COVER SHEET

1	6	3	6	7	1

SEC Registration Number

PRIME ORION PHILIPPINES, INC.

(Company's Full Name)

20/F LKG TOWER 6801 AYALA AVENUE
MAKATI CITY

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

ATTY. DAISY L. PARKER
(Contact Person)

884-1106
(Company Telephone Number)

SEC Form

0	6		3	0
Month			*Day*	

(Fiscal Year)

1	7	-	Q

(Form Type)

Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **31 March 2013**

2. Commission Identification Number 163671 3. BIR Tax Identification No **320-000-804-342**

PRIME ORION PHILIPPINES, INC.

4. Exact name of issuer as specified in its charter

Makati City, Philippines

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

6. Industry Classification Code: (SEC Use Only)

20/F LKG Tower, 6801 Ayala Avenue, Makati City

7. Address of issuer's principal office Postal Code

(632) 884-1106

8. Issuer's telephone number, including area code

N/A

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

(As of 30 April 2013)

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	**2,367,149,383**
Outstanding Loans (consolidated)	**P 0**

11. Are any or all of the securities listed on a Stock Exchange?
Yes [**X**] No [ ]

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

Philippine Stock Exchange **Common**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 (or for such shorter period the registrant was required to file such reports)

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached.

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

Consolidated Results of Operations

Consolidated net income for the nine month period amounted to P499.4 million inclusive of gain from condonation of debt arising from the approved rehabilitation plan of LCI, reversal of provision for losses and gain on sale of AFS investments. Total revenues reached P680.5 million, though 24% lower from previous year's P890.8 million. Insurance business continuously showed a strong performance as it revenue grew by 4%. On the other hand, revenue from real estate business decreased by 15%, affected by the reduction of leasable space resulting from the fire incident in Cluster Building 1 and 2 of Tutuban Center. With the shutdown of the Lepanto manufacturing facility since mid- November, net sales also decreased by 42%. Cost and expenses decreased by 14%, from P942.1 million to P813.4 million.

For the quarter, total revenues amounted to P190.8 million as against last year's P291.4 million. The decrease in revenue is attributable mainly on the lower rental revenue and merchandise sales. Consolidated cost and expenses decreased by 22%, from P307.5 million to P241.2 million. The decrease is attributable to lower manufacturing costs and rental and utilities though negated by higher operating expenses and underwriting costs. The Group, however, incurred a net loss of P22.7 million for the quarter due mainly to additional cost and expenses incurred by LCI due to cost of shutdown in factory operations, costs related to the LCI Rehabilitation Plan and a downward adjustment of gain from condonation of debt recognized in the last quarter.

Tutuban Properties (TPI)

For the quarter, TPI posted a net income of P3.5 million, as against last year's P1.9 million. Gross revenues, however, was reduced to P91.8 million from P113.9 million. The decrease in revenue is attributable to the reduced leasable space resulting from the fire incident in Cluster Building 1 and 2 of Tutuban Center. These buildings accounted for about 27% of total leasable area of TPI. On a year to date performance, TPI posted a net income of P8.8 million compared to last year's net income of P22.2 million. Operating costs decreased by 14% and 10% for the quarter and year to date, respectively, driven by decrease in rental cost and CUSA subsidy.

Lepanto Ceramics (LCI)

LCI filed a Petition for Rehabilitation (PR) with RTC-Calamba under the Financial Rehabilitation and Insolvency Act of 2010, to arrest its continuing financial losses for the past several years and to enable it to eventually meet its financial obligations to its creditors. On 20 December 2012, the Court issued an Order approving the Third Amended and Restated PR and ordering LCI to submit a Status Report on the implementation thereof every 90 days. LCI will be rehabilitated by a combination of debt re-scheduling, debt condonation and debt-equity conversion.

As a result of approval by the Court of the RP, LCI recognized a gain from condonation of debt from trade creditors and related parties. Accordingly, LCI reported a net income of P3.1 billion as of 31 March 2013.

FLT Prime (FLT)

During the quarter, FLT generated a net income of P8.0 million compared to last year's P20.9 million. The reduction in income was a result of substantial increase in underwriting costs which account to 62% compared to last year. For the nine months period, total revenues of FLT improved by 4%, from P140.5 million to P145.9 million. The increase in revenues is attributable to net premium earned which grew by 4% as motor car business consistently expanded growing 9% and accident and health contributed an increase of 21%, compared to last year. On the other hand, underwriting charges substantially increased because of higher claims and treaty cost. As a result, FLT registered a net loss of P3.9 million as against the net income of P30.8 million for the same period last year.

Financial Condition

Total assets of the Group reached P4.7 billion as of 31 March 2013 compared to P4.3 billion as of 30 June 2012.The increase is attributable to increase in insurance receivable. Total current assets of the Group was higher than its total current liabilities, which stood at P2.6 billion and P1.2 billion respectively. Proceeds from disposal of Available for Sale (AFS) investments resulted to an increase in cash and cash equivalents. Accordingly, AFS investments and Unrealized valuation gain decreased by 26% and 67%, respectively. Lower inventories were due to lower production. Increase in Real estate held for sale was due to construction in progress in Tutuban Mall. Decrease in Leasehold Rights represents amortization during the period. Increase in property, plant and equipment was due to acquisition of hotel equipments. Accounts payable and accrued expenses decreased due to condonation of debt of LCI negated by higher claims particularly Habagat. Decrease in retirement obligation represents contribution to the plan.

Financing Through Loans

As of 31 March 2013, the Group has no outstanding loan from any financial institution.

The top 5 Key Performance Indicators of the Company are as follows:

Ratios	Formula	31-Mar-13	31-Mar-12	30-Jun-12
Current Ratio	Current Assets / Current liabilities	2.06:1 2,570,910 / 1,243,297	1.59:1 2,336,116 / 1,466,366	1.61:1 2,177,854 / 1,351,377
Debt to Equity Ratio	Total Liabilities / Equity	0.767 :1 1,997,666 / 2,604,427	1.08:1 2,224,128 / 2,057,570	0.985:1 2,115,062 / 2,146,385
Capital Adequacy Ratio	Equity / Total Assets	0.556:1 2,604,427 / 4,686,410	0.47:1 2,057,570 / 4,368,852	0.494:1 2,146,385 / 4,346,955
Book Value per Share	Equity / Total # of shares	1.1002 2,604,427 /2,367,149	0.8692 2,057,570 /2,367,149	0.9067 2,146,385 /2,367,149
Income per Share	Net Income / Total # of Shares	0.211 499,396 / 2,367,149	0.030 71,309 / 2,367,149	0.042 100,547 / 2,367,149

Current ratio shows the Group's ability to meet its short term financial obligation. As of 31 March 2013, the Group has P2.06 worth of current assets for every peso of current liabilities as compared to P1.61 as of June 30, 2012. The increment is attributable to the increase in insurance receivables and from the proceeds from sale of AFS investments. The Group has sufficient current assets to support its current liabilities as of the period.

Debt to Equity ratio indicates the extent of the Group's debt which is covered by shareholder's fund. It reflects the relative position of the equity holders. The higher the ratio, the greater the risk being assumed by the creditors. A lower ratio generally indicates greater long term financial safety. Compared to 30 June 2012, debt to equity ratio increased by 13%.

Capital Adequacy Ratio is computed by dividing the Total Stockholders' Equity over Total Assets. It measures the financial strength of the Company. As of 31 March 2013, the Group's Capital Adequacy Ratio is 0.556 compared to last year's 0.494.

Book value per share measures the recoverable amount in the event of liquidation if assets are realized at book value. As at 31 March 2013, the Group has book value per share of P1.1002 increase from 30 June 2012 of P0.9067.

Income per share is calculated by dividing net income by the weighted average number of shares issued and outstanding. As at 31 March 2013, the Group reported a P0.211 income per share as compared to the same period last year of P0.030 per share.

(i) Any known trends, demands, commitments, events or uncertainties that will have a material impact on issuer's liability.

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company and its subsidiaries liquidity increasing or decreasing in any material way.

(ii) Events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation

There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

(iii) Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period.

There are no known off-balance sheet transactions, arrangements, obligations (including contingent obligations), during the period.

(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures.

The Company has not entered into any material commitment for capital expenditure.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable impact on net sales or revenues or income from continuing operations should be described.

There are no known trends, events or uncertainties that have material impact on net sale/revenues/income from continuing operation.

(vi) Any significant elements of income or loss that did not arise from the registrant's continuing operations.

The Group did not recognize income or loss during the period that did not arise from continuing operations.

(vii) Causes of Any Material Changes from Period to Period of FS which shall include vertical and horizontal analyses of any material item (5%).

Causes of any material changes from period to period of FS is included in the Financial Condition.

(viii) Any seasonal aspects that had a material effect on the financial condition or results of operations.

There are no known seasonal aspects that had a material effect on the financial condition or results of operations.

% of contribution of subsidiaries to Consolidated Net Income on a per type of business basis

Parent company (Holding company)	-1.88%
Real estate and property development	28.64%
Financial services	-0.76%
Manufacturing	74.00%
Total Net Income	100.00%

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report on its behalf by the undersigned thereunto duly authorized.

Issuer:
PRIME ORION PHILIPPINES, INC.
By:

DAISY L. PARKER
Corporate Secretary
Date: 14 May 2013

RONALD P. SUGAPONG
Treasurer
Date: 14 May 2013

[SEC17Q 31Mar13]c: Abby/POPI/PSE Disclosures/17-Q/2012-2013

Prime Orion Philippines, Inc. and Subsidiaries

Unaudited Interim Consolidated Financial Statements
March 31, 2013 and June 30, 2012

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Par Value and Number of Shares)

	UNAUDITED MARCH 31, 2013	AUDITED JUNE 30, 2012
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	**₱710,397**	₱544,601
Receivables - net (Note 4)	**870,182**	509,115
Inventories - net (Note 5)	**133,801**	198,732
Real estate held for sale and development (Note 6)	**337,926**	300,679
Amounts owed by related parties - net (Note 15)	**1,030**	1,023
Available-for-sale (AFS) investments - net (Note 8)	**316,380**	427,411
Other current assets - net (Note 7)	**201,194**	196,293
Total Current Assets	**2,570,910**	2,177,854
Noncurrent Assets		
Investments in associates - net (Note 10)	**531,026**	531,026
Leasehold rights – net	**6,471**	13,165
Held-to-maturity (HTM) investments (Note 9)	**2,000**	2,000
Investment properties - net (Note 12)	**745,063**	768,288
Property, plant and equipment - net (Note 11)	**715,045**	735,675
Other noncurrent assets (Note 13)	**115,895**	118,947
Total Noncurrent Assets	**2,115,500**	2,169,101
TOTAL ASSETS	**₱4,686,410**	₱4,346,955

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 14)	**₱1,036,844**	₱1,142,329
Rental and other deposits	**203,726**	206,321
Amounts owed to related parties (Note 15)	**2,727**	2,727
Total Current Liabilities	**1,243,297**	1,351,377
Noncurrent Liabilities		
Retirement benefit obligation	**53,313**	61,825
Deferred income tax liabilities	**172,586**	173,390
Subscriptions payable (Note 10)	**528,470**	528,470
Total Noncurrent Liabilities	**754,369**	763,685
Total Liabilities	**1,997,666**	2,115,062

(Forward)

	UNAUDITED MARCH 31, 2013	AUDITED JUNE 30, 2012
Equity Attributable to Equity Holders of the Parent		
Capital stock - ₱1 par value		
Authorized - 2,400,000,000 shares		
Issued and subscribed - 2,367,149,383 shares (net of subscriptions receivable of ₱300,797)	**₱2,066,357**	₱2,066,357
Additional paid-in capital	**829,904**	829,904
Revaluation increment on property, plant and equipment	**261,017**	261,017
Unrealized valuation gain on AFS investments (Note 8)	**20,474**	63,035
Deficit	**(573,326)**	(1,073,928)
	2,604,427	2,146,385
Non-Controlling Interests	**84,317**	85,508
Total Equity	**2,688,744**	2,231,893
TOTAL LIABILITIES AND EQUITY	**₱4,686,410**	₱4,346,955

See accompanying Notes to Consolidated Financial Statements.

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share)

	QUARTER ENDED MARCH 31		NINE MONTHS PERIOD ENDED MARCH 31	
	2013	**2012**	**2013**	**2012**
REVENUES				
Merchandise sales - net	46,216	126,767	220,332	378,402
Rental	90,684	112,019	314,244	371,846
Insurance premiums and commissions	53,931	52,619	145,902	140,527
	190,831	**291,404**	**680,478**	**890,775**
COST AND EXPENSES				
Operating expenses (Note 16)	108,847	81,462	296,323	254,816
Cost of goods sold and services	48,813	132,061	233,722	389,267
Rental and utilities	44,239	69,714	164,526	208,684
Insurance underwriting deductions	39,263	24,287	118,810	89,340
	241,162	307,523	813,381	942,107
OTHER INCOME (CHARGES)				
Interest and others - net	12,601	5,963	28,230	19,960
Gain from condonation of debt	(8,456)	-	207,178	-
Gain on sale of assets	10,988	3,661	134,556	90,096
Reversal of provision for probable losses	-	-	243,346	-
Foreign exchange gains (losses) - net	(100)	13	(142)	(72)
Dividend income	225	324	826	716
Others - net	16,694	7,990	23,223	23,207
	31,952	**17,950**	**637,217**	**133,907**
	209,210	**289,573**	**176,164**	**808,200**
INCOME (LOSS) BEFORE INCOME TAX	**(18,379)**	**1,831**	**504,315**	**82,575**
PROVISION FOR INCOME TAX	4,282	1,750	4,918	11,266
NET INCOME (LOSS)	**(22,661)**	**81**	**499,397**	**71,309**
ATTRIBUTABLE TO:				
Equity holders of the company	(22,207)	(1,275)	500,602	68,352
Noncontrolling interests	(454)	1,356	(1,205)	2,957
	(22,661)	**81**	**499,397**	**71,309**
			-	
EARNINGS PER SHARE (Note 17)				
Basic, for income for the period attributable to ordinary equity holders of the parent	**0.180**	**(0.004)**	**0.211**	**0.030**

See accompanying Notes to Consolidated Financial Statements.

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	QUARTER ENDED MARCH 31		NINE MONTHS PERIOD ENDED MARCH 31	
	2013	2012	2013	2012
NET INCOME (LOSS) FOR THE PERIOD	**(22,661)**	**81**	**499,397**	**71,309**
Other comprehensive income (loss):				
Unrealized valuation gain (loss) on AFS investments	2,993	60,494	29,325	30,725
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**(19,668)**	**60,574**	**528,722**	**102,034**
Total comprehensive income (loss) attributable to:				
Equity holders of the company	(21,722)	45,222	529,892	85,189
Noncontrolling interests	2,054	15,353	(1,170)	16,844
	(19,668)	**60,574**	**528,722**	**102,034**

See accompanying Notes to Consolidated Financial Statements.

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED MARCH 31, 2013 AND 2012

(Amounts in Thousands)

	Capital Stock	Additional Paid In Capital	Revaluation Increment on Property, Plant and Equipment	Revaluation Reserve on Investment Properties at Deemed Cost	Unrealized Valuation Gain (Loss) on AFS Investments	Deficit	Non-Controlling Interests	Total
Balances at June 30, 2011	2,066,352	829,904	188,170	215,709	52,432	(1,387,823)	74,671	2,039,415
Net income for the period	-	-	-	-	-	78,704	1,601	80,305
Other comprehensive income (loss):								
Unrealized valuation loss on AFS investments			-		(11,193)		(1,816)	(13,009)
Total Comprehensive Income	-	-	-	-	(11,193)	78,704	(215)	67,296
Issuance of capital stock	5	-	-	-	-	-	-	5
Unrealized gain transferred from equity to consolidated statement of income	-	-	-	-	(17,709)	-	-	(17,709)
Revaluation reserve on investment properties - net of tax	-	-	-	(215,709)	-	215,709	-	-
Balances at March 31, 2012	**2,066,357**	**829,904**	**188,170**	**-**	**23,529**	**(1,093,410)**	**74,457**	**2,089,007**
Balances at June 30, 2012	2,066,357	829,904	261,018	-	63,034	(1,073,928)	85,507	2,231,893
Net income for the period	-	-	-	-	-	500,602	(1,205)	499,397
Other comprehensive income (loss) for the year:								
Unrealized valuation gain (loss) on AFS investments	-	-	-	-	29,325	-	15	29,340
Total Comprehensive Income	-	-	-	-	29,325	500,602	(1,190)	528,737
Unrealized gain transferred from equity to consolidated statement of income	-	-	-	-	(71,886)	0	0	(71,886)
Balances at March 31, 2013	**2,066,357**	**829,904**	**261,018**	**-**	**20,473**	**(573,326)**	**84,317**	**2,688,744**

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Nine Months Ended March 31	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱504,315**	₱82,575
Adjustments for:		
Net unrealized foreign exchange losses (gains)	**142**	72
Depreciation and amortization	**62,669**	59,871
Provision for inventory losses	**(1,105)**	(773)
Provisions for impairment losses on:		
Other current assets (*input vat*)	**7**	45
Receivables	**-**	(5,401)
Reversal of provision for losses	**(243,346)**	-
Gain on condonation of debt	**(207,178)**	-
Gain on sale of assets	**(134,556)**	(90,096)
Dividend income	**(826)**	(716)
Interest expense and bank charges	**258**	113
Interest income	**(28,488)**	(20,073)
Operating income before working capital changes	**(48,109)**	25,617
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	**(360,507)**	154,049
Inventories	**66,036**	33,915
Real estate held for sale and development	**(37,246)**	(68)
Other current assets	**(4,908)**	(25,734)
Increase (decrease) in:		
Accounts payable and accrued expenses	**330,344**	(176,924)
Rental deposits and advances	**(2,595)**	5,379
Net cash flows from (used in) operations	**(56,985)**	16,233
Interest received	**28,488**	20,073
Net cash flows from (used in) operating activities	**(28,498)**	36,306
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Proceeds from sale of assets	**-**	600
Proceeds from sale of AFS investments	**277,932**	118,466
Dividends received	**826**	716
Investment property	**(22)**	(18,703)
Property, plant and equipment - net	**(12,096)**	(5,817)
AFS investments - net	**(75,391)**	(43,578)
Other noncurrent assets	**3,051**	5,342
Amounts owed by related parties	**(7)**	19
Net cash provided by investing activities	**194,293**	57,046

(Forward)

	Nine Months Ended March 31	
	2013	**2012**
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of capital stock subscriptions	**(₱0)**	₱5
Decrease in amounts owed to related parties	**0**	1
Net cash used in financing activities	**(0)**	6
NET INCREASE IN CASH AND CASH EQUIVALENTS	**165,796**	93,357
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**544,601**	386,654
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note 3)	**₱710,397**	**₱480,011**

See accompanying Notes to Consolidated Financial Statements.

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Status of Operations

Prime Orion Philippines, Inc. (POPI; the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 19, 1989. The Parent Company's registered office address is at 20th Floor LKG Tower, 6801 Ayala Avenue, Makati City. The Parent Company's primary purpose is to acquire by purchase, exchange, assign, donate or otherwise, and to hold, own and use, for investment or otherwise and to sell, assign, transfer, exchange, lease, let, develop, mortgage, pledge, traffic, deal in and with, and otherwise operate, enjoy and dispose of any and all properties of every kind and description and wherever situated, as and to the extent permitted by law, including but not limited to, buildings, tenements, warehouses, factories, edifices and structures and other improvements, and bonds, debentures, promissory notes, shares of capital stock, or other securities and obligations, created, negotiated or issued by any corporation, association, or other entity, domestic or foreign.

Prime Orion Philippines, Inc. and Subsidiaries, collectively referred to as "the Group", have principal business interests in real estate and property development, financial services and manufacturing and distribution.

On December 23, 2011, Lepanto Ceramics, Inc. (LCI) filed a Petition for Rehabilitation (PR) with RTC-Calamba under the Financial Rehabilitation and Insolvency Act of 2010, to arrest its continuing financial losses for the past several years and to enable it to eventually meet its financial obligations to its creditors. On March 26, 2012, the Court issued an Order, giving due course to the PR and directing the Rehabilitation Receiver (RR) to submit an amended Rehabilitation Plan (RP) based on comments submitted by creditors. Subsequently, the RR submitted to the Court the first and second amended RP which were both rejected by the creditors. On 28 November 2012, the RR submitted the Third Amended and Restated RP and Recommendation to Confirm the Third Amended and Restated RP Pursuant to Section 63, RA 10142. On 20 December 2012, the Court issued an Order approving the Third Amended and Restated RP and ordering LCI to submit a Status Report on the implementation thereof every 90 days.

LCI will be rehabilitated by a combination of debt re-scheduling, debt condonation and debt-equity conversion, as follows:

(a) Class 3 (Trade) Creditors will condone 85% of their allowed claims;
(b) Class 4 (Non-trade Unsecured) Creditors will advance to LCI such amount necessary to pay 15% of the allowed claim of each Class 3 (Trade) Creditor.

(c) The post commencement advances of Class 4 (non-trade Unsecured) Creditors will be converted to voting common shares
(d) The pre-commencement allowed claims of Class 4 (Non-Trade Unsecured) Creditors will be condoned.
(e) Class 5 (Secured) Creditor will condone its claims in excess of the market value of LCI's assets which serve as a security for LCI's liability to the Secured Creditor. All servicing of the remaining claims of Class 5 (Secured) Creditor will be made after the Class 3 (Trade) Creditors are settled.

On August 6, 2012, the Board of Directors (BOD) approved the dissolution of OYL Holdings, Inc. (OYLHI) effective immediately and commenced its liquidation thereafter. Final dissolution will take place after the approval of OYLHI's application with SEC.

The accompanying unaudited consolidated financial statements of the Group were approved and authorized for issue by the Audit Committee and the Board of Directors on May 14, 2013.

2. Basis of Preparation, Statement of Compliance, Basis of Consolidation and Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis, except for AFS investments, land, land improvements, building and building improvements under "property, plant and equipment" which are carried at fair values. Investment properties are carried at revalued amount as deemed cost as allowed under Philippine Financial Reporting Standards (PFRS). The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. All values are rounded off to the nearest thousand (₱000) except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with PFRS.

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at March 31, 2013 and June 30, 2012:

	Nature of Business	Effective Percentage of Ownership	
		March 2013	June 2012
Real Estate, Property Development and Others:			
Orion Land, Inc. (OLI) and Subsidiaries:			
OLI	Real Estate and Investment Holding Company	**100.0**	100.0
Tutuban Properties, Inc. (TPI) and Subsidiaries:			
TPI	Real Estate, Mall Operations	**100.0**	100.0
22BAN Marketing, Inc. *	Other Business Activities	**100.0**	100.0
TPI Holdings Corporation (TPIHC)	Investment Holding Company	**100.0**	100.0
Orion Property Development, Inc. (OPDI) and Subsidiary:			
OPDI	Real Estate Development	**100.0**	100.0
Orion Beverage, Inc. (OBI) *	Manufacturing	**100.0**	100.0
Luck Hock Venture Holdings, Inc.	Other Business Activities	**60.0**	60.0
Manufacturing and Distribution:			
Orion I Holdings Philippines, Inc. (OIHPI) and Subsidiaries:			
OIHPI	Financial Holding Company	**100.0**	100.0
LCI	Manufacture of Ceramic Floor and Wall Tiles	**100.0**	100.0
OYLHI	Financial Holding Company	**60.0**	60.0
Financial Services and Others:			
OE Holdings, Inc. (OEHI) and Subsidiaries:			
OEHI	Wholesale and Trading	**100.0**	100.0
Orion Maxis Inc. (OMI)	Marketing and Administrative Services	**100.0**	100.0
ZHI Holdings, Inc. (ZHI)	Financial Holding Company	**100.0**	100.0
FLT Prime Insurance Corporation (FPIC)	Non-Life Insurance Company	**70.0**	70.0
Orion Solutions, Inc. (OSI)	Management Information Technology Consultancy Services	**100.0**	100.0

* *Inactive*

All of the above companies are incorporated and based in the Philippines.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany transactions and balances between and among the Group, including intercompany profits and unrealized profits, have been eliminated in the consolidation. Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the Equity Holders of the Parent. Acquisitions of non-controlling interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and book value of the share of the net assets acquired is recognized as goodwill.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations which were adopted as at July 1, 2011:

- Amendment to PAS 24, *Related Party Disclosures*, effective for annual periods beginning on or after January 1, 2011, with earlier application permitted,
- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 14, *Prepayments of a Minimum Funding Requirement (Amendment)*, effective for annual periods beginning on or after January 1, 2011, with early adoption permitted,
- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)*, effective for annual periods beginning on or after July 1, 2011, with early adoption permitted,
- Amendment to PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements*, effective for annual periods beginning on or after July 1, 2011, and
- 2010 Improvements to PFRSs

Standards or interpretations that have been adopted and that are deemed to have an impact on the financial statements or performance of the Group are described below:

PAS 24, *Related Party Disclosures (Amendment)*

PAS 24 clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

Improvements to PFRSs (issued 2010)

Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- PFRS 7, *Financial Instruments - Disclosures*: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

- PAS 1, *Presentation of Financial Statements*: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income (OCI) maybe either in the statement of changes in equity or in the notes to the financial statements. The Group presents its OCI transactions in the consolidated statements of changes in equity.

Other amendments resulting from the 2010 Improvements to PFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- PFRS 3, *Business Combinations* [The measurement options available for non-controlling interest were amended)]
- PFRS 3, *Business Combinations* [Contingent consideration arising from business combination prior to adoption of PFRS 3 (as revised in 2008)]
- PFRS 3, *Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards)
- PAS 34, *Interim Financial Statements*

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (determining the fair value of award credits)
- Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement (Amendment)*
- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)*

Future Changes in Accounting Policies

The Group did not early adopt the following standards and Philippine Interpretations that will become effective subsequent to June 30, 2012. The Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on its financial statements.

Effective in 2013

- PAS 12, *Income Taxes - Recovery of Underlying Assets*
  The amendment clarified the determination of deferred income tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred income tax on investment property measured using the fair value model in PAS 40, *Investment Property*, should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred income tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income*
  The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

Effective in 2014

- PAS 19, *Employee Benefits (Amendment)*
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the impact of the amendment to PAS 19. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 27, *Consolidated and Separate Financial Statements (as revised in 2011)*
  As a consequence of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
  As a consequence of the new PFRS 11, *Joint Arrangements*, and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 1, *Government Loans (Amendment)*
  First-time adopters shall apply the requirements in PFRS 9, *Financial Instruments* (or PAS 39, as applicable) and PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRSs. The Group has no government loans and has therefore no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*,
  that addresses the accounting for consolidated financial statements. It also includes the

issues raised in Standing Interpretations Committee (SIC) 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

  The application of this new standard will not impact the financial position of the Group. The Group has no investment/interest in joint ventures. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 12, *Disclosure of Interests with Other Entities*
  PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after
  January 1, 2013. The amendment affects disclosures only and has no impact in the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- Philippine Interpretation IFRIC 20, *Stripping Costs in Production Phase of a Surface Mine*
  This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and

measurement of the stripping activity asset. This becomes effective for annual periods beginning on or after January 1, 2013.

Annual improvements to PFRSs 2009-2011 cycle

The omnibus amendments to PFRS issued in 2009-2011 were issued primarily with a view of removing inconsistencies and clarifying wording. The amendments are effective for annual periods beginning on or after January 1, 2013.

- PFRS 1, *First Time Adoption of PFRS*, clarifies that an entity that has stopped applying PFRSs may choose either to: (1) Re-apply PFRS 1, even if the entity applied PFRS 1 in a previous reporting period or (2) Apply PFRSs retrospectively in accordance with PAS 8 (i.e., as if it had never stopped applying PFRSs) in order to resume reporting under PFRSs.

- PFRS 1, *First Time Adoption of PFRS*, clarifies that an entity may carry forward borrowing costs capitalized in accordance with previous generally accepted accounting principles (GAAP) in the opening statement of financial position at the date of transition to PFRSs.

- PAS 1, *Presentation of Financial Statements*, clarifies the requirements for comparative information present related notes for those additional statements from voluntary additional comparative information. There is no need to present the supporting notes related to the third balance sheet.

- PAS 16, *Property, Plant and Equipment*, clarifies the classification of servicing equipment like spare parts, and stand-by equipment which are recognized as property, plant and equipment when they meet the definition of property, plant and equipment.

- PAS 32, *Financial Instruments: Presentation*, clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with PAS 12.

- PAS 34, *Interim Financial Reporting*, emphasize that total assets and liabilities for a particular reportable segment need to be disclosed only when such amounts are regularly provided to the chief operating decision maker and if there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

Effective in 2015

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
  These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group is currently assessing impact of the amendments to PAS 32.

Effective in 2016

- PFRS 9, *Financial Instruments: Classification and Measurement*
  PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

To be determined:

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

The Group does not expect any significant impact in the financial statements when it adopts the above standards, amendments, improvements and Philippine interpretations. The revised and additional disclosures provided by the standards, amendments, improvements and interpretations will be included in the financial statements when these are adopted in 2013 to 2015, when applicable.

Summary of Significant Accounting and Financial Reporting Policies

Presentation of Financial Statements
The Group has elected to present all items of recognized income and expense in two statements: a statement displaying components of consolidated profit or loss (separate consolidated statement of income) and a second statement beginning with consolidated profit or loss and displaying components of other comprehensive income (consolidated statement of comprehensive income).

Financial Instruments - Initial Recognition
Financial instruments within the scope of PAS 39 are classified as financial assets and liabilities at fair value through profit or loss (FVPL), loans and receivables, HTM investments, AFS investments, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets and liabilities at initial recognition.

All financial instruments are recognized initially at fair value plus transaction costs, except in the case of financial instruments recorded at FVPL.

Purchases or sales of financial instruments that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e., the date that the Group commits to purchase or sell the asset).

The Group's financial instruments are in the nature of loans and receivables, AFS investments, HTM investments and loans and borrowings as at March 31, 2013 and June 30, 2012.

Financial Instruments - Subsequent Measurement
The subsequent measurement of financial instruments depends on their classification as follows:

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, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or

premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the consolidated statement of income. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are impaired or derecognized. Loans and receivables are included in current assets if maturity is within twelve (12) months from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

The Group's loans and receivables include cash and cash equivalents, receivables and amounts owed by related parties (see Notes 3, 4, and 15).

AFS Investments
AFS investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as for trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

AFS investments are included in current assets if it is expected to be realized or disposed of within twelve (12) months from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

HTM Investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as HTM investments when the Group has the positive intention and ability to hold to maturity. After initial measurement, HTM investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortization is included in interest income in the consolidated statement of income. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS investments and the Group will be precluded from using the HTM investments account for the current period and for the next two succeeding periods from tainting date. Gains and losses are recognized in the consolidated statement of income when the investments are derecognized or impaired.

As at March 31, 2013 and June 30, 2012, the Group's HTM investments include investments in government debt securities (see Note 9).

After initial recognition, AFS investments are subsequently measured at fair value with unrealized gains and losses recognized as OCI in the "Unrealized valuation gains (losses) on AFS investments" in the consolidated statement of changes in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated statement of income, or the investment is determined to be impaired, when the cumulative loss is reclassified from equity to the consolidated statement of income as finance costs.

Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Interest earned on holding AFS investments are reported as interest income using the EIR. Dividends earned on holding AFS investments are recognized in the consolidated statement of income under when the right of payment has been established. The losses arising from impairment of such investments are recognized in the consolidated statement of income.

The Group's listed and nonlisted equity securities and quoted and unquoted debt securities are classified under this category (see Note 8).

Loans and Borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

The Group's loans and borrowings include accounts payable and accrued expenses, amounts owed to related parties and rental and other deposits (see Notes 14 and 15).

Fair Value of Financial Instruments
The fair value of financial instruments that are actively traded in organized financial market is determined by reference to the quoted market prices (bid price for long positions and ask price for short positions) at the close of business at the end of the reporting period, without any reduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, fair value is determined using valuation technique. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models and other relevant valuation model.

"Day 1" Difference
Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset or liability. In cases where the data used is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Offsetting of Financial Instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a currently legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the consolidated statement of financial position.

Impairment of Financial Assets

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost

For financial assets carried at amortized cost, the Group 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 Group determines that no objective evidence of impairment exists for an 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 them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery. Interest income continues to be recognized based in the original EIR. If in a subsequent year, 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 to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Investments Carried at Fair Values
For AFS investments, the Group assesses at each end of the reporting period whether there is objective evidence that an investment or group of investment is impairment.

In the case of equity investments classified as AFS investments, objective evidence would include a significant or prolonged decline in the fair value of the investments below its cost. "Significant" is to be evaluated against the original cost of the investment or "prolonged" against the period in which the fair value has been below its original cost. When 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 as OCI in the consolidated statement of comprehensive income, is removed from equity and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through profit or loss while increases in fair value after impairment are recognized directly in OCI in equity.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. The interest income is recorded in the consolidated statement of 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 consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Derecognition of Financial Instruments

Financial Assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained all the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that
reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognized in the consolidated statement of income.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV).

Costs incurred in bringing each product to its present location are accounted for as follows:

- Raw materials, factory supplies and spare parts - purchase cost on a moving-average method;

- Finished goods and work in progress - direct materials, labor, and proportion of manufacturing overhead based on normal operating capacity but excluding borrowing costs.

The NRV is the selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV of raw materials, factory supplies and spare parts is the current replacement cost. In determining NRV, the Group considers any adjustment necessary for obsolescence.

Real Estate Held for Sale and Development

Real estate held for sale and development is carried at the lower of cost and NRV. NRV is the selling price in the ordinary course of business less the costs of completion, marketing and distribution. Cost includes acquisition cost of the land plus development and improvement costs. Borrowing costs incurred on loans obtained to finance the improvements and developments of real estate held for sale and development are capitalized while development is in progress.

Creditable Withholding Taxes (CWT)

CWT which are claimed against income tax due represents excess of the tax payable and are carried over in the succeeding period for the same purpose.

Input Value-added Tax (VAT)

Input VAT represents VAT imposed on the Group by its suppliers for the purchase of domestic services as required by Philippine taxation laws and regulations. Input VAT is presented as current asset.

Investments in Associates

The Group's investments in associates are accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investments in associates are carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate.

When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate is shown on the face of the consolidated statement of income. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investments in associates. The Group determines at each reporting date whether there is any objective evidence that the investments in the associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognizes the amount in the "share of profit of an associate" in the consolidated statement of income.

Upon loss of significant influence over the associates, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associates upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

In the Parent Company's separate financial statements, investments in associates are accounted for at cost less impairment losses.

The effective percentages of ownership in investments in associates as at March 31, 2013 and June 30, 2012 are as follows:

	Effective Percentage of Ownership	
	March 31	June 30
Cyber Bay Corporation (Cyber Bay) and Subsidiary:		
Cyber Bay	**22.28**	22.28
Central Bay Reclamation and Development Corporation (Central Bay)	**22.28**	22.28
BIB Aurora Insurance Brokers, Inc. (BAIBI)	**20.00**	20.00

Leasehold Rights

Leasehold rights are stated at cost and are amortized on a straight line basis over the remaining term of the lease from the start of commercial operations up to 2014.

Investment Properties

The Group's investment properties include properties utilized in its mall operations, condominium unit, commercial building and certain land which are held for rentals while the rest of the land is held for capital appreciation.

Investment properties utilized in its mall operations are stated at their revalued amount as deemed cost as allowed under PFRS less accumulated depreciation and amortization and any accumulated impairment losses. Condominium unit and commercial building are stated at cost less accumulated depreciation and any accumulated impairment losses. Land is stated at cost less any impairment in value.

The initial cost of investment properties include the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Leasehold improvements under investment properties (including buildings and structures) on the leased land are carried at cost less accumulated amortization and any impairment in value.

Investment properties are derecognized when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the period of derecognition.

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

Leasehold improvements and investment properties are amortized on a straight-line basis over the estimated useful lives or the term of the lease, whichever is shorter.

Property, Plant and Equipment

Land and improvements and buildings and improvements at revalued amount

Property, plant and equipment are carried at cost, less accumulated depreciation and amortization and any impairment in value, except for land and building, together with their improvements, which are stated at appraised values as determined by an independent firm of appraisers. The excess of appraised values over the acquisition costs of the properties is shown under the “Revaluation increment in properties” account in the consolidated statement of financial position and in the consolidated statement of changes in equity. An amount corresponding to the difference between the depreciation based on the revalued carrying amount of the asset and depreciation based on the original cost is transferred annually from “Revaluation increment on property, plant and equipment” to “Deficit” accounts in the consolidated statement of financial position.

Leasehold improvements, machinery and equipment, transportation equipment, furniture and fixtures and hotel equipment at cost

Property, plant and equipment are carried at cost, less accumulated depreciation, amortization and any impairment in value. The initial cost of property, plant and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefit expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful life of the property and equipment as follows:

	Years
Land improvements	30
Buildings and improvements	30
Machinery and equipment	5-10
Transportation equipment	5
Furniture, fixtures and equipment	3-5
Hotel equipment	5

Leasehold improvements are amortized on a straight-line basis over three (3) to five (5) years or the term of the lease, whichever is shorter.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in the consolidated statement of income in the year the asset is derecognized.

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

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are sold or retired, the cost and the related accumulated depreciation and amortization and any impairment in value are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of income.

Impairment of Nonfinancial Assets

The Group assesses at each end of the reporting period whether there is an indication that a nonfinancial asset may be impaired when events or changes in circumstances indicate that carrying values may not be recoverable. If any such indication exists or when annual impairment testing for a nonfinancial asset is required, the Group makes an estimate of the nonfinancial asset's recoverable amount. A nonfinancial asset's estimated recoverable amount is the higher of the nonfinancial asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual nonfinancial asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying values exceed the estimated recoverable amounts, the assets are considered impaired and are written down to their estimated recoverable amounts. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each end of the reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the nonfinancial asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the nonfinancial asset is increased to its estimated recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the nonfinancial asset in prior years. Such reversal is recognized in the consolidated statement of income unless the nonfinancial asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Deferred Acquisition Costs

Commission and other acquisition costs incurred during the financial reporting period that are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognized as an expense when incurred.

Subsequent to initial recognition, these costs are amortized using the 24th method except for marine cargo where the deferred acquisition costs pertain to the commissions for the last two months of the year. Amortization is charged to the statement of income. The unamortized acquisition costs are shown as deferred acquisition cost under “other noncurrent assets.

Capital Stock

Common shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to “Additional paid-in capital”.

Deficit

Deficit includes accumulated losses attributable to the Group's equity holders.

Other Comprehensive Income

Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRS.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognized:

Merchandise sale

Revenue from sale of merchandise is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rental

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue due to its operating nature.

Insurance premiums and commissions

Premiums from insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the premiums written that relates to the unexpired periods

of the policies at the end of the reporting period is accounted for as "Reserve for unearned premiums" included in the "Accounts payable and accrued expenses" account in the consolidated statement of financial position. The related insurance premiums ceded that pertain to the unexpired periods at the end of the reporting period are accounted for as "Deferred reinsurance premiums" shown as part of "Other noncurrent assets" in the consolidated statement of financial position. The net changes in these accounts between ends of the reporting periods are charged or credited to income for the year.

Real estate sales

Revenue from sale of real estate is recognized on an accrual basis in accordance with the terms and conditions of the sales contract.

Service fees

Service fees are recognized based on agreed rates upon completion of the service.

Promotional activities

Revenue is recognized when payment from tenants is received.

Interest income
For all financial instruments measured at amortized cost and interest bearing financial assets classified as AFS, interest income or expense is recorded using the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Dividend income
Dividend income is recognized when the Group's right to receive the payment is established.

Cost and Expenses
Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expenses are recognized in the consolidated statement of income in the period these are incurred.

Income Taxes
Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the profit or loss in the consolidated statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient future taxable profits will be available against which the temporary differences can be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at each end of the reporting period.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in the consolidated statement of comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered. Subsidiaries operating in the Philippines file income tax returns on an individual basis. Thus, the deferred tax assets and deferred tax liabilities are offset on a per entity basis.

Retirement Benefit Costs

The Group has a defined benefit retirement plan which requires contributions to be made to separately administered funds. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded ten percent (10%) of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a retirement plan, past service cost is recognized immediately. The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized and reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. A reassessment is made after the inception of the lease only if one of the following applies:

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

c. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

d. There is a change in the determination of whether fulfillment is dependent on a specified asset; or

e. 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 give rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Group as a Lessor
Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Rent income from operating leases are recognized as income on a straight-line basis over the lease term or based on the terms of the lease, as applicable. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Group as a Lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease payments under non-cancellable operating leases are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Foreign Currency Translation
Transactions in foreign currencies are initially recorded in Philippine peso based on the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item.

Earnings Per Share
Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Parent Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Claims

The liabilities for unpaid claim costs (including incurred but not reported losses) and claim adjustment expenses relating to insurance contracts are accrued when insured events occur. The liabilities for unpaid claims are based on the estimated ultimate cost of settling the claims. The method of determining such estimates and establishing reserves is continually reviewed and updated. Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense for the period in which the estimates are changed or payments are made. Estimated recoveries on settled and unsettled claims are evaluated in terms of the estimated realizable values of the salvaged recoverables and deducted from the liability for unpaid claims. The unpaid claim costs are accounted as Claims Payable under "Accounts payable and accrued expenses" account in the consolidated statement of financial position.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement.

Contingencies

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

Events After the End of the Reporting Period

Post year-end events that provide additional information about the Group's financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Cash and Cash Equivalents

	March 31	June 30
	(In Thousands)	
Cash on hand and in banks	**₱119,240**	₱54,289
Short-term investments	**591,157**	490,312
	₱710,397	₱544,601

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates.

4. Receivables - net

	March 31	June 30
	(In Thousands)	
Trade debtors	**₱186,333**	₱248,229
Insurance receivables	**709,781**	282,063
Others	**238,816**	243,571
	1,134,930	773,863
Less allowance for impairment losses	**264,748**	264,748
	₱870,182	₱509,115

5. Inventories – net

	March 31	June 30
	(In Thousands)	
At NRV:		
Finished goods	**₱69,108**	₱130,097
Work-in-process	**10,694**	9,451
Raw materials	**23,826**	20,034
Factory supplies and spare parts	**30,173**	35,208
	133,801	194,790
At cost:		
Materials in-transit	**-**	3,942
	₱133,801	₱198,732

6. Real Estate Held for Sale and Development

This account pertains to land located in Calamba, Laguna and Sto. Tomas, Batangas and is valued at cost.

7. Other Current Assets – net

	March 31	June 30
	(In Thousands)	
CWTs	**₱173,856**	₱160,991
Input VAT	**26,632**	37,346
Prepayments	**6,952**	4,195
	207,440	202,532
Less allowance for impairment losses	**6,246**	6,239
	₱201,194	₱196,293

8. AFS Investments

	March 31	June 30
	(In Thousands)	
Listed equity securities	**₱117,809**	₱242,951
Quoted debt securities	**161,467**	154,062
Unquoted debt securities	**5,700**	5,832
Nonlisted equity securities - net of allowance for impairment losses amounting to ₱8.6 million as at March 31, 2013 and June 30, 2012	**31,404**	24,566
	₱316,380	₱427,411

AFS investments, both listed and nonlisted equity securities, were held for investment purposes.

9. HTM Investments

As at March 31, 2013 and June 30, 2012, HTM investments at amortized cost amounted to ₱2.0 million. These investments are reserved investments in accordance with the provisions of the Insurance Code as security for the benefit of policy holders and creditors of the FPIC.

HTM investments earn interest of 9% and have contractual maturity date of less than five years.

10. Investments in Associates

	March 31	June 30
	(In Thousands)	
Acquisition costs:		
Balances at beginning and end of year	**₱1,416,101**	₱1,416,101
Accumulated equity in net losses of associates:		
Balances at beginning of year	**(160,052)**	(160,147)
Equity in net income of associates	**-**	95
Balances at end of year	**(160,052)**	(160,052)
	1,256,049	1,256,049
Less allowance for impairment losses	**725,023**	725,023
	₱531,026	₱531,026

11. Property, Plant and Equipment - net

As of MARCH 31, 2013

	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Hotel Equipment	Total
At cost						
At beginning of year	21,415	2,091,777	44,494	104,304	1,063	**2,263,053**
Additions	-	1,950	-	3,880	6,266	**12,096**
Disposals/Adjustments	-	-	(474)	-	-	**(474)**
At end of the period	21,415	2,093,728	44,020	108,184	7,329	**2,274,676**
Accumulated depreciation and amortization						
At beginning of year	16,213	2,056,885	35,100	91,990	-	**2,200,189**
Depreciation and amortization	47	4,175	2,611	4,869	883	**12,585**
Disposals/Adjustments	-	-	(474)	-	-	**(474)**
At end of the period	16,261	2,061,061	37,237	96,860	883	**2,212,301**
Net book value	**5,155**	**32,667**	**6,783**	**11,324**	**6,446**	**62,375**

At revalued amounts	**Land and Improvements**	**Buildings and Improvements**	**Total**
At beginning of year	339,662	616,863	956,525
Revaluation increase	-	-	-
Reduction in market value	-	-	-
Disposals	-	-	-
At end of the period	339,662	616,863	956,525
Accumulated depreciation and amortization			
At beginning of year	17,069	266,645	283,714
Depreciation and amortization	582	19,559	20,141
At end of the period	17,652	286,204	303,855
Net book value	**322,011**	**330,659**	**652,670**

As of June 30, 2012

	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Hotel Equipment	Total
				(In Thousands)		
At cost:						
At beginning of year	₱21,215	₱2,090,841	₱45,656	₱100,147	₱–	₱2,257,859
Additions	200	937	2,228	4,157	1,063	8,585
Disposals	–	–	(3,391)	–	–	(3,391)
At end of year	21,415	2,091,778	44,493	104,304	1,063	2,263,053
Accumulated depreciation and amortization						
At beginning of year	16,170	2,051,531	33,797	85,327	–	2,186,825
Depreciation and amortization	42	5,354	3,871	6,664	–	15,931
Disposals	–	–	(2,567)	–	–	(2,567)
At end of year	16,212	2,056,885	35,101	91,991	–	2,200,189
Net book value	₱5,203	₱34,893	₱9,392	₱12,313	₱1,063	₱62,864

	Land and Improvements	Buildings and Improvements	Total
		(In Thousands)	
At revalued amounts:			
At beginning of year	₱307,580	₱536,971	₱844,551
Revaluation	32,082	79,314	111,396
Additions	–	580	580
At end of year	339,662	616,865	956,527
Accumulated depreciation and amortization:			
At beginning of year	15,788	244,694	260,482
Depreciation and amortization	1,280	21,954	23,234
At end of year	17,068	266,648	283,716
Net book value	₱322,594	₱350,217	₱672,811

12. Investment Properties - net

As of March 31, 2013

	Buildings and Improvements	Land and Improvements	Total
At cost:			
At beginning of year	₱2,187,055	₱110,065	₱2,297,120
Additions	22	-	22
At end of the period	2,187,077	110,065	2,297,142
Accumulated depreciation and amortization			
At beginning of year	1,528,556	276	1,528,832
Depreciation and amortization	23,144	103	23,247
At end of the period	1,551,699	379	1,552,079
Net carrying value as of March 31, 2013	**₱635,377**	**₱109,685**	**₱745,063**

As of June 30, 2012

	Buildings and Improvements	Land and Improvements	Total
		(In Thousands)	
At cost:			
At beginning of year	₱2,140,882	₱110,065	₱2,250,947
Additions	46,173	–	46,173
At end of year	2,187,055	110,065	2,297,120
Accumulated depreciation and amortization:			
At beginning of year	1,497,046	138	1,497,184
Depreciation and amortization (Note 19)	31,510	138	31,648
At end of year	1,528,556	276	1,528,832
Net book value	₱658,499	₱109,789	₱768,288

13. Other Noncurrent Assets

	March 31	June 30
	(In Thousands)	
Rental deposits	**₱33,637**	₱35,006
Deferred acquisition cost	**26,171**	24,754
Deferred input VAT	**3,759**	21,667
Deferred reinsurance premiums	**26,255**	19,463
Prepaid expenses	**3,070**	7,575
Others	**23,003**	10,482
	₱115,895	₱118,947

14. Accounts Payable and Accrued Expenses

	March 31	June 30
	(In Thousands)	
Trade payables	**₱37,851**	₱262,680
Accrued expenses	**150,913**	402,648
Claims payable	**565,211**	151,388
Reserve for unearned premiums	**121,571**	107,720
Nontrade payables	**76,235**	106,299
Due to reinsurers and ceding companies	**41,792**	49,580
Others	**43,271**	62,014
	₱1,036,844	₱1,142,329

15. Related Party Transactions

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

The Parent Company and its subsidiaries, in their normal course of business, have entered into transactions with related parties principally consisting of noninterest-bearing advances with no fixed repayment terms and are due and demandable.

Account balances with related parties, other than intra-group balances which are eliminated in consolidation, are as follows:

	March 31	June 30
	(In Thousands)	
Amounts owed by related parties:		
Cyber Bay and Subsidiary	**₱87,342**	₱87,342
Guoman Philippines, Inc.	**1,627**	1,625
Others	**56**	51
	89,025	89,018
Less allowance for impairment losses	**87,995**	87,995
	₱1,030	₱1,023

	March 31	June 30
	(In Thousands)	
Amounts owed to related parties:		
OYL Overseas, Ltd.	**₱2,673**	₱2,673
Others	**54**	54
	₱2,727	₱2,727

16. Operating Expenses

	Nine Months Ended March 31	
	2013	**2012**
Depreciation and amortization	**₱56,531**	₱ 46,225
Personnel expenses	**157,655**	138,573
Taxes and licenses	**14,783**	17,671
Marketing expenses	**10,532**	13,147
Professional and legal fees	**17,051**	11,259
Communication and transportation	**8,931**	9,883
Supplies and repairs	**7,852**	6,072
Insurance	**3,576**	2,897
Representation	**1,486**	1,414
Provision for (reversal of) impairment losses	**-**	(5,401)
Provision for (reversal of) inventory losses	**(1,105)**	(773)
Provision for (revesal of) probable losses	**7**	45
Others	**19,024**	13,803
	₱ 296,323	₱254,816

17. Earnings Per Share

The following table presents information necessary to calculate basic and diluted earnings per share:

	Nine Months Ended March 31	
	2013	2012
a. Net income attributable to equity holders of the Parent (in thousands)	**₱500,602**	**₱62,098**
b. Weighted average number of shares (in thousands)	**2,367,149**	**2,367,149**
Basic and diluted earnings per share (a/b)	**₱0.2115**	**₱0.0262**

18. Segment Information

<u>Business Segments</u>

The Group's operating businesses are organized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit.

The industry segments where the Parent Company and its subsidiaries and associates operate are as follows:

- Financial services - insurance and related brokerage
- Real estate - property development
- Manufacturing and distribution - manufacture and distribution of beverage and ceramic tiles

Financial information about the operations of these business segments is summarized as follows:

	Holding Company	Real Estate and Property Development	Financial Services	Manufacturing and Distribution	Total
			(In Thousands)		
<u>Three Months Period Ended March 31, 2013</u>					
Revenue	₱-	₱314,244	₱145,902	₱220,332	₱680,478
Net income (loss)	(9,373)	142,662	(3,796)	369,904	499,397
Depreciation and amortization	834	34,803	2,466	24,566	62,669
<u>As of March 31, 2013</u>					
Total assets	647,700	1,985,716	911,412	1,141,582	4,686,410
Capital expenditures	253	10,721	607	516	12,096
Investment in associates	528,470	-	2,556	-	531,026
Total liabilities	551,880	497,258	796,563	151,965	1,997,666

	Holding Company	Real Estate and Property Development	Financial Services	Manufacturing and Distribution	Total
			(In Thousands)		
<u>Three Months Period Ended March 31, 2012</u>					
Revenue	₱-	₱371,846	₱142,903	₱376,026	₱890,775
Net income (loss)	(3,812)	23,994	107,511	(56,384)	71,309
Depreciation and amortization	953	34,137	2,550	22,231	59,871
<u>As of June 30, 2012</u>					
Total assets	722,735	1,893,795	484,043	1,246,382	4,346,955
Capital expenditures	606	4,072	2,903	1,584	9,165
Investment in associates	528,470	-	2,556	-	531,026
Total liabilities	558,136	522,829	365,617	668,480	2,115,063

<u>Geographical Segments</u>

The Group does not have geographical segments.

19. Financial Risk Management Objectives and Policies and Capital Management

The Group's principal financial instruments are cash and cash equivalents, receivables, accounts payable and accrued expenses, amounts owed to related parties, deposits and advances. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial instruments such as AFS and HTM investments which arise directly from operations. The main risks from the use of financial instruments are liquidity risk, interest rate risk, foreign currency risk and credit risk and equity price risk.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligation s due to shortage of funds.

In the management of liquidity, the Group monitors and maintains a level of cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The tables below summarize the maturity profile of the Group's financial liabilities as at March 31, 2013 and June 30, 2012 based on contractual undiscounted payments:

March 31, 2013

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Total
Accounts payable and accrued expenses	**₱322,482**	**₱78,749**	**₱78,679**	**₱548,620**	**₱1,028,530**
Amounts owed to related parties	**2,727**	**-**	**-**	**-**	**2,727**
Rental and other deposits	**57,986**	**28,546**	**48,680**	**68,514**	**203,726**
	₱383,195	**₱107,295**	**₱127,359**	**₱617,134**	**₱1,234,983**

June 30, 2012

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Total
Accounts payable and accrued expenses	**₱652,055**	**₱40,456**	**₱371,678**	**₱69,222**	**₱1,133,411**
Amounts owed to related parties	**2,727**	**–**	**–**	**–**	**2,727**
Rental and other deposits	**38,239**	**33,602**	**56,974**	**77,506**	**206,321**
	₱693,021	**₱74,058**	**₱428,652**	**₱146,728**	**₱1,342,459**

Foreign currency risk
The Group's foreign currency risk results primarily from movements of the Philippine Peso against the US Dollar. The Group's foreign currency risk arises primarily from its trade payables.

The Group monitors and assesses cash flows from anticipated transactions and financing agreements denominated in US Dollar.

The table below summarizes the Group's exposure to foreign currency risk as of March 31, 2013 and June 30, 2012. Included in the table are the Group's assets and liabilities at carrying amounts:

	March 31, 2013		June 30, 2012	
	US Dollar	**Peso Equivalent**	US$	Peso Equivalent
		(In Thousands)		
Financial Asset:				
Cash	**$48**	**₱1,975**	$44	₱1,853
Financial Liability:				
Accounts payable	**-**	**-**	970	40,856
Net financial liability	**$48**	**₱1,975**	($926)	(₱39,003)

Equity price risk
Equity price risk is the risk that the fair values of equities decrease as the result of change in the levels of equity indices and the value of individual stock. The equity price risk exposure arises from the Group's investment in stocks. Equity investment of the Group is categorized as AFS investments.

The Group measures the sensitivity to its equity securities by using PSE index fluctuations and its effect to respective share prices.

Credit risk
With respect to credit risk from other financial assets of the Group, which mainly comprise of cash, excluding cash on hand, amounts owed by related parties, AFS investments and HTM investments, the exposure of the Group to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

There are no significant concentrations of credit risk in the Group.

Credit quality of neither past due nor impaired financial asset
The credit quality of financial assets is being managed by the Group by grouping its financial assets into two: (a) High grade financial assets are those that are current and collectible;
(b) Standard grade financial assets need to be consistently followed up but are still collectible.

The tables below show the credit quality by class of financial asset based on the Group's credit rating system:

March 31, 2013

	Neither past due nor impaired		Past due or individually impaired	Total
	High Grade	Standard Grade		
Financial assets:				
Loans and Receivables				
Cash and cash equivalents	**₱709,863**	**₱ -**	**₱-**	**₱709,863**
Receivables				
Trade debtors	**25,448**	**19,281**	**141,603**	**186,333**
Insurance receivables	**542,296**	**54,061**	**113,423**	**709,781**
Others	**49,133**	**279**	**189,403**	**238,815**
Amounts owed by related parties	**1,030**	**-**	**87,995**	**89,025**
AFS Investments				
Listed equity securities	**117,809**	**-**	**-**	**117,809**
Quoted debt securities	**161,467**	**-**	**-**	**161,467**
Unquoted debt securities	**5,700**	**-**	**-**	**5,700**
Nonlisted equity securities	**22,744**	**-**	**8,660**	**31,404**
HTM Investments	**2,000**	**-**	**-**	**2,000**
	₱1,637,492	**₱73,622**	**₱541,085**	**₱2,252,198**

June 30, 2012

	Neither past due nor impaired		Past due or	
		Standard	Individually	
	High Grade	Grade	Impaired	Total
Financial assets:				
Loans and Receivables				
Cash and cash equivalents	₱544,057	₱–	₱–	₱544,057
Receivables				
Trade debtors	84,451	40,037	123,741	248,229
Insurance receivables	86,771	74,028	121,264	282,063
Others	50,324	279	191,789	242,392
Amounts owed by related parties	1,023	–	87,995	89,018
AFS Investments				
Listed equity securities	242,951	–	–	242,951
Quoted debt securities	154,062	–	–	154,062
Unquoted debt securities	5,832	–	–	5,832
Nonlisted equity securities	24,566	–	8,660	33,226
HTM Investments	2,000	-	-	2,000
	₱1,196,037	₱114,344	₱533,449	₱1,843,830

The tables below show the aging analyses of past due but not impaired receivables per class that the Group held as of March 31, 2013 and June 30, 2012. A financial asset is past due when a counterparty has failed to make payment when contractually due.

March 31, 2013

		Past due but not impaired					
	Neither past due nor impaired	**Less than 30 days**	**31 to 60 days**	**61 to 90 days**	**Over 90 days**	**Individually impaired**	**Total**
Financial assets:							
Loans and Receivables							
Cash and cash equivalents	**₱709,863**	**₱ -**	**₱ -**	**₱ -**	**₱-**	**₱-**	**₱709,863**
Receivables							
Trade debtors	**34,780**	**3,468**	**1,271**	**1,596**	**65,186**	**80,031**	**186,333**
Insurance receivables	**596,358**	**25,419**	**12,813**	**11,818**	**55,797**	**7,577**	**709,781**
Others	**49,412**	**2,313**	**-**	**-**	**-**	**187,090**	**238,815**
Amounts owed by related parties	**1,030**	**-**	**-**	**-**	**-**	**87,995**	**89,025**
AFS Investments							
Listed equity securities	**117,809**	**-**	**-**	**-**	**-**	**-**	**117,809**
Quoted debt securities	**161,467**	**-**	**-**	**-**	**-**	**-**	**161,467**
Unquoted debt securities	**5,700**	**-**	**-**	**-**	**-**	**-**	**5,700**
Nonlisted equity securities	**22,744**	**-**	**-**	**-**	**-**	**8,660**	**31,404**
HTM Investments	**2,000**	**-**	**-**	**-**	**-**	**-**	**2,000**
	₱1,701,164	**₱31,200**	**₱14,084**	**₱13,414**	**₱120,983**	**₱371,352**	**₱2,252,198**

June 30, 2012

	Neither past due nor Impaired	Past due but not impaired: Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Individually Impaired	Total
Financial assets:							
Loans and Receivables							
Cash and cash equivalents	₱544,057	₱–	₱–	₱–	₱–	₱–	₱544,057
Receivables							
Trade debtors	124,488	104	7,818	4,471	41,267	70,081	248,229
Insurance receivables	160,799	39,332	15,628	11,397	47,331	7,576	282,063
Others	50,603	4,698	–	–	–	187,091	242,392
Amounts owed by related parties	1,023	–	–	–	–	87,995	89,018
AFS Investments							
Listed equity securities	242,951	–	–	–	–	–	242,951
Quoted debt securities	154,062	–	–	–	–	–	154,062
Unquoted debt securities	5,832	–	–	–	–	–	5,832
Nonlisted equity securities	24,566	–	–	–	–	8,660	33,226
HTM Investments	2,000	-	-	-	-	-	2,000
	₱1,310,381	₱44,134	₱23,446	₱15,868	₱88,598	₱361,403	₱1,843,830

Capital Management

The primary objective of the Group's capital management is to ensure the Group's ability to continue as a going concern and pay the Group's currently maturing obligations.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes as at March 31, 2013 and June 30, 2012.

As at March 31, 2013 and June 30, 2012, the Group considers the following accounts as capital:

	March 31	June 30
Capital stock	**₱2,066,352**	₱2,066,352
Additional paid-in capital	**829,904**	829,904
	₱2,896,256	₱2,896,256

20. Financial Instruments

Fair Values of Financial Instruments

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:

Cash and Cash Equivalents

The carrying amount of cash and cash equivalents approximates its fair value due to the short-term maturity of this financial instrument.

Receivables and Accounts Payable and Accrued Expenses

The carrying amounts receivables and trade and other payables approximate their fair values due to their short-term nature.

AFS Investments

AFS equity investments that are listed are based on their bid prices as at March 31, 2013 and June 30, 2012. AFS debt investments that are quoted are based on market prices. Unquoted AFS debt investments are based on market prices for similar investments. Nonlisted AFS equity investments are based on cost less impairment, if any, since its fair value cannot be determined reliably.

HTM Investments

HTM investments are based on quoted price.

Fair Value Hierarchy

The following table shows the financial instruments recognized at fair value, analyzed between those whose fair value is based on:

- Quoted prices in active markets for identical assets of liabilities (Level 1);

- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
(Level 2); and

- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

March 2013

	Level 1	**Level 2**	**Level 3**	**Total**
AFS Investments				
Listed equity securities	**₱117,809**	**₱ -**	₱ -	**₱117,809**
Quoted debt securities	**161,467**	**-**	-	**161,467**
Unquoted debt securities	**-**	**5,700**	-	**5,700**
	₱279,276	**₱ 5,700**	₱ -	**₱284,976**

June 2012

	Level 1	Level 2	Level 3	Total
AFS Investments				
Listed equity securities	₱242,951	₱–	₱–	₱242,951
Quoted debt securities	154,062	-	-	154,062
Unquoted debt securities	-	5,832	-	5,832
	₱401,230	₱18,774	₱-	₱420,004

During the period, there are no transfers between Level 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

PRIME ORION PHILIPPINES, INC. AND SUBSIDIARIES
AGING OF ACCOUNTS
RECEIVABLE
As of March 31, 2013

Current	₱44,730
1 to 30 days	3,468
31 to 60 days	1,271
61 to 90 days	1,596
Over 90 days	135,267
Total receivable-trade	**186,333**
Advances to Employees	10,161
Insurance receivable	709,781
Others	228,655
Total non-trade receivable	**948,597**
Total receivable	**1,134,930**
Allowance for doubtful accounts	**(264,748)**
	₱870,182