are disclosed:								
Investment property	P	-	P	-	P	95,000,000	P	95,000,000

	December 31, 2014			
	Fair value measurement using			
	Qouted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Liabilities for which fair values are disclosed:				
Investment property	P -	P -	P 95,000,000	P 95,000,000

As of March 31, 2015 and December 31, 2014, the Company has no financial instruments measured under level 1.

25. Related Party Transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Transactions between related parties are based on terms similar to those offered to non-related parties.
Under the Company policy, shareholders are prohibited to obtain loans and advances from/to the Company.

In the ordinary course of business, the Company has transaction with the following affiliates under common control as follows:

2014

Related Party	Nature of Transactions	Amount/ Volume	Terms and Conditions
Affiliates under common control			
Philtrust Bank (Philippine Trust Company)	Savings and current deposits	P46.60 Million	Earn interest at the prevailing bank deposit rates; unimpaired; and unrestricted as to withdrawals
	Operating lease	2.0 Million	Lease term is for one (1) year period and renewable annually upon mutual agreement of the parties
	Advertising services	55.40 Million	Advertising rates charged are the same as charged to regular customers; Unsecured; and with a 30-day credit term
Philtrust Realty Corporation	Advertising services	26.93 Million	Advertising rates charged are the same as charged to regular customers; Unsecured; and with a 30-day credit term
Euro-Med Laboratories Phil, Inc.	Advertising services	3.33 Million	Advertising rates charged are the same as charged to regular customers; Unsecured; and with a 30-day credit term
Manila Hotel	Advertising services	24.79 Million	Advertising rates charged are the same as charged to regular customers; Unsecured; and with a 30-day credit term
Centro Escolar University	Advertising services	1.34 Million	Advertising rates charged are the same as charged to regular customers; Unsecured; and with a 30-day credit term
Café France, Inc.	Advertising services	.34 Million	Advertising rates charged are the same as charged to regular customers; Unsecured; and with a 30-day credit term
US Automotive Co. Inc.	Operating lease	0.93 Million	Lease term is for one (1) year period and renewable annually upon mutual agreement of the parties

2013

Related Party	Nature of Transactions	Amount/ Volume	Terms and Conditions
Affiliates under common control			
Philtrust Bank (Philippine Trust Company)	Savings and current deposits	P36.56 Million	Earn interest at the prevailing bank deposit rates; unimpaired; and unrestricted as to withdrawals
	Operating lease	1.88 Million	Lease term is for one (1) year period and renewable annually upon mutual agreement of the parties
	Advertising services	11.2 Million	Advertising rates charged are the same as charged to regular customers; Unsecured; and with a 30-day credit term

2013

Related Party	Nature of Transactions	Amount/ Volume	Terms and Conditions
Affiliates under common control			
Philtrust Realty Corporation	Advertising services	7.48 Million	Advertising rates charged are the same as charged to regular customers; Unsecured; and with a 30-day credit term
Euro-Med Laboratories Phil, Inc.	Advertising services	10.13 Million	Advertising rates charged are the same as charged to regular customers; Unsecured; and with a 30-day credit term
Manila Hotel	Advertising services	23.93 Million	Advertising rates charged are the same as charged to regular customers; Unsecured; and with a 30-day credit term
Centro Escolar University	Advertising services	7.76 Million	Advertising rates charged are the same as charged to regular customers; Unsecured; and with a 30-day credit term
US Automotive Co. Inc.	Operating lease	0.93 Million	Lease term is for one (1) year period and renewable annually upon mutual agreement of the parties

<u>Compensation of Key Management Personnel</u>
The compensation of the Company's directors is stipulated in the By Laws of the Company which is 3% of the yearly net profits before payment of income tax is distributed among them in proportion to the number of regular special meetings of the BOD actually attended by each. The Company does not enter into an employment/management contract with any of its executive officers. The Company maintains retirement plan for all regular officers and employees. Retirement computations are the same both for executives and rank and file employees. There are no outstanding warrants or options held by directors and officers. The compensation of the Company's key management personnel by benefit type follows:

		2014		2013
Short-term benefits	**P**	**103,932,053**	P	102,673,833
Post employment benefits		**68,525,206**		57,454,492
	P	**172,457,259**	P	160,128,325

The short-term benefits are as follows:

		2014		2013
Salaries	**P**	**61,770,516**	P	58,199,004
Bonus		**40,475,806**		40,996,186
Directors' fee		**1,685,731**		3,478,643
	P	**103,932,053**	P	102,673,833

There are no advances made to/from related party which are interest-bearing or non-interest-bearing.

<u>Transactions with retirement plans</u>
Under PFRS, certain post-employee benefit plans are considered related parties. The Company's retirement plan is maintained in a separate bank account which is being administered by the

Company's treasurer. The fund consists of cash and cash equivalents amounting to P158,228,746 and P176,370,75 as of December 31, 2014 and 2013, respectively.

26. Contingencies

As at March 31, 2015 and December 31, 2014 , the Company has no contingencies since the Company is neither a plaintiff nor a defendant in any legal actions in or out of court.

27. Additional Disclosure Requirements of SRC Rule 68

Under the following disclosure requirements by SRC Rule 68, the Company has neither an existing plan nor a transaction involving the following:

a) Preferred shares.
b) Profit sharing and other similar plans.
c) Capital stock optioned, sold or offered for sale to directors, officers and key employees.
d) Warrants or rights outstanding.
e) Defaults