

SEC Number 37535  
File Number \_\_\_\_\_

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**ATN HOLDINGS, INC.**

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(Company)

**9th Floor, Summit One Tower,  
530 Shaw Blvd., Mandaluyong**

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(Address)

**717-0523**

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(Telephone Number)

**March 31**

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(Fiscal Year Ending)  
(month & day)

**SEC 17Q**

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(Form Type)

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Amendment Designation (if applicable)

**June 30, 2016**

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(Period Ended Date)

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(Secondary License Type and File Number)

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

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

1. For the quarterly period ended June 30, 2016
2. Commission identification no. 37535                      3.BIR Tax Identification No. 005-056-869
4. ATN Holdings, Inc. (the "Company")
5. Philippines
6. Industry Classification Code:
7. 9th Floor, Summit One Tower, 530 Shaw Blvd., 1550 Mandaluyong City
8. Telephone No. 717-0523
9. The Company did not change its name, address or fiscal year during the period covered by this report.
10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Stock, P.01	
Class "A"	3,700,000,000
Class "B"	800,000,000

11. These securities are not all listed on the Philippine Stock Exchange.
  - (a) The company 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 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)
  - (b) The company has been subject to such filing requirements for the past ninety (90) days.

I. Financial Statements.

ATN HOLDINGS, INC. and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		(Unaudited) June 30	Audited March 31
	Notes	2016	2016
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalent	9	P9,457,046	P5,907,888
Accounts receivable	10	769,307	1,833,570
Real estate inventories	11	4,485,000	4,485,000
Other current assets	12	1,778,096	1,674,800
		16,489,449	13,901,258
Noncurrent Assets			
Investments in:			
Available-for-sale investments	14	42,037,122	42,037,122
Associates	13	168,811,697	169,797,733
Investment in properties	15	2,275,270,962	2,275,270,962
Property and equipment - net	16	24,790,598	25,764,230
Intangible asset	17	7,125,000	7,550,000
Advances to related parties	24	15,535,144	27,535,144
		2,533,570,523	2,547,955,191
<b>TOTAL ASSETS</b>		<b>P2,550,059,972</b>	<b>P2,561,856,449</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued expenses	18	P2,882,540	P3,389,433
Bank loans	19	25,259,054	25,259,054
		28,141,594	28,648,487
Noncurrent Liabilities			
Deposits	20	45,030,960	43,893,805
Subscription payable	24	24,543,700	36,543,700
Advances from related parties	24	42,045,346	41,410,247
Pension liability		652,914	652,914
Deferred tax liabilities		580,958,040	580,968,204
		693,230,960	703,468,870
<b>Total Liabilities</b>		<b>721,372,554</b>	<b>732,117,357</b>
<b>EQUITY</b>			
Share capital	21	450,000,000	450,000,000
Additional paid-in capital		22,373,956	22,373,956
Unrealized gain on available-for sale financial asset-net of tax		8,350,602	8,350,602
Retained earnings - March 31		1,347,962,860	1,349,014,534
<b>TOTAL EQUITY</b>		<b>1,828,687,418</b>	<b>1,829,739,092</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P2,550,059,972</b>	<b>P2,561,856,449</b>

See accompanying Notes to Financial Statements.

ATN HOLDINGS, INC. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	First Quarter Ending	
		June 30, 2016	June 30, 2015
<b>REVENUES</b>			
Lease of properties		P3,856,678	P4,550,566
Health care services		4,309,689	4,083,967
<b>OTHER INCOME</b>			
Interest and other income		190,862	1,578
		8,357,229	8,636,111
<b>COSTS AND EXPENSES</b>			
Direct cost	22	3,631,413	3,013,477
Administrative expenses	23	4,426,598	3,951,569
Finance cost	19	431,897	282,747
Equity in net loss of an associate	13	799,591	688,968
		9,289,499	7,936,761
INCOME (LOSS) BEFORE INCOME TAX		(932,270)	699,350
INCOME TAX EXPENSE		119,404	487,863
INCOME (LOSS) FOR THE PERIOD		(P1,051,674)	P211,487
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Fair value changes in Available-for-sale financial assets-net of deferred tax		-	-
		(P1,051,674)	P211,487
EARNINGS PER SHARE	27	(0.0023)	0.0005

See accompanying Notes to Financial Statements.

ATN HOLDINGS, INC. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	1st Qtr. Ending	
	June 30, 2016	June 30, 2015
<b>SHARE CAPITAL</b>		
Balance at beginning of fiscal year	P450,000,000	P450,000,000
Issuance during the year	-	-
Balance at end of fiscal year	450,000,000	450,000,000
<b>ADDITIONAL PAID-IN CAPITAL</b>	22,373,956	22,373,956
<b>UNREALIZED GAIN ON AVAILABLE-FOR-SALE</b>		
<b>FINANCIAL ASSETS - net of tax</b>		
Balance at beginning of fiscal year	8,350,602	13,523,324
Change in fair value	-	(1,691,913)
	8,350,602	11,831,411
<b>RETAINED EARNINGS</b>		
Balance at beginning of fiscal year	1,349,014,534	1,335,902,300
Net profit (loss)	(1,051,674)	211,487
	1,347,962,860	1,336,113,787
	P1,828,687,418	P1,820,319,154

See accompanying Notes to Financial Statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	First Quarter Ending	
	June 30, 2016	June 30, 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (loss) before tax	(P1,051,674)	P211,487
Adjustments to reconcile net income to cash		
Depreciation and amortization	1,398,632	2,227,411
Equity in net loss of an associate	799,591	688,969
Unrealized foreign exchange loss	0	-
Interest income	(7,811)	(1,578)
Interest expense	431,897	282,747
Operating income before working capital changes	1,570,635	3,409,036
Decrease (increase) in current assets		
Accounts receivable	1,064,263	(377,890)
Other current assets	(103,296)	863,727
Increase (decrease) in current liabilities		
Accounts payable and accrued expenses	(517,057)	(1,517,493)
Cash (used in) provided by operations	2,014,544	2,377,380
Interest income	7,811	1,578
Cash flows from Operating Activities	2,022,355	2,378,958
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net (Increased) decreased in :		-
Advances to related party	12,821,545	(2,091,760)
Payment of subscription	(12,000,000)	-
Increased (decreased) in deposits	1,137,155	2,388,291
	1,958,699	296,531
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Debt servicing:		
Principal	-	(1,100,363)
Interest	(431,897)	(282,747)
	(431,897)	(1,383,110)
NET INCREASE/(DECREASE) IN CASH	3,549,158	1,292,379
CASH AT BEGINNING OF PERIOD	5,907,888	4,651,518
CASH AT END OF PERIOD	P9,457,046	P5,943,897

See accompanying Notes to Financial Statements.

**ATN HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**1. Corporate Information**

ATN Holdings, Inc. (*ATN or the Parent*) was formerly registered under the name Jabpract Mining and Industrial Corporation. On March 14, 1996, Jabpract Mining and Industrial Corporation changed its corporate name to ATN Holdings, Inc. and its primary and secondary purposes were amended to enable it to perform the acts of a holding company.

The common shares of ATN are listed and traded on the Philippine Stock Exchange. The registered office address of ATN is 9<sup>th</sup> Floor Summit One Tower Bldg., 530 Shaw Blvd., Mandaluyong City. ATN Holdings, Inc. has no ultimate Parent company.

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**2. Basis of Preparation and Presentation**

*Basis of Financial Statement Preparation and Presentation*

The accompanying consolidated financial statements of the Parent Company and Subsidiaries (*the Group*) have been prepared in accordance with Philippine Financial Reporting Standards on a historical cost basis, except for available-for-sale financial assets (AFS) and investment properties that have been measured at fair values.

The consolidated financial statements are presented in Philippine Peso, which is the Group's functional currency. All values represent absolute amounts except when otherwise indicated.

*Statement of Compliance*

The accompanying consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council.

*Principle for Consolidation*

The consolidated financial statements comprise the financial statements of the Parent Company and those of the subsidiaries. The reporting dates of the subsidiaries are December 31. A parent controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with a subsidiary and has the ability to affect those returns through its power over the subsidiary. Specifically, control is achieved if and only if the parent company has the following;

- (i) Power over the investee;
- (ii) Exposure rights, to variable returns from its involvement with the subsidiary; and
- (iii) The ability to use its power over the investee to affect the amount of the parent company's returns.

The parent reassesses whether or not it controls a subsidiary if facts and circumstances indicates that there are changes to one or more of the three elements of control.

As of June 30, 2016, 2015, the consolidated subsidiaries are as follows:

<u>Name of Subsidiary</u>	<u>Principal Activity</u>	<u>% of Ownership</u>
Palladian Land Development, Inc. (PLDI)	Real Property Developer	99.98%
Advanced Home Concept Development Corporation (AHCDC)	Real Property Developer	99.98%
Managed Care Philippines, Inc. (MCPI)	Health Care Provider	99.80%

For consolidation purposes, the financial statements of the subsidiaries are consolidated in the Parent Company's financial statements as of June 30, 2016.

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### 3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for all the years presented, unless otherwise stated.

#### Current versus non-current classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the end of the reporting period; or
- Cash and cash equivalent unless restricted from being exchanged or use to settle a liability for at least twelve months after the end of the reporting period.

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the end of the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the end of the reporting period.

The Group classifies all other liabilities as non-current.

#### Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term highly liquid investments readily convertible to known amount of cash and which are subject to insignificant risk of changes in value.

#### Financial Instruments

##### *Date of Recognition*

Financial assets and financial liabilities are recognized in the consolidated statements of financial position of the Group when it becomes a party to the contractual provisions of the instrument.

##### *Initial Recognition*

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at fair value through profit or loss, the initial measurement of financial instruments includes transaction costs.

##### *Determination of Fair Value*

The fair value for instruments traded in active market at the reporting date is based on their quoted market price. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable prices exists.

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instruments or based on a valuation technique, the Group recognizes the difference between the transaction price and fair value in the consolidated statements of income unless it qualifies for recognition as some other type of asset.

##### *Classification of Financial Instruments*

The Group classifies financial assets into the following categories, (i) At fair value through profit or loss (FVPL), (ii) Available-for-sale, (iii) Held-to-maturity and (iv) Loans and receivable. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.



As of June 30, 2016 and 2015, the Group's financial instruments are of the nature of AFS, loans and receivables, and other financial liabilities.

#### *AFS financial assets*

AFS are non-derivative financial assets that are either designated on this category or not classified in any of the other categories. Subsequent to initial recognition, AFS assets are carried at fair value in the consolidated statements of financial position. Changes in the fair value are recognized directly in equity account as "Unrealized gain on AFS financial assets". Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in equity is included in consolidated statement of income.

Included under this category are shares of stock of publicly listed companies.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are carried at amortized cost in the consolidated statement of financial position. Amortization is determined using the effective interest method less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate.

Included under this category are the Group's cash and receivables.

#### *Other Financial Liabilities*

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral parts of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statements of comprehensive income.

Included under this category are accounts payable and accrued expenses, bank loans, deposits, subscription payable and advances from related parties.

#### *Reclassification of Financial Assets*

A financial asset is reclassified out of the FVPL category when the following conditions are met (i) the financial asset is no longer held for the purpose of selling or repurchasing it in the near term; and (ii) there is a rare situation.

A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the consolidated statements of income is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

#### *Impairment*

##### *Financial Assets*

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

##### *(i) Assets carried at amortized cost*

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash

flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognized in the profit and loss accounts.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

Any subsequent reversal of an impairment loss is recognized in the profit and loss accounts, to the extent that the carrying value of the asset at the date the impairment is reversed, does not exceed what the amortized cost would have been had the impairment not been recognized.

*(ii) Assets carried at cost*

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. Such impairment losses are not reversed in subsequent periods.

*(iii) Available-for-sale financial assets*

Available-for-sale financial assets are subject to impairment review at each end of the reporting period. Impairment loss is recognized when there is objective evidence such as significant financial difficulty of the issuer/obligor, significant or prolonged decline in market prices and adverse economic indicators that the recoverable amount of an asset is below its carrying amount.

*Non-Financial Assets*

The Group's investment properties, property and equipment, investment in associates and intangible asset are subject to impairment testing. All other individual assets or cash generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less cost to sell and value in use, based on an internal discounted cash flow evaluation. Impairment loss is charged pro-rata to the other assets in the cash generating unit.

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

*Derecognition of Financial Instruments*

*Financial Assets*

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

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee

over the transferred asset is measured at the lower of 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 or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

#### Real Estate Inventories

Real estate inventories are carried at the lower of cost and net realizable value (NRV). Cost includes the value of land plus expenditures necessary to complete the housing units. Net realizable value is the estimated selling price in the ordinary course of business less cost to complete and sell the units. NRV is determined in a manner provided in Note 5.

As of June 30, 2016 and 2015, real estate inventories are carried at cost.

#### Other Current Assets

Other current assets include 12% input tax from purchases of goods and services which can be claimed against output tax, prior year's excess credit and security deposits. Other current assets are carried at original amounts.

#### Investment Properties

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both and that is not occupied by the Group.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by the Group. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Investment properties are derecognized when either they have been disposed of, or when the investment property is permanently withdrawn from service and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statements of income in the year of retirement or disposal.

#### Investment in Associates

The Group's investments in associates are accounted for using the equity method. An associate is an entity in which a company has significant influence. Under the equity method, the investments in associates is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognized in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment.

Upon loss of significant influence over the associate, the equity method is discontinued and the investment is accounted in accordance with PAS 39, Financial Instruments: Recognition and Measurement.

#### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of years
Medical equipment and fixtures	15
Office furniture and fixtures	10
Leasehold improvements	3-13 or lease term whichever is shorter
Transportation equipment	5

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statements of income in the year the item is derecognized.

#### Intangible Asset

The Group's portal and enterprise system is carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Amortization is computed based on the aggregate predicted life of 15-20 years from the date of launch.

#### Accounts Payable and Accrued Expenses

Accounts payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Accounts payable are non-interest bearing and are stated at their original invoice amount since the effect of discounting is immaterial.

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees.

#### Bank Loans

Bank loans are measured at their nominal values and subsequently recognized at amortized costs less payments.

#### Deposits

Deposits represent security deposits from clients and reservation fees from real estate buyers. The same will be applied to contract price when the buyer committed to purchase the unit. Reservation fees are non-refundable should the buyer decided not to go through with the acquisition of the property.

#### Payable to Related Parties

Payable to related parties are non-interest bearing borrowings. These are measured at their original amounts and have no fixed repayment period.

#### Equity

Share capital is determined using the par value of shares that have been issued and fully paid.

Additional paid-in capital includes any premiums received on the initial issuance of share capital. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Unrealized gain/loss on AFS financial assets pertains to mark-to-market valuation of available-for-sale financial assets.

Retained earnings include all current and prior period results of operations as disclosed in the consolidated statements of comprehensive income.

### Other Comprehensive Income

Other comprehensive income comprises items of income and expenses that are not recognized in the profit or loss for the year in accordance with PFRS.

### Revenue and Cost Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

- (i) Interest – interest income from bank deposits is recognized as interest accrues taking into account the effective yield on the related asset.
- (ii) Profit from assets sold or exchanged – recognized when the title to the asset is transferred to the buyer or if the collectability is reasonably assured. If collectability is not reasonably assured, revenue is recognized only to the extent cash is received.
- (iii) Rental from operating leases - properties leased out under operating leases are included in investment property in the consolidated statements of financial position. Lease income is recognized over the term of the lease on a straight-line basis.
- (iv) Sales of services – revenue are recognized upon rendering of services or completion of services made.
- (v) Dividends - dividends are recognized in the period in which they are declared.
- (vi) Fair value gains on investment properties – fair value gains on investment properties are recognized when the market value of the investment properties are higher than its carrying value. Measurement of fair value is discussed in Note 6.

Cost and expenses are recognized in the consolidated statements of income upon utilization of the assets or services or at the date they are incurred. Interest expense is reported on accrual basis.

Service charges, fees and penalties are recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan.

### Retirement Benefit Cost

The Group accrues retirement expense based on the provision of the Retirement Pay Law (R.A. 7641). The RA requires that employers with no formal retirement plan or agreement providing for retirement benefits shall provide for retirement pay equivalent to at least 15 days plus 1/12 of the 13<sup>th</sup> month pay and the cash equivalent of not more than five (5) days of service incentive leave for employees who have rendered at least five (5) years of service and have reach the age of 60 at the time of retirement. Annually, the Group assesses the sufficiency of the recorded retirement liability. Any increase or decline thereto is adjusted in the Consolidated Statement of Financial Position.

Because of the undue cost or effort in measuring retirement benefit cost under defined benefit plan using the projected unit credit method, the Group elected to measure its retirement benefit obligation with respect to current employees with the following simplifications:

- (a) Ignored estimated future salary increases;
- (b) Ignored future service of current employees; and,
- (c) Ignored possible in-service mortality of current employees between March 31, 2016 and the date employees are expected to begin receiving post-employment benefits.

### Borrowing Costs

Borrowing costs are generally expense as incurred. Borrowing costs are capitalized if they are attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are ready for their intended use.

### Income Taxes

Current tax liabilities are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantially enacted at the end of reporting period.

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

Under the balance sheet liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset is to be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the consolidated statements of comprehensive income. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

### Foreign Currency Transactions and Translations

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (*the functional currency*). The consolidated financial statements of the Parent and subsidiaries are presented in Philippine Peso, the Group's functional and presentation currency.

Foreign currency transactions are translated into the functional currency at exchange rates prevailing at the time of transaction. Foreign currency gains and losses resulting from settlement of such transaction and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of income.

### Provisions

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain, as a separate asset at an amount not exceeding the balance of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. In addition, long term provisions are discounted at their present values, where time value of money is material.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They 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 disclosed when an inflow of economic benefits is probable.

### Earnings (Loss) Per Share

Earnings (Loss) per share are determined by dividing the profit for the year by the weighted average number of common shares outstanding during the fiscal year.

### Related Party Transactions and Relationships

Related party relationships exist when one party has the ability to control directly or indirectly through one or more of the intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among the reporting entity and its key management personnel, directors or its shareholders. Transactions between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related entities in an economically comparable market.

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

### Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

### Events after the Reporting Period

Post year-end events that provide additional information about the Group's position at the end of 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 the consolidated financial statements when material.

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## **4. Changes in Accounting Standards**

### New Accounting Standards and Amendments to Existing Standards Effective as of April 1, 2015

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to PFRS effective beginning April 1, 2015. The adoption however did not result to any material changes in the financial statements.

#### *Amendments to PAS 19, Employee Benefits - Defined Benefit Plans: Employee Contributions*

PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014. The amendment does not have any significant impact on the Group's financial position or performance.

#### Annual Improvements to PFRS (2010 to 2012 cycle)

The Annual Improvements to PFRSs (2010 to 2012 cycle) contain non-urgent but necessary amendments to the following standards. These are effective for annual periods beginning on or after July 1, 2014. Except as otherwise stated, the amendments do not have a significant impact on the financial statements.

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

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*  
 The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39. This amendment is not relevant to the Group.
- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*  
 The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
- PAS 16, *Property, Plant and Equipment: Revaluation Method - Proportionate Restatement of Accumulated Depreciation*, and PAS 38, *Intangible Assets: Revaluation Method - Proportionate Restatement of Accumulated Amortization*  
 The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.
- PAS 24, *Related Party Disclosures - Key Management Personnel*  
 The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

#### Annual Improvements to PFRS (2011 to 2013 cycle)

The Annual Improvements to PFRSs (2011 to 2013 cycle) contain non-urgent but necessary amendments to the following standards. These are effective for annual periods beginning on or after January 1, 2015. Except as otherwise stated, the amendments have no significant impact on the financial statements.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*  
 The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- PFRS 13, *Fair Value Measurement - Portfolio Exception*  
 The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.
- PAS 40, *Investment Property*  
 The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).



*New Accounting Standard, Amendments to Existing Standards and Interpretations Effective Subsequent to March 31, 2016*

Standards issued but not yet effective up to date of issuance of the Group's financial statements are listed below. The listing consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. The Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

*Effective 2018*

*Amendments to PAS 1, Presentation of Financial Statements – Disclosure Initiative*

The amendments include narrow-focus improvements in five areas; namely, materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. The amendments are effective on or after January 1, 2016. The amendment will not have any significant impact on the Group's financial position or performance.

*Amendments to PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendment will not have any significant impact on the Group's financial position or performance.

*Amendments to PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

*Amendments to PAS 27, Separate Financial Statements - Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The management is still assessing its impact on the financial statements.

*Amendments to PFRS 10, Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities, and PAS 28, Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*

The amendments address certain issues that have arisen in applying the investment entities exception under PFRS 10. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's financial statements.

*Amendments to PFRS 11, Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a

previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendment will not have any significant impact on the Group's financial position or performance.

#### *PFRS 14, Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. The Standard will not have any significant impact on the Group's financial position or performance.

#### Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact to the Group's financial statements. They include:

- *PFRS 5, Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*  
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- *PFRS 7, Financial Instruments: Disclosures - Servicing Contracts*  
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- *PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*  
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- *PAS 19, Employee Benefits - Regional Market Issue Regarding Discount Rate*  
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- *PAS 34, Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*  
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

## *Effective 2019*

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

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

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

The adoption of the third phase of the project is not expected to have any significant impact on the Group's financial statements.

### *PFRS 9, Financial Instruments*

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

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

The adoption of the other phases of the project is not expected to have any significant impact on the Group's financial statements.

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

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*  
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017, with early adoption permitted. This mandatory adoption date was moved to January 1, 2018.

The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

## *Deferred*

### *PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets

are housed in a subsidiary. These amendments are originally effective from annual periods beginning on or after January 1, 2016. This mandatory adoption date was later on deferred indefinitely.

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## 5. Summary of Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about varying values of assets and liabilities that are not readily apparent from other sources. Although, these estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates.

### *(i) Judgments*

The following judgments were applied which have the most significant effect on the amounts recognized in the consolidated financial statements.

#### *Determination of functional currency*

The Group has determined that its functional currency is the Philippine peso which is the currency of the primary economic environment in which the Group operates.

#### *Classification of financial assets*

In classifying its financial assets, the Group follows the guidance of PFRS 9. In making the judgment, the Group evaluates its intention, marketability of the instrument and its ability to hold the investments until maturity.

#### *Estimating net realizable value of real estate inventories*

The carrying value of real estate inventories is carried at the lower of cost and net realizable value (NRV). The estimates used in determining NRV is dependent on the recoverability of its cost with reference to existing market prices, location or the recent market transactions. The amount and timing of recorded cost for any period would differ if different estimates were used.

#### *Distinction between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as investment property. If an insignificant portion is leased out under the operating lease, the property is treated as property and equipment. If the property is not occupied and is held to earn, it is treated as investment property.

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

#### *Operating leases – Group as lessor*

The Group has entered into property leases on a portion of its investment property. The Group has determined that it retains all significant risks and rewards of ownership of those properties which are leased out on operating leases.

The Group's rental income amounted to P3,856,678 as of June 30, 2016.

#### *Provision and contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies.

### *(ii) Estimates*

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

*Determination of fair value of assets and liabilities*

The Company measures fair value of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. Fair value determination is discussed below.

Level 1

Included in the Level 1 category are assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. An asset or liability is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

*Estimation of allowance for impairment losses on receivables*

The Group maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible accounts. The level of allowance for impairment losses is evaluated by management on the basis of factors affecting collectability of the receivables. In addition, a review of the accounts designed to identify accounts to be provided with allowance, is made on a continuing basis.

*Determination of fair value of assets and liabilities*

The fair value of assets and liabilities were determined in a manner disclosed in Note 6.

*Estimated useful lives of property and equipment*

The Group reviews annually the estimated useful lives of property and equipment, based on the period on which the assets are expected to be available for use. It is possible that future results of operation could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment would increase recorded depreciation and decrease the related asset account.

Property and equipment, net of accumulated depreciation and impairment losses, amounted to P4.790 million and P25.764 million as of June 30, 2016 and FY March 31, 2016, respectively.

*Estimating fair value of investment properties*

The best evidence of fair value is current prices in an active market for similar properties and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) appraisal of independent qualified appraisers.

In March 2014, a reappraisal was made for part of the Group's investment properties. The appraisal resulted into an increment amounting to P676.7 million. For lots, raw land and condominium units, the value were arrived at using the *Sales Comparison Approach*. This is a comparative approach to value that considers the sales of similar substitute properties and related market data and establishes a value estimate by processes involving comparison, listings and offerings. The value of improvements was determined under the *Cost approach*. The approach is based on the reproduction cost of the subject property, less depreciation, plus the value of the land to which an estimate of entrepreneurial incentive is commonly added.

Investment properties amounted to P2.275 billion as of June 30, 2016 and FY March 31, 2016.

### *Impairment of investment in associates and advances to related parties*

The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Several factors are considered which could trigger that impairment has occurred. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have material adverse effect on the results of operations.

The net carrying value of Investment in and Advances to Associates as of June 30, 2016 and FY March 31, 2016 is as follows:

	Quarter ending June 30, 2016			FY ending March 31, 2016		
	Gross carrying amount	Allowance for impairment	Net carrying value	Gross carrying amount	Allowance for impairment	Net carrying value
Investment in associates						
ATN Phils. Solar	168,998,142	-	168,998,142	169,797,733	-	169,797,733
Advances to related parties						
Unipage Mgt., Inc.	15,535,144	-	15,535,144	27,786,255	-	27,786,255
	P 184,533,286	P -	P 184,533,286	P 197,583,988	P -	P 197,583,988

## 6. Fair Value Measurement

The fair value for instruments traded in active market at the reporting date is based on their quoted market price. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable price exists.

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instruments or based on a valuation technique, the Group recognizes the difference between the transaction price and the fair value in the consolidated statements of income unless it qualifies for recognition as some other type of asset.

The Group measures fair value of assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The table below analyzes assets and liabilities at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized.

June 30, 2016	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	P 9,457,046	-	-	P 9,457,046
Available-for-sale financial assets	20,353,122	21,684,000	-	42,037,122
Accounts receivable	-	769,307	-	769,307
Other current assets	-	1,778,096	-	1,778,096
Advances to related parties	-	15,535,144	-	15,535,144
Investment properties	-	2,275,270,962	-	2,275,270,962
Accounts payable and accrued expenses	-	(2,882,540)	-	(2,882,540)
Bank loans	-	(25,259,054)	-	(25,259,054)
Deposits	-	(45,030,960)	-	(45,030,960)
Subscription payable	-	(24,543,700)	-	(24,543,700)
Advances to related parties	-	(42,045,346)	-	(42,045,346)
FY March 31, 2016	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	P 5,907,888	-	-	P 5,907,888
Available-for-sale financial assets	20,353,122	21,684,000	-	42,037,122
Accounts receivable	-	1,833,570	-	1,833,570
Other current assets	-	1,674,800	-	1,674,800
Advances to related parties	-	27,535,144	-	27,535,144
Investment properties	-	2,275,270,692	-	2,275,270,692
Accounts payable and accrued expenses	-	(3,389,433)	-	(3,389,433)
Bank loans	-	(25,259,054)	-	(25,259,054)
Deposits	-	(43,893,805)	-	(43,893,805)
Subscription payable	-	(36,543,700)	-	(36,543,700)
Advances to related parties	-	(41,410,247)	-	(41,410,247)

Fair values were determined as follows:

- *Cash and cash equivalents, receivables, other current assets, deposits and other financial liabilities* – the fair values are approximately the carrying amounts at initial recognition due to their short-term nature.
- *Quoted AFS financial asset (equity securities)* – the fair values were determined from the published references from Philippine Stock Exchange.
- *Non-quoted AFS investment* – valuation technique using significant observable inputs. Where valuation technique is not representative of fair values, the acquisition cost is used as fair value.
- *Investment properties* – fair value was based on appraiser's report. It is estimated using Sales Comparison Approach, which is based on sales and listings of comparable property registered within the vicinity that considered factors such as location, size and shape of the properties.

## 7. Financial Instruments, Risk Management Objectives and Policies

The main risks arising from the Company's financial instruments are liquidity risk, credit risk, and market risk. Risk management policies are summarized below.

### Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

Liquidity risk is a risk due to uncertain liquidity. An institution may suffer liquidity problem when its credit rating falls. The Group is also exposed to liquidity risk if markets on which it depends on are subject to loss of liquidity.

The Group manages its liquidity profile to: a) ensure that adequate funding is available at all times; b) meet commitments as they arise without incurring unnecessary costs; c) be able to access funding when needed at the least possible cost, and d) maintain an adequate time spread of financial maturities.

The table below summarizes the maturity profile of the Group's financial liabilities at March 31, 2016 and 2015 based on contractual undiscounted payments:

		Not later than one month		Later than 1 month & not later than 1 3 months		Later than 3 month & not later than 1 1 year		Later than 1 year & not later than 1 5 years		Total
June 30, 2016										
Accounts payable and accrued expenses	P	892,540	P			1,990,000			P	2,882,540
Bank loans				25,259,054						25,259,054
Deposits								45,030,960		45,030,960
Advances to related parties								42,045,346		42,045,346
	P	892,540	P	25,259,054	P	1,990,000	P	87,076,306	P	115,217,899
FY March 31, 2016										
Accounts payable and accrued expenses	P	1,399,433	P	1,990,000					P	3,389,433
Bank loans						25,259,054				25,259,054
Deposits								43,893,805		43,893,805
Advances to related parties								41,410,247		41,410,247
	P	1,399,433	P	1,990,000	P	25,259,054	P	85,304,052	P	113,952,539

### Credit Risk

Credit risk is risk due to uncertainty in a counterparty's (also called an obligor) ability to meet its obligation.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated statements of financial position (or in the detailed

analysis provided in the notes to consolidated financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The table below shows the gross maximum exposure to credit risk of the Group as of June 30, 2016 and FY March 31, 2016. Net maximum exposure is the effect after considering collaterals and other credit enhancements.

	Gross maximum exposure			
	June 30, 2016		FY March 2016	
Cash and cash equivalents	P	9,447,046	P	5,897,855
Available-for-sale financial assets		42,037,122		42,068,662
Accounts receivable		769,307		1,833,570
Advances to related parties		15,535,144		39,291,144
	P	67,788,619	P	89,091,231

The credit quality of the Group's assets as of June 30, 2016 and FY March 31, 2016 is as follows:

June 30, 2016	Neither past due nor impaired		Past due but not impaired	Past due and impaired	Total
	High grade	Standard grade			
Cash and cash equivalents	9,447,046	-	-	-	P 9,447,046
Available-for-sale financial assets		42,037,122			42,037,122
Accounts receivable		-	769,307		769,306.85
Advances to related parties		-	6,779,144	8,756,000	15,535,144
	P 9,447,046	P 42,037,122	P 7,548,451	P 8,756,000	P 67,788,619

FY March 31, 2016	Neither past due nor impaired		Past due but not impaired	Past due and impaired	Total
	High grade	Standard grade			
Cash and cash equivalents	5,897,888				P 5,897,888
Available-for-sale financial assets		42,037,122		31,540	42,068,662
Accounts receivable				1,833,570	1,833,570
Advances to related parties		18,000,000	9,535,144	11,756,000	39,291,144
	P 5,897,888	P 60,037,122	P 9,535,144	P 13,621,110	P 89,091,264

High grade cash and cash equivalents are short-term placements placed, invested, or deposited in banks belonging to the top banks in the Philippines in terms of resources and profitability.

High grade accounts, other than cash and cash equivalents, are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Standard grade accounts are active accounts with propensity of deteriorating to mid-range age buckets. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

The aging analysis of past due accounts which are unimpaired is as follows:

June 30, 2016	Accounts receivable		Advances to related parties		Total
	P		P		
Over 120 days	P	769,307	P	6,779,144	P 7,548,451

FY March 31, 2016	Accounts receivable		Advances to related parties		Total
	P		P		
Over 120 days	P	1,833,570	P	9,535,144	P 11,368,714



### Market Risk

Market risk is the risk of change in fair value of financial instrument from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Market risk represents what the Group would lose from price volatilities. Market risk can be measured as the potential gain or loss in a position or portfolio that is associated with a price movement of a given probability over a specified time horizon.

The Group manages market risk by evenly distributing capital among investment instruments in different financial institution.

Sensitivity analysis of market risk exposure follows:

### Currency Risk

The Group is exposed to currency risk arising from currency exposures primarily with respect to the Yen and Dollar loans. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. Significant fluctuation in the exchange rates could significantly affect the Group's financial position.

The carrying amount of the Group's foreign currency denominated monetary liabilities at the reporting date is as follows:

	June 30, 2016		FY March 31, 2016	
	Peso Equivalent	Foreign Currency Equivalent	Peso Equivalent	Foreign Currency Equivalent
Japanese Yen Loan	P 21,259,054	JPY 54,232,278	P 21,259,054	JPY 54,232,278

The table below details the Group's sensitivity to a 5% increase and decrease in the functional currency of the Group against the relevant foreign currencies. The sensitivity rate used in reporting foreign currency risk is 5% and it represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period and in foreign currency rates. The sensitivity analysis includes all of the Group's foreign currency denominated liabilities. A positive number below indicates an increase in net income when the functional currency of the Group strengthens at 5% against the relevant currency. There would be an equal and opposite impact on the net income when the balances would be negative.

		Effect on income before taxes
<u>June 30, 2016</u>		
Increase / Decrease in Peso to Japanese Yen Rate		
+5%	P	1,062,953
-5%		(1,062,953)
<u>FY March 31, 2016</u>		
Increase / Decrease in Peso to Japanese Yen Rate		
+5%	P	1,062,953
-5%		(1,062,953)

### Interest Rate Risk

The primary source of the Group's interest rates risk relates to debt instruments. The interest rates on this liability are disclosed in Note 19.

An estimate of 100 basis points increase or decrease is used in reporting interest rate changes on fair value of loans and represents management's assessment of the reasonable possible change in interest rates.

### *Price Risk*

The Group is exposed to property price and property rentals risk and to market price changes of financial assets through profit or loss.

### Capital Management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividends paid to shareholders or issue new shares.

The capital structure of the Group consists of issued share capital and additional paid-in capital.

The financial ratio at the year end, which is within the acceptable range of the Group, is as follows:

	June 30, 2016	FY March 31, 2016
Equity	P 1,828,687,418	P 1,829,739,092
Total assets	2,550,059,972	2,561,856,449
Ratio	0.72	0.71

## **8. Segment information**

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

The industry segments where the Group operates are (i) Real estate development and (ii) Health care management.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements.

The segment information in the consolidated financial statements as of March 31, 2016, 2015 and 2014 follows:

June 30, 2016	Real estate	Health care	Corporate and others	Total
Revenues	P 3,766,512	P 4,309,689	P	8,076,201
Direct cost	273,848	3,357,564		3,631,413
Gross profit	3,492,664	952,125	-	4,444,788
Other income	190,536	-	90,492	281,028
	3,683,200	952,125	90,492	4,725,816
Administrative expenses	2,922,234	1,150,365	354,000	4,426,599
Equity in net loss of associa	-	-	799,590	799,590
Finance cost	431,897	-	-	431,897
	3,354,131	1,150,365	1,153,590	5,658,086
Income before income tax	329,068	(198,240)	(1,063,098)	(932,270)
Income tax expense	98,721	18,880	1,803	119,404
Income	230,348	(217,120)	(1,064,901)	(1,051,673)
Segment assets	2,250,935,635	27,608,121	518,704,027	2,797,247,783
Segment liabilities	676,350,368	17,189,716	43,112,094	736,652,178
Other information:				
Depreciation and amortiz	657,258	1,734,707		2,391,965
Non-cash expenses other than depreciation			799,590	799,590

June 30, 2015		Real estate		Health care		Corporate and others		Total
Revenues	P	4,550,565	P	4,083,967			P	8,634,532
Direct cost		273,848		2,739,629				3,013,477
Gross profit		4,276,717		1,344,338		-		5,621,055
Other income		628		950				1,578
		4,277,345		1,345,288		-		5,622,633
Administrative expenses		3,029,421		922,148				3,951,569
Equity in net loss of associate						688,969		688,969
Finance cost		282,747						282,747
		3,312,168		922,148		688,969		4,923,285
Income before income tax		965,177		423,140		(688,969)		699,348
Income tax expense		361,206		126,657				487,863
Income	P	603,971	P	296,483	\$	(688,969)	P	211,485
Segment assets		2,193,644,148		37,092,266		327,538,510	P	2,558,274,924
Segment liabilities		51,605,480		25,915,954		114,748,678		192,270,112
Other information:								
Depreciation and amortiz		657,258		1,570,154				2,227,412
Non-cash expenses other than depreciation						688,969		688,969

## 9. Cash and Cash Equivalents

The composition of this account is as follows:

		June 2016		FY March 2016
Cash in banks	P	9,447,046	P	5,897,888
Cash on hand		10,000		10,000
	P	9,457,046	P	5,907,888

Cash accounts with the banks generally earn interest at rates based on prevailing bank deposit rates.

## 10. Accounts Receivable

The composition of this account as of March 31 is as follows:

		June 2016		FY March 2016
Receivable from:				
Real estate owners	P	231,269	P	231,269
Medical and health related services		538,038		1,602,301
	P	769,307	P	1,833,570

The terms and conditions of the above receivables are as follows:

- Receivables from real estate owners are expenses paid by the Group. These receivables are not subject to interest.
- Trade receivables from medical and health related services are normally collectible on a 30 to 90 days term.

Management believes that amounts are fully collectible and no provision for probable loss is necessary.

## 11. Real Estate Inventories

This represents residential lots in various locations and are carried at cost. Breakdown of this account is as follows:

Residential unit		Cost
1	P	1,462,500
2		1,560,000
3		1,462,500
	P	4,485,000

No sales transaction occurred during the fiscal years ended March 31, 2016 and 2015.

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## 12. Other Current Assets

The composition of this account as of March 31 is as follows:

		June 2016		FY March 2016
Prepaid taxes	P	1,402,941	P	1,339,615
Input taxes	P	276,355		236,385
Others		98,800		98,800
	P	1,778,096	P	1,674,800

Prepaid taxes represent 5% withholding tax on rental income. The same may be applied against future income tax liabilities.

Input taxes represent the 12% tax on domestic purchases of goods and services. Input tax is applied against output taxes on a monthly basis.

Others are rental deposit of the Group and will be used to pay the last rental or any expenses related to the lease to be paid upon termination of the lease contract.

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## 13. Investments in Associates

This account consists of the following:

		June 2016		FY March 2016
Cost:				
Beginning of the year				
ATN Phils Solar Energy Group	P	175,625,000	P	181,625,000
Mariestad Mining Corp.		7,000,000		7,000,000
	P	182,625,000	P	188,625,000
Advances		(186,446)		
Disposal during the year		-		(6,000,000)
		182,438,555		182,625,000
Equity in net losses				
Beginning of the year		(5,827,267)		(3,945,186)
Current year		(799,591)		(1,882,081)
		(6,626,858)		(5,827,267)
Total		175,811,697		176,797,733
Allowance for impairment		(7,000,000)		(7,000,000)
	P	168,811,697	P	169,797,733

### ATN Solar

ATN Solar is a grantee of a 25-year Renewable Energy Contract (*service contract*) with the Department of Energy (DOE) under Republic Act 9513 (*the RA*). The service contract grants ATN Solar the exclusive right to explore develop and utilize the solar energy source within Rodriguez, Rizal, as its contract area. More specifically, the contract includes setting up a 30 MW Solar PV Project (*the Project*). The project is expected to generate a gross capacity of 33 MW peak of direct current and 30 MW of alternating current to be distributed within Metro Manila with projected revenue of P540 Million per year for the next 25 years.

The Project contains a 2-year pre-development stage and another 2 years for development stage, after which construction of power plants and connection to distribution network is to commence.

In a letter submitted to the Energy Regulatory Commission last March 4, 2016, ATN Solar is 98% complete on its pre-development stage by acquiring approval and authority to import and construct and/or install solar photovoltaic equipment and by signing of agreements with different government agencies, 9.3% in construction of its solar PV plants, and 44% complete on its development of interconnection facilities. As of the same date, commercial operation of ATN Solar has not yet started.

To be able to completely finance the Project, the ATN Solar intends to list its shares of stock in the stock market. In relation thereto, a third party valuator was engaged to determine ATN Solar's fair market value. In its report dated June 11, 2014, its 30MW project including the land is between P3.02 billion to P3.99 billion, determined under Discounted Cash Flow valuation.

On October 31, 2014, the Company subscribed to additional 155,625,000 shares with a par value of P1 when ATN Solar increased its common share, bringing the Company's equity interest to 49.5%. The Company paid P46,156,250 upon subscription and P8,600,000 on February 11, 2015 and P64,025,050 in 2016.

During 2016, various payments were made for its share subscription to ATN Solar totaling to P64,025,050.

On March 14, 2016 and March 17, 2015, the Parent Company sold 6 million shares and 4 million shares, respectively, of ATN Solar to Unipage Management, Inc. (UMI) with a carrying value of P1 per share subject to the following conditions:

- the Project should complete all governmental and grid approvals;
- the Company should deliver the shares of ATN Solar within 12 months from execution of the Investment Agreement;
- the Company should cause the registration of the shares sold to UMI in the stock and transfer book of ATN Solar.

The Company recognized a gain on sale of its investment in ATN Solar amounting to P12 million and P8 million in 2016 and 2015, respectively and is reflected in the Consolidated Statements of Income.

The latest financial information of ATN Solar is as follows:

		June 2016		FY March 2016
Total assets	P	593,773,666	P	573,479,323
Total liabilities		232,389,959		210,458,117
Net expenses		1,637,499		4,018,678

ATN Solar's financial year ends every December 31.

#### *MMC*

In 2007, the Group entered into an agreement with MMC to participate in the extraction of mining of manganese ores in the latter's mining site. The Group's participation is in the form of providing financial resources to undertake the mining operations. To date, the Group has financed a total of P7 million that is equivalent to 25% equity interest in MMC.

MMC is a dormant corporation and has not filed its audited financial statements since 2009.

Impairment loss recognized on previous periods amounted to P7 million.

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## **14. Available-for-Sale Investments**

Investment in AFS securities consist of a block of listed and unlisted shares in Transpacific Broadband Group International, Inc. (TBGI), a publicly listed company in the Philippine Stock Exchange, and unlisted equity security of Ambulatory Health Care Institute, Inc. (AHCII). Fair value was determined as discussed in Note 6.

The reconciliation of the carrying amounts of this account at the beginning and end of the fiscal year is as follows:

		June 2016		FY March 2016
Balance at beg of fiscal year	P	42,037,122	P	51,560,258
Disposal		-		(8,613,500)
Impairment		-		(31,540)
Changes in fair value		-		(878,096)
	P	42,037,122	P	42,037,122

Shares of stocks of AHCII was sold to Unipage Management, Inc. for P8,613,500.

Changes in fair value were reported separately in the statement of comprehensive income, net of deferred income tax.

## 15. Investment Properties

Investment properties consist of land, condominium units and townhouses. As of June 30, 2015 and FY March 31, 2016, the balance of this account is P2,275,270,962.

Pursuant to the compromise agreement discussed in Note 29, certain investment property with carrying value of P8.3 million owned by PLDI was transferred to the plaintiff in exchange for the Parent Company's shares of stock which the plaintiff held. The shares of stock was transferred to Unipage Management, Inc. (UMI), an affiliated company. Settlement between the Company, PLDI and UMI are taken up as inter-company advances (see Note 24)

Certain condominium units in Summit One Tower in Mandaluyong City are subject to contract to sell executed with a third party. Payments of P38.9 million in 2016 and P33.1 million in 2015 were received. The amounts are lodged under "Deposits" in the Statement of Financial Position (see Note 20).

Rental income on investment properties amounted to P3,856,678 in June 2016 and P4,550,566 in June 2015.

Certain investment property was mortgaged to the bank to secure the Group's financing requirements (see Note 19).

## 16. Property and Equipment

Property and equipment consists of:

June 30, 2016		Medical Equipment & Fixtures		Office Furniture & Fixtures		Leasehold Improvements		Transportation Equipment		Total
<b>Cost</b>										
At March 31, 2016	P	34,194,095	P	6,138,644	P	19,969,173	P	2,641,072	P	62,942,984
Addition					P	993,332		-		993,332
At June 30, 2016		34,194,095		6,138,644		20,962,505		2,641,072		63,936,316
<b>Accumulated depreciation</b>										
At March 31, 2016		18,284,705		4,902,838		12,995,675		995,536		37,178,754
Provisions		902,880		224,633		674,897		164,554		1,966,964
At June 30, 2016		19,187,585		5,127,471		13,670,572		1,160,090		39,145,718
<b>Net Book Value</b>										
At June 30, 2016	P	15,006,510	P	1,011,173	P	7,291,933	P	1,480,982	P	24,790,598

FY March 2016		Medical Equipment & Fixtures		Office Furniture & Fixtures		Leasehold Improvements		Transportation Equipment		Total
<b>Cost</b>										
At April 1, 2015	P	34,194,095	P	6,138,644	P	19,969,173	P	995,536	P	61,297,448
Addition								1,645,536		1,645,536
At March 31, 2016		34,194,095		6,138,644		19,969,173		2,641,072		62,942,984
<b>Accumulated depreciation</b>										
At April 1, 2015		16,478,942		4,453,572		11,645,880		995,536		33,573,930
Provisions		1,805,763		449,266		1,349,795		-		3,604,824
At March 31, 2016		18,284,705		4,902,838		12,995,675		995,536		37,178,754
<b>Net Book Value</b>										
At March 31, 2016	P	15,909,390	P	1,235,806	P	6,973,498	P	1,645,536	P	25,764,230

Depreciation allocated to direct costs and administrative expenses are as follows:

		June 2016		FY March 2016
Direct cost	P	902,880	P	1,805,763
Administrative expenses		1,064,084		1,799,061
	P	1,966,964	P	3,604,824

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## 17. Intangible Asset

Intangible asset represents the cost of web-based portal development of a subsidiary for the marketing of its medical services to local and international clients.

The movement in intangible asset is as follows:

		June 2016		FY March 2016
Cost	P	15,000,000	P	15,000,000
Accumulated amortization				
Balance, April 1		7,450,000		6,600,000
Provisions		425,000		850,000
		7,875,000		7,450,000
Net Book Value	P	7,125,000	P	7,550,000

The amortization allocated to direct costs and administrative expenses are as follows:

		June 2016		FY March 2016
Direct cost	P	175,000	P	350,000
Administrative expenses		250,000		500,000
	P	425,000	P	850,000

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## 18. Accounts Payable and Accrued Expenses

This account consists of the following:

		June 2016		FY March 2016
Capital gains tax payable	P	1,990,000	P	1,990,000
Accrued expenses		-		814,801
Trade		793,387		399,316
Others		99,152		185,316
	P	2,882,539	P	3,389,433

Terms and conditions of the above financial liabilities are as follows:

- Trade payables are noninterest-bearing and are normally settled on a 90-day term;
- Accrued expenses are noninterest-bearing and have an average term of two (2) months;
- Capital gains tax payable pertains to the aggregate amount of taxes payable on sale of unlisted shares (see Note 13);
- Other current liabilities are non-interest bearing and have a maximum term of six (6) months.

The fair values of accounts payable and accrued expenses have not been disclosed due to their short duration. Management considers the carrying amounts recognized in the consolidated statements of financial position to be a reasonable approximation of their fair values.

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## 19. Bank loans

Bank loans pertain to the outstanding balance of dollar and yen loans with Rizal Commercial Banking Corporation and China Banking Corporation which are covered by promissory notes. These loans are secured by a mortgage on certain investment property with a fair value of P100,404,363.

On February 15, 2016, the Group secured a peso-denominated loan from China Banking Corporation and proceeds of which were used to settle its USD-denominated loan.

These bank loans are subject to 9% to 12% interest rate per annum with maturity date of August 5, 2016 for the yen-denominated loan and February 9, 2017 for the peso-denominated loan.

The outstanding balances of this account are as follows:

		June 2016		FY March 2016
Peso loan	P	4,000,000	P	4,000,000
Yen loan		21,259,054		21,259,054
	P	25,259,054	P	25,259,054

Financing charges related to these loans amounted to P431,897 in June 2016 and P669,958 in FY March 31, 2016.

## 20. Deposits

This account consists of the following:

		June 2016		FY March 2016
Deposit on operating leases	P	4,586,424	P	5,008,826
Deposit on contract to sell		40,444,536		38,884,979
	P	45,030,960	P	43,893,805

Deposit on operating leases is made in compliance with the existing leasing agreement with the lessee. The amount is refundable at the expiration of lease contracts.

Deposit on contract-to-sell are advance payments made by third parties for the purchase of the Group's investment property as discussed in Note 15. Revenue on such sale will be recognized when the title to the property is transferred or the collection of the unpaid balance is reasonably assured.

## 21. Equity

### *Share capital*

Component of share capital is as follows:

Title of issue	Authorized share capital		Subscribed and paid	
	Number of shares	Amount	Number of shares	Amount
Common				
Class A	7,200,000,000	P 720,000,000	3,700,000,000	P 370,000,000
Class B	4,800,000,000	480,000,000	800,000,000	80,000,000
	12,000,000,000	P 1,200,000,000	4,500,000,000	P 450,000,000

In accordance with the Articles of Incorporation, certain restrictions have been imposed regarding issuance and transfer of share capital as follows:

Class "A" common shares are to be issued only to citizens of the Philippines or to partnership, association or corporation organized under the laws of the Philippines.

Class "B" common shares are to be issued to any person subject to the required foreign ownership limitation under the laws of the Philippines.

On October 8, 2014, by a majority vote of the BOD, certain amendments were made to the articles of incorporation as follows:

- Article 3 was amended in compliance with SEC Memorandum Circular 6, series of 2014, specifying the Company's exact registered business address.
- Article 7 was amended changing the Company's par value from P1.00 per share to P0.10 per share with corresponding changes in authorized and issued share capital.

These amendments were approved and ratified by stockholders representing at least two-thirds of the outstanding capital stock on November 13, 2014. SEC approval thereon was sought on March 27, 2015.

During the Company's annual stockholders meeting held on November 12, 2015, stockholders representing more than 70% of the issued and outstanding shares, approved and ratified, among others, to amend Section 7 of the Articles of Incorporation as follows:

- Decrease in authorized Class "A" common shares from 7.2 million shares to 4.2 million shares with par value of P0.10 per share;
- Decrease in authorized Class "B" common shares from 4.8 million to 2.8 million shares with par value of P0.10 per share; and



- Introduction of 5 million Preferred shares with par value of P0.10 per share. The Preferred shares contain certain features, rights and privileges.

These amendments were approved by the SEC on June 30, 2016.

*Unrealized gain on available-for-sale investments*

The balance of this account as of June 30, 2016 and FY March 31, 2016 is P8,350,602.

**22. Cost of sales and services**

The breakdown of this account is as follows:

		June 2016		June 2015
Depreciation and amortization	P	902,882	P	902,882
Utilities		643,873		443,500
Medical supplies		574,029		311,766
Rent		508,463		463,700
Salaries, wages and benefits		538,648		390,840
Taxes and licenses		273,848		273,848
Professional fees		189,670		226,941
	P	3,631,413	P	3,013,477

**23. Administrative expenses**

The breakdown of this account is as follows:

		June 2016		June 2015
Depreciation and amortization	P	1,489,084	P	1,324,530
Communication and association dues		783,570		348,328
Salaries, wages and benefits		596,168		702,563
Taxes, licenses and permits		480,547		328,115
Security services		359,531		219,237
Rent		269,303		659,531
Transportation and travel		229,844		45,386
Office supplies and printing		141,934		36,088
Professional fees		76,618		70,892
Representation and entertainment		-		193,000
Unrealized foreign exchange loss		-		-
Miscellaneous		-		23,899
	P	4,426,598	P	3,951,569

Pursuant to a *Teaming Agreement* executed in January 2013, a 75%-25% cost sharing of cost/expenses related to technical operations was implemented. All other cost including, but not limited to salaries and utilities shall be borne solely by Palladian Land Development, Inc.

**24. Related Party Transactions**

The Company's related parties and its relationship are as follows:

Related party	Relationship
Unipage Management, Inc. (UMI)	Affiliated company
Transpacific Broadband Group Int'l, Inc. (TBGI)	Affiliated company
Sierra Madre Consolidated Mines, Inc. (SMCM)	Affiliated company
ATN Philippines Solar Energy Group, Inc. (ATN Solar)	Affiliated company
Certain shareholders	Key management officers

Transactions, year-end balances and terms and conditions with related parties are as follows:

Related party	Transaction	Amount of Transaction		Year-end balances		Terms and condition
		June 2016	FY March 2016	June 2016	FY March 2016	
<b>Advances to related parties</b>						
UMI	Intercompany advance	(12,000,000)	(35,787,508)	15,535,144	27,535,144	no payment terms unsecured
	Sale of shares of ATN Solar		18,000,000			
SMCM	Intercompany advances				11,756,000	no payment terms unsecured & fully impaired
Shareholder	Advances/Payments		(1,100,000)		-	
				15,535,144	39,291,144	
Less: allowance for probable losses					11,756,000	
				15,535,144	27,535,144	
<b>Advances from related parties</b>						
TBGI	Intercompany advances / payments	490,275	3,689,627	(420,208)	(910,483)	no payment terms unsecured
ATN Solar	Intercompany advances / payments		(257,310)		(257,310)	
Shareholders	Advances	8,647,142	(14,860,641)	(41,595,312)	(40,242,454)	no payment terms unsecured
	Payments	(10,000,000)				
				(42,015,520)	(41,410,247)	

Details of significant related party transactions follows:

- Significant amount of the advances to UMI pertains to the sale of ATN Solar shares discussed in Note 13.
- During fiscal year 2015, the Group transferred certain investment property to UMI to settle a case against the Group (see Note 15).
- Advances from TBGI of P420,208 in June 2016 and P910,483 in FY March 2016 represent amounts advanced by TBGI on the share of PLDI in their common expenses, pursuant to a Teaming Agreement entered into by both parties.
- Advances made to SMCM on previous periods were fully impaired by the Group last fiscal year 2014.
- Amount due to stockholders amounted to P41.5 million and P40.2 million in June 2016 and FY March 31, 2016. These amounts are not subject to interest.

The details of subsidiaries' accounts that were eliminated in the process of consolidation are as follows:

		June 2016	FY March 2016
AHCDC	P	10,768,677	P 10,768,677
MCPI		14,942,328	14,942,328
PLDI		(25,353,915)	(25,741,233)
	P	357,090	(30,228)

The Group did not recognize any key management compensation nor provided any stock options and bonuses for the period June 30, 2016 and FY March 31, 2016.

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## 25. Earnings (Loss) Per Share

Earnings (loss) per share is computed by dividing the income (loss) for the period by the weighted average number of common shares as follows:

	June 2016	FY March 2016
Earnings	(1,061,674)	211,487
Divided by :		
Weighted Average Shares	4,500,000,000	4,500,000,000
Earning per share	(0.00)	0.00

As of the respective year ends, there are no potentially convertible shares.

## 26. Other SEC requirements

Disclosures on the issuer's interim financial report, in compliance with Philippine Financial Reporting Standards:

1. There is no seasonality or cyclicity of interim operations.
2. There is no item that has unusual effect on asset, liabilities, equity, net income and cash flows.
3. There is no change in the nature and amounts reported in prior interim periods of the current financial year or prior financial year.
4. There is no issuance, repurchase nor repayment of debt and equity securities during the interim period.
5. There is no dividend paid for ordinary or other shares.
6. There is no material event subsequent to the end of the interim period that has not been reflected in the financial statements.
7. There is no change in the composition of the issuer such as business combination, acquisition, disposal of subsidiary and long-term investment, and restructuring during the interim period.
8. There is no change in contingent assets or contingent liabilities since the last annual balance sheet date.
9. There is no seasonal effect that had material effect on financial condition or result of operation.

## Item 2. Management's Discussion and Analysis of Operation

### (B) Interim Periods

Corporate revenues are segmented as follows:

Revenue from Real Estate Business	Php	3,856,678
Revenue from Health Care Business	Php	4,309,689

The company and its three majority-owned subsidiaries use current ratio and debt to equity ratio to measure liquidity, and gross profit margin and net income to sales ratio as key performance indicators. Current ratio is calculated using current accounts cash, marketable securities, receivables, accounts payable, income tax payable and other liabilities maturing in one year. Debt to equity ratio is derived from division of total debt by total amount of stockholders' equity. Profit margin is computed based on ratio of income from operation (before financing charges and other income/loss) to total revenues.

The company uses past year performance as basis for expected results in current year. With the bulk of its business in real estate, the company has no productivity program. It adopts a prudent policy of matching expenditures with revenues to keep current accounts position in balance

The following are 7 (seven) key performance and financial soundness indicators of the company:

Current Ratio	Calculated ratio of current assets into current liabilities. Indicates the ability of the company to finance current operations without need for long term capital
Debt-to Equity Ratio	Calculated ratio of total debt into total equity. Indicates the level of indebtedness of the company in relation to buffer funds provided by equity against any operating losses. Also indicates the capacity of the company to absorb or take in more debt.
Asset-to-Equity Ratio	Calculated ratio of total asset into total equity. Indicates the long-term or future solvency position or general financial strength of the company.
Interest Rate Coverage Ratio	Calculated ratio of earnings before interest and taxes into interest expenses. Indicates the ability to meet its interest payments.
Gross profit Margin	Calculated ratio expressed in percentage of the gross margin into total revenues. Indicates the ability of the company to generate margin sufficient to cover administrative charges, financing charges and provide income for the stockholders.
EBITDA	Calculated earnings before income tax, and non-cash charges. Indicates the efficiency of the company in generating revenues in excess of cash operating expenses.
Net Income to Sales Ratio, and Earnings per Share	Calculated ratio of net income into total revenues. Indicates the efficiency of the company in generating revenues in excess of cash operating expenses and non-cash charges, and the ability of the company to declare dividends for stockholders.

	ATN Holding Conso		Palladian Land		Advanced Home		Managed Care	
	2016	2015	2016	2015	2016	2015	2016	2015
Current Ratio	5.72	4.10	0.27	17.81	37.67	37.67	11.16	19.94
Debt to Equity Ratio	0.39	0.40	0.43	0.40	-2.95	-2.98	1.64	2.64
Asset-to-Equity Ratio	1.39	1.40	1.43	1.40	-1.95	-1.95	2.64	3.67
Interest Rate Coverage Ratio	-1.16	3.47	5.93	5.26	-	-	-	-
Gross Profit Margin	56%	65%	93%	94%	-	-	22%	33%
EBITDA	P1,891,592	P3,209,509	712,478	P796,762	-	-	1,536,467	P1,992,344
Net Income to Sales Ratio	.013	0.02	0.01	0.19	-	-	-0.05	0.07
Net Income (Loss) in Pesos	-P1,051,674	P211,487	-P230,347	P842,814	-	-	-P217,120	-P295,533

On a consolidated basis, ATN accounts that changed by more than 5% compared to quarter ending June 30, 2016 financial statements are as follows:

- Cash and cash equivalent increased to Php9.45 million from Php5.90 million (60%).
- Accounts receivable decreased to Ph0.769 million from Php1.833 million (-58%).
- Other current assets increased to Php1.778 million from Php1.674 million (6.17%).
- Advances to related parties decreased to Php15.535 million from Php27.535 million (-43%)
- Accounts payable and accrued expenses decreased to Php2.862 from Php3.389 (-15%)
- Direct cost increased as of June 30, 2016 to Php3.6 million compared to Php3.0 million as of June 30, 2015. The following direct cost are accounts with more than 5% change:

- a. Increase in utilities and communication by Php200 thousand (45%) from Php443 thousand in 2015.
  - b. Increase in medical supplies by Php262 thousand (84%) from Php312 thousand to Php574 thousand.
  - c. Increase in rent expense by Php45 thousand (9%) from Php463 thousand in 2015.
  - d. Increase in salaries and wages by Php147 thousand (38%) from Php390 thousand in 2015.
  - e. Decrease in retainers and professional fees by Php37 thousand (-16%) from Php227 in 2015.
7. Administrative expenses increased from Php3.9 million in 2015 compared to Php4.4 million in 2016. The following are the accounts with more than 5% change:
- a. Increase in depreciation and amortization by Php164 thousand (12%)
  - b. Increase in communication, dues and utilities by Php435 thousand (125%).
  - c. Decrease in salaries, wages and other benefits by Php106 thousand (-15%)
  - d. Increase in taxes and licenses by Php152 thousand (46%).
  - e. Increase in security services by Php140 thousand (64%) due to adjustment in contract.
  - f. Decrease in rent by Php390 thousand (-59%) due to adjustment in contract.
  - g. Increase in transportation and travel by Php184 thousand (406%).
  - h. Increase in professional fees by Php5 thousand (8%) due to consultation made.
  - i. Increase in office supplies by Php105 thousand (293%) due to procurement.

#### Corporate Development

In 2010, the Group subscribed to 12.5 million shares in ATN Solar Energy Group, Inc., (ATN Solar). Of the 12.5 million shares subscribed, P3.125 million has been paid and the balance is presented in the liability section as "Subscription Payable" amounting to P9.375 million. ATN Solar is engaged in renewable energy generation and trade distribution of renewal energy equipment and accessories. ATN Solar secured a service contract from the Department of Energy for its 30-MW Rodriguez Solar Power Project on May 12, 2011 and a Certificate of Registration from the BOI for income tax holiday, which can be availed in the first seven years of operation.

In conjunction with its utilities scale solar PV power generation in Montalban, ATN Philippines Solar Energy Group Inc. will expand the business relationship of TBGI with client schools through the installation of 30-50 KW off-grid solar PV to complement the TBGI supply of computer laboratories with internet connectivity in schools.


With the company's sound financial condition, ATN can ride the global mass-market trend in healthcare, TV satellite and digital data services investments. Hence there is no foreseeable event, which may have a material impact on its short-term liquidity, and no seasonal aspect had material effect on the financial condition of the Company's operation.


Improvements of real estate assets will be funded by borrowings and augmented by internally generated funds. To the best knowledge of Management there are no unusual or non-recurrent accounts that adversely affect the financial condition of the company.

The company expects to continue its focus on its existing principal activities and actively pursue opportunities for investment in the healthcare technology and renewable energy sectors in the Philippines.

#### SIGNATURES

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

Company : ATN HOLDINGS, INC.  
 Signature and Title :   
 PAUL B. SARIA  
 Principal Financial Officer  
 August 12, 2016

  
 CELINIA FAELMOCA  
 Principal Accounting Officer  
 August 12, 2016