MEGAWORLD

2013 ANNUAL REPORT

GAME CHANGER: LEADING BY BUILDING VISIONS





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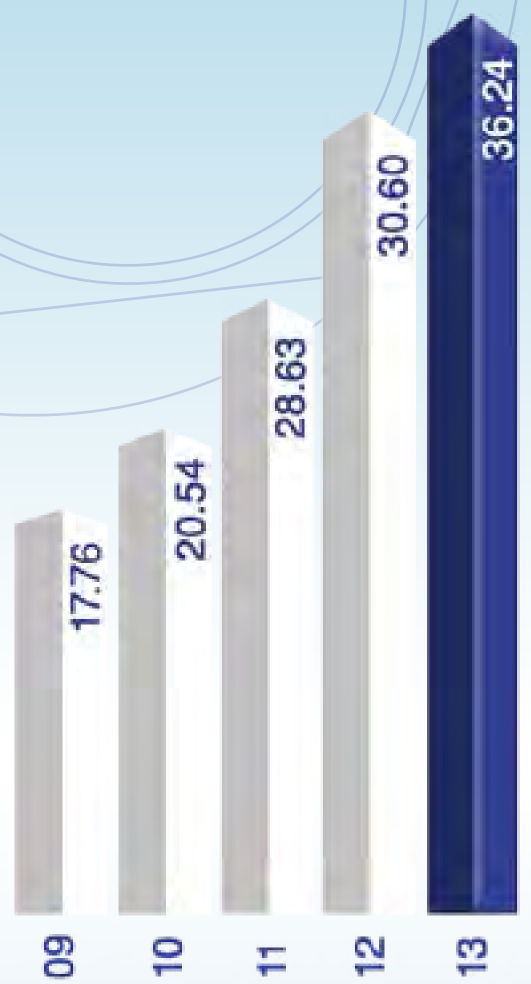
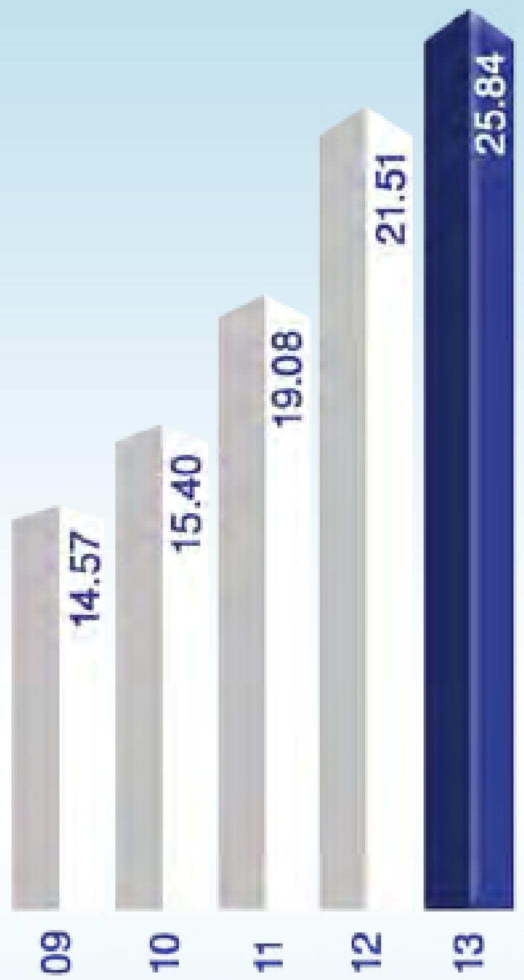
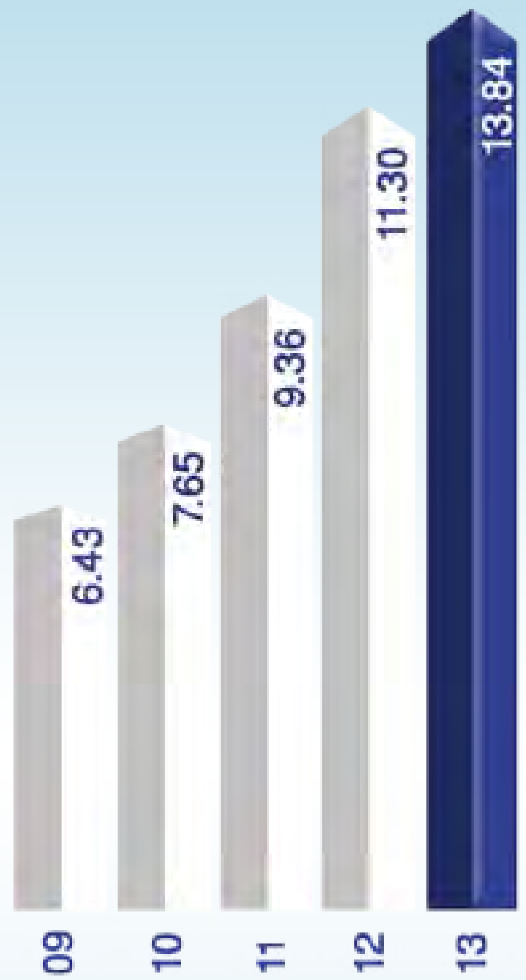


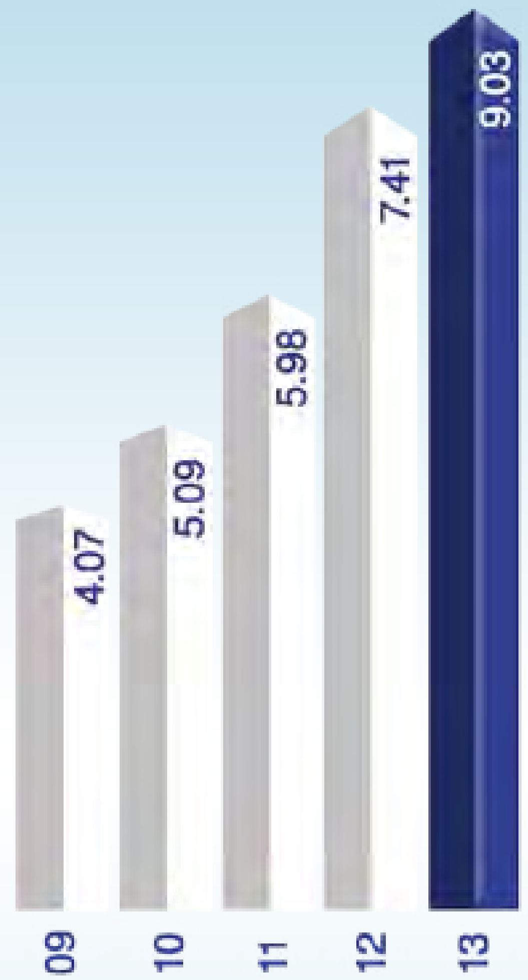
CONSOLIDATED REVENUES
(in Billion Pesos)



REAL ESTATE REVENUES
(in Billion Pesos)



EBITDA
(in Billion Pesos)



NET INCOME
(in Billion Pesos)

	2009	2010	2011	2012	2013
CONSOLIDATED REVENUES	17.76	20.54	28.63	30.60	36.24
REAL ESTATE REVENUES	14.57	15.40	19.08	21.51	25.84
EBITDA	6.43	7.65	9.36	11.30	13.84
NET INCOME	4.07	5.09	5.98*	7.41	9.03

*excludes non-recurring gains from sale of AGI shares in 2011

CHAIRMAN'S MESSAGE

Robust growth marked the year 2013 for Megaworld as the company expanded into new markets and locations, as well as capitalized on the opportunities presented by the positive economic environment.

Over the past year, we were focused on undertaking real estate activities that would further establish our position as the largest township developer, residential condominium developer and BPO office developer and landlord.

Another banner year

Demand for our real estate offerings in 2013 proved stronger than ever. Our consolidated net income rose by 22 percent from P7.41 billion to P9.04 billion, which includes a P763 million non-recurring gain from the acquisition of a subsidiary.

Our consolidated total revenues, made up of real estate sales, rental income, hotel income, and other revenues, similarly grew by 18 percent last year. The bulk of revenues were generated from the sale of our luxury condominium units, which amounted to P21.25 billion, a 17 percent increase from P18.17 billion in 2012.

Meanwhile, rental income jumped by 21 percent to P6.04 billion from P4.99 billion, and contributed 17 percent to our total revenues. The growth in our rental income was due to the clamor for office spaces from BPO companies, in addition to the completion of our properties for lease. By the end of 2013, we had the largest inventory of BPO office space, which reached a total of 509,000 square meters.

Last year was also a stellar year for Megaworld Lifestyle Malls as we achieved a 22 percent growth in rental revenues. We are now embarking on an aggressive expansion plan that will triple our current gross floor area by 2017.

Despite the effects of typhoon Yolanda, which struck the country in November last year, the Philippine economy grew by 7.2 percent, buoyed by strong domestic consumption, increased private sector activity, sound fiscal management and improved governance across public and private institutions. There was also an 18.2 percent surge in investments, which contributed significantly to growth.

This optimistic economic backdrop was validated by the National Statistical Coordination Board, which reported that the real estate sector grew by 17.9 percent in 2013.

Leveraging on opportunities

Megaworld took advantage of the encouraging prospects and strategically utilized a broad-based approach to tapping new customers and investors.

We have come a long way in transforming the urban landscape with our concept of the township, a pioneering development that all started with Eastwood City. Today, we have established a variety of townships all over the metro that have replicated—and built upon—the successful Eastwood City model that has championed an integrated live-work-play-learn-shop lifestyle.

Our recent efforts in Metro Manila have been concentrated in two developments: the 15-hectare Uptown Bonifacio township, a joint venture of Megaworld and the Bases Conversion Development Authority in Bonifacio Global City, and the 34.5-hectare McKinley West township, located in the former Jusmag property in Fort Bonifacio, behind Forbes Park.

Because of its central location, we are molding Uptown Bonifacio to be the metro's next central business district. McKinley West, for its part, is our largest project to date, bringing our total development portfolio in Fort Bonifacio to around 105 hectares. We will be pouring in some P22 billion in investments to develop the property over the next 20 years.

Pasig City is another place where we are set to make our mark. We are investing P35 billion over the next 10 years in the development of Woodside City, our new 12.3-hectare township along C-5 Road. Woodside City will offer green features such as open parks, wide, tree-lined sidewalks, bicycle lanes and a rainwater catchment facility. Aside from condominium residences, a lifestyle mall, retail and commercial strips and a transport hub, there will be Leadership in Energy and Environmental Design (LEED)-registered office buildings, the first of which will be designed by Skidmore, Owings and Merill.

Geographic expansion

We launched new developments in Metro Manila in 2013, but we also aggressively pursued the unveiling of new hotels and residential condominium projects at The Mactan Newtown and Iloilo Business Park in the Visayas.

Growth centers such as Cebu and Iloilo present many exciting opportunities for growth, which is why we have expanded our reach to these areas.

The Mactan Newtown township, located in Mactan Island in Cebu, spans 28.8 hectares, and like its counterparts in Metro Manila, will host upscale residential condominiums, high-tech BPO office spaces, a lifestyle mall, various leisure amenities, hotels and a business park.

Meanwhile, Iloilo Business Park, a sprawling 72-hectare township project in Mandurriao, Iloilo City, will feature first-rate BPO office buildings, world-class hotels, vibrant commercial areas, and a lifestyle mall. There will also be a convention center, designed to accommodate some 3,700 people, and put the country on the business tourism map.

We are looking forward to Megaworld's first foray into Mindanao, which will begin in Davao. Here, we are committed to bring Megaworld's township concept and lifestyle to even more Filipino families and employees.

Upholding our vision

Value creation over the long term is at the core of Megaworld's business. It is through this strategy that we have differentiated our real estate offerings from the competition and carved out a path towards the company's longevity and sustainability.

Our vision has always been to give our customers value for money. By continuing to improve the quality of our individual projects, infuse new and vibrant attractions into our townships, and uplift the experiences that people enjoy across our developments, we are confident that we will be able to translate this value to even more Filipino families all over the country.

On the occasion of our 25th anniversary in 2014, we are driven to expand into even more growth areas, improve profitability and develop land in ways that are value-accretive to our stakeholders.

Looking ahead, we believe that despite the challenges in the industry, Megaworld will be at the forefront, surpassing old limits, setting new standards and introducing new trends. We will continue to tap new opportunities to scale up our presence and our operations. And we will forge new partnerships with investors that will further move our vision forward.

In closing, we would like to thank our shareholders, business partners, employees and customers for being part of our tremendous growth in 2013. There is much to accomplish in the years to come, and we are excited to mark even more milestones with you.

Andrew L. Tan
Chairman and President

GAME CHANGER: LEADING BY BUILDING VISIONS

GAME CHANGER

Since its inception, Megaworld continues to leave its mark on the face of the real estate development scene in the country. Over the past 24 years, the company has emerged the leader, acquiring over hundreds of hectares of land property meant for building world-class homes, schools, shopping centers, offices, and leisure facilities; and integrating them into large mixed-use communities known as townships. This distinguishes Megaworld apart from other real estate companies.

This is undoubtedly what makes Megaworld a game-changer in the industry of real estate development – its capacity to seamlessly fuse the various aspects of life into a single large community and to replicate its success not only in the metropolis but also in the provinces. For the residents of these communities, as well as those who find their work in a Megaworld development, life has been made easier as each of their needs is met just a stone's throw away.

As Megaworld's portfolio of world-class townships expands into the south, the company's brand of high-class living expands to an extent as well, retaining the same foolproof formula, marked by its pioneering concept of "live-work-play-learn." With Megaworld's continued success, the country is left to wonder what other great things are yet to come.

Eastwood City

Fast Facts:
- Established in 1999
- First cyberpark in the Philippines
- 19 residential buildings
- Home to around 25,000 residents
- 10 office towers that are home to 55,000 workers
- Three lifestyle malls
- Over 500 commercial and retail shops

Eastwood City

Since its inception in 1997, Eastwood City has been Megaworld's original game-changer, leaving an indelible mark in the real estate industry. It has proved its initial critics wrong with its success and continued expansion. From a former textile mill plant, Megaworld's Eastwood City is now a sprawling mega-township that spans 17 hectares and houses 19 luxury condominium towers, 10 first-class corporate buildings, seven ongoing residential projects, a modern IT park, and multi-awarded lifestyle malls to boot. The community is now home to over 25,000 residents and plays host to over a hundred office partners and business process outsourcing (BPO) companies.

It was also the first Megaworld project to be declared a special economic zone by the Philippine Economic Zone Authority (PEZA). Today it stands as the top employer and dollar-earner among over 70 IT special economic zones in the country. Eastwood City, being the first-ever integrated township project to be developed by Megaworld, was the first to experience the phenomenal "live-work-play-learn"– a lifestyle township concept which is the hallmark of every Megaworld township. Doing so has paved the way for better living for its many residents, retail and business partners, and visitors. The township, still in the process of expansion, was envisioned to have more than 20 high-rise residential towers housing a total of 8,087 condominium units, over 270,000 square meters of high-grade office buildings, and 60,000 square meters of entertainment and retail spaces upon completion.

A perfect mix of business and pleasure, Eastwood City offers both the Philippines' first-ever IT park, where various corporate offices whose office infrastructures are largely IT-based are located, and the Eastwood Mall, a four-story commercial center that was awarded "Best Shopping Center" by the Philippine Retailers Association twice, once in 2010 and again in 2012. The mall, while boasting its upper-class boutiques, its variety of restaurants, and its state-of-the-art cinemas, also houses an outdoor botanical garden and lagoon collectively called Central Park, where shoppers can complete their experience with a bit of flair.

Currently in development is One Eastwood Avenue, a two-tower project whose second tower was launched in the past year. Its first tower, which is still under development, is expected to be completed in the fourth quarter of 2015. Once completed, the towers will offer a total of 97 floors of residential spaces, aimed at young executives and professionals whose work is situated in the heart of the city, if not in Eastwood itself.

Still less than 20 years old, Eastwood City is Megaworld's landmark development. It remains the model and the foundation for the Megaworld development projects that have followed it.

Live

With 19 residential towers, Eastwood City is the blueprint for residential development. The township is home to over 25,000 residents.

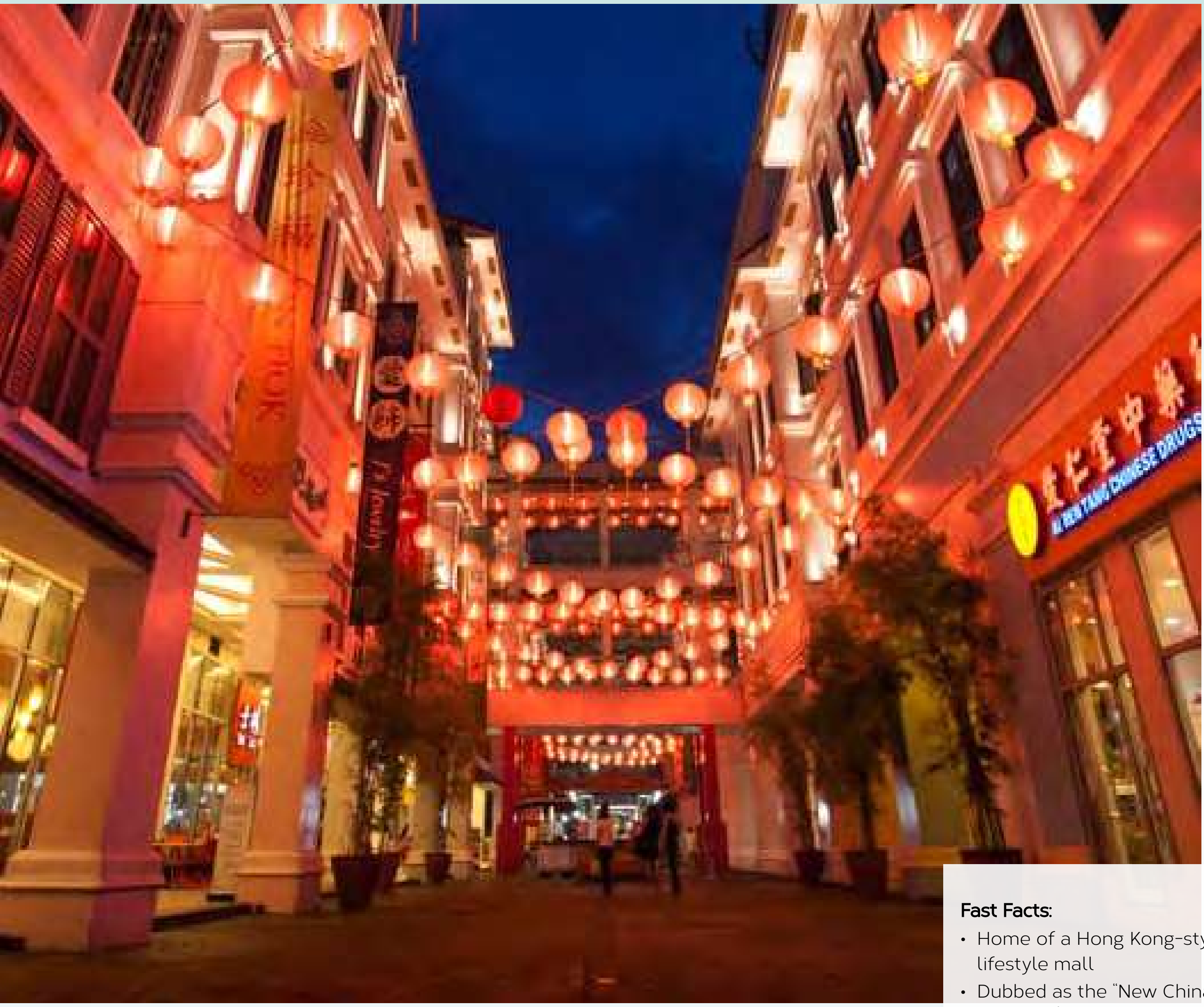
Work

Eastwood City is home to 10 office towers with about 55,000 employees. Being the first cyberpark, Eastwood City paved the way for the robust growth of the IT-BPO industry in the country.

Play

Eastwood City is the city that never sleeps with restaurants, bars, and fast food chains open 24 hours and ready to serve the employees and executives of the IT-BPO companies in the township. Eastwood City is home to three lifestyle malls - Eastwood Mall, Citywalk 1 and 2, and the Cyber and Fashion Mall.

Chinatown Binondo



Fast Facts:

- Home of a Hong Kong-style lifestyle mall
- Dubbed as the "New Chinatown" in Binondo

Lucky Chinatown

Asian cities have long penetrated the world's consciousness as economic and tourist spots to look up to; a handful that includes the progressive cities Hong Kong, Singapore and Macau. It is this remarkable blueprint that Megaworld used to reinvent the historical Chinatown in Binondo into a bustling modern metropolis.

Cityplace is Megaworld's feat in Binondo, a district of Old Manila that has been distinguished for its vibrant Chinese-Filipino community. Envisioned as a community meant to restore the former glory of Old Manila by improving the area's landscape, the 2.5-hectare residential and commercial complex has succeeded in retaining the spirit of the Chinatown area while developing new infrastructure in order to make the district more vibrant. It has been deemed by some as the "New Chinatown," effortlessly fusing the best of the old with the best of the new. Cityplace houses three major mixed-use development projects, the first of which is the Lucky Chinatown Mall, a world-class shopping center patterned after the shopping style of commercial centers in Hong Kong, which is perfect for the Filipino-Oriental culture of the Binondo district. The mall currently spans 108,000 square meters and stands at five levels with a total of 168 shops and restaurants, a supermarket, an arcade, and five state-of-the-art cinemas. After the mall is the Chinatown Walk, a 20-meter-wide and 200-meter-long stretch of retail shops and restaurants in a typically Oriental setting. The last of these are the Cityplace Twin Towers, which are expected to have 525 residential condominium units and a three-level podium mall that houses high-end boutiques and dining destinations around a spacious, brightly lit central atrium.

Aside from these, Cityplace shows the company's commitment to decongesting the area around the complex by constructing a public carpark facility as well as bypass roads for the purposes of easier entry to and exit from Cityplace. Having accomplished such, Cityplace has done its part in the effort to modernize this well-known district of Old Manila.

Live

One of the most coveted addresses in the country, the Chinatown District of Binondo is a living heritage site that continues to be the center of trade and commerce in the country. Megaworld has started the rehabilitation of the district with its residential projects such as the Cityplace and Noble Place.

Learn

Situated in the heart of the Chinatown District, the residential projects of Megaworld are in close proximity to the topnotch Chinese schools in the area such as Chiang Kai Shek College, St. Stephen's High School, Philippine Cultural Academy, and Hope Christian High School.

Play

The Lucky Chinatown Complex is composed of the Lucky Chinatown Mall, Chinatown Walk and Lucky Chinatown Annex - a breath of fresh air in the Chinatown district. While the shopping complex is relatively new, it has maintained and respected the charm of the area by incorporating traditional Chinese-Filipino architecture and design.

Forbes Town Center

Forbes Town Center

One of the first townships to rise in Bonifacio Global City, Forbes Town Center is a perfect place for young urban professionals who find their lives concentrated in one of the larger business hubs of Metro Manila.

The township contains a total of 12 residential towers: three in Bellagio towers, six in Forbeswood Heights towers, two in Forbeswood Parklane towers, and a 53-storey Eight Forbes Town Road Golf View Residences tower –all adjacent to the Manila Polo Club, Forbes Park, and the Manila Golf and Country Club, and where the residents are given a panoramic view of the golf course.

Forbes Town Center is also home to the famous Burgos Circle where it has a retail strip with 37 themed restaurants and shops. Burgos Circle is a popular leisure spot with both residential condominiums and a small park. The various establishments that comprise Burgos Circle are also meant to cater to a young and hip clientele, offering a quick bite in between work shifts or a place to relax after a long day at work.

Fast Facts:

- Five-hectare development
- Home of the famous Burgos Circle
- Around 37 themed retail shops and restaurants
- 12 high-rise residential towers
- Adjacent to the Manila Golf and Country Club

Live

The Forbes Town Center, with its 12 residential towers, affords its residents one of the best views in Metro Manila as it is right beside the Manila Golf and Country Club.

Work

Forbes Town Center, is strategically located at the center of the business and finance district of Bonifacio Global City. From local to multinational companies, commercial and top lifestyle spots, as well as educational and medical institutions, the township has everything within easy reach.

Play

The Forbes Town Center is a commercial strip that houses several restaurants, bars, pastry shops, and cafes. One of the best features of the strip is the al fresco dining along tree-lined sidewalks.

Newport City

NEWPORT CITY

Launched in 2005, Newport City enjoys the privilege of becoming a world-class tourist destination, the first-of-its-kind in the country. Situated across Terminal 3 of the Ninoy Aquino International Airport, the township has become the "go-to" spot for companies whose work requires proximity to the airport. In the vein of Megaworld's "live-work-play-learn-shop" lifestyle concept, Newport City manages to integrate large work facilities with luxurious recreational centers and high-class residential complexes.

In various stages of construction are the many residential buildings planned for development. These include The Residential Resort, 16 medium-rise buildings whose total floor area amounts to 140,000 square meters; The Palmtree Villas, four 10-story luxury condominium buildings with recreational facilities and bedroom units that offer a refreshing view of gardens; and 101 Newport Boulevard, a condominium project with four clusters rising at 10 stories each, set for completion in 2016. In total, Newport City is planned to accommodate over 6,100 world-class condominium units. On the office side, the development features the Newport City Cyber Park, a hub for BPO offices, cargo logistics services, and other airline-related businesses. The Cyber Park is the location of the Star Cruises Centre, the area's very first locator and home to the offices of Megaworld affiliate Travellers International Hotel Group Inc. and Genting Hong Kong.

The excitement and soul of Newport City, however, is the popular Resorts World Manila, the country's first integrated tourism estate. A 12-hectare joint project with AGI subsidiary Travellers International and Genting Hong Kong, Resorts World Manila is quickly being called the "Leisure Capital of the Philippines," given its upscale shopping mall, its myriad of fine dining restaurants and cuisines, its state-of-the-art performing arts theatre, and its first-class gaming center. Resorts World Manila is also host to three hotels of choice: the Manila Marriott Hotel, Maxims Hotel, and Remington Hotel, for travellers of all kinds and all classes.

Newport City, though still in the process of development, has made leisure accessible. Whenever tourists visit the metropolis, the first impression they can have of the Filipinos' way of life can be made at a Megaworld community. Whether settling down for a few days at one of Newport's many residential buildings and hotels or finding that much-deserved break at the mall and casino, one can easily get the sense of luxury in the country through this world-class development.

Live

Home to 16 residential mid-rise towers, Newport City is easily accessible from the Ninoy Aquino International Airport and Makati City. At the same time, Newport City gives its residents the best of entertainment options with the Newport Mall and Resorts World Manila just a few steps away.

Work

One of the six cyberparks of Megaworld, Newport City is a hub for BPO offices and cargo logistic services. The township is also the location of Star Cruises Centre, the offices of Travellers International Hotel Group, Inc., and Genting Hong Kong.

Play

The country's first fully integrated entertainment complex, Newport City is home to Resorts World Manila. Bringing entertainment to a whole new level, Newport City has three existing hotels, world-class cinemas, the Newport Performing Arts Theatre, and a casino complex.

McKinley West

Fast Facts:

- 34.5 hectares
- Inspired by cosmopolitan Europe
- BGC's environment-friendly township
- P22-billion investment to be developed over the next 20 years

MCKINLEY WEST

McKinley West is another first-of-its-kind township of Megaworld that will soon introduce the cosmopolitan vibe of Europe. Located in the former Jusmag property behind Forbes Park, McKinley West is expected to develop the 34.5 hectares of land within the Bonifacio Global City. Around P22 billion has been allotted for the next 20 years to create mostly residential projects, while a good portion of the township will be used for leisure amenities, access roads, and wide open spaces with lush greenery. Expect a world-class lifestyle within the township as it will have sustainability features such as rain water collection, green buildings and tree-lined streets.

The township is one of the last few parcels of land that has the privilege of being right next to the posh Manila Polo Club. Situated on the more exclusive side of Fort Bonifacio, McKinley West will also be home to office towers, retail and commercial strips, open parks, residential condominiums, and luxurious townhouses and villas.

McKinley Hill

Fast Facts:

- Megaworld's biggest township in Metro Manila at 50 hectares
- 19 state-of-the-art office towers employing around 45,000 employees
- 34 residential condominums that are home to around 11,000 residents
- Home of the country's first world-class football field, the Emperador Stadium
- Three international schools
- Home to three foreign embassies
- 1.5-hectare upscale mediterranean-inspired village

Whereas Eastwood's landmark is being the first Megaworld community to integrate the "live-work-play" lifestyle township concept into its planning, McKinley Hill's key feature is that it is one of the largest and most important development projects in Metro Manila, built over 50 hectares of property. It is designed to abide perfectly with the "live-work-play" concept, integrating as well the aspects of "learn" and "shop" containing not only residential and office amenities but learning institutions and commercial attractions so that the rest of Metro Manila can reap the benefits of this major Megaworld community.

McKinley Hill is expected to host varieties of residential projects from single-detached homes to townhouses to high-rise luxury residences, an abundance of BPO office space, a commercial district themed after the environment of the romantic city of Venice, a special events venue; international schools (namely the Chinese International School of Manila, the Enderun colleges, and the Korean International School), and foreign embassies (United Kingdom, Republic of South Korea, United Arab Emirates, and Qatar).

McKinley Hill will be home to 34 residential condominium buildings with a total of 4,713 units for tenancy, 482 residential lots, and 17 different offices with a total area of around 300,000 square meters. The community's business activity is focused in the 14-hectare McKinley Hill Cyber Park, a PEZA-accredited economic zone, which boasts the headquarters of several large corporations as well as several BPO office buildings. The One, Two, and Three World Square buildings have been designed for the purpose of tenancy by BPO companies in the sense that their scalable layouts can be customized according to the needs and preferences of the occupying companies. The 18 and 20 Upper McKinley Road buildings, Eight Park Avenue, and the Commerce and Industry Plaza, a building with 15 stories of 2,000 square meters of uninterrupted office space and the home of the head office of the Philippine Chamber of Commerce and Industry.

Three McKinley Hill projects have also been designed specifically to bring the grand Venetian experience to the residents and visitors of McKinley Hill alike: The Venice Luxury Residences, whose seven residential towers have been designed to resemble the uniquely shaped iron head of the gondola known as a fèrro; the Grand Canal, a man-made attraction and the first of its kind in the country where visitors can ride an authentic gondola and feast their eyes upon the monuments of Venice while enjoying the sounds of their musical gondoliers; and lastly the Venice Piazza, a commercial center inspired by the architecture of Italy (and even more landmarks of Venice), whose location near the community's residential towers provides the community with a convenient venue for upscale shopping. Other residential projects of McKinley Hill include the McKinley Hill Village, the McKinley Garden Villas, the Stamford Executive Residences, the Tuscany, the Woodridge Residences, the three-tower Morgan Suites Executive Residences, the four-tower Viceroy, and the recently-launched The Florence, whose first tower is currently being developed.

Live

With over 34 residential condominiums, McKinley Hill boasts a first-class community surrounded by various commercial establishments such as a lifestyle mall, outdoor retail stores, themed restaurants, international schools, and other exclusive amenities for residents and guests to enjoy. The township has choices of single-detached homes, townhouses, mid-rise condominiums, and high-rise luxury residences. The community's residential projects are the McKinley Hill Village, McKinley Hill Garden Villas, the Stamford Executive Residences, Tuscany, Woodridge Residences, Morgan Suites Executive Residences, The Viceroy, The Venice Luxury Residences, and The Florence.

Work

The focal point of business activity in the township is the 14-hectare cyberpark, a sprawling PEZA-accredited economic zone. The cyberpark is home to 19 state-of-the-art and eco-friendly office towers that employ around 45,000 employees and is home to international corporate headquarters, mainly from the IT-BPO sector.

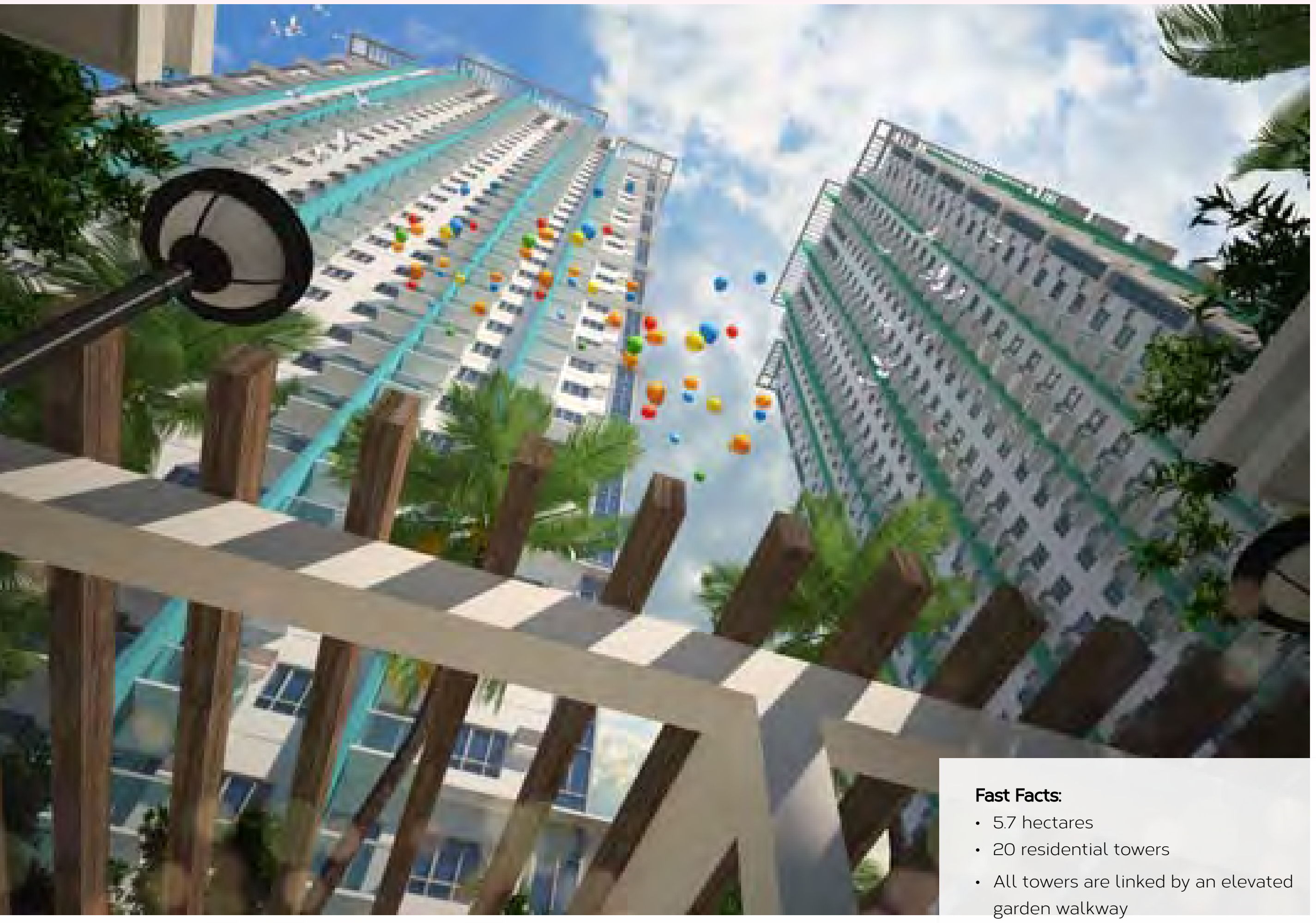
Play

Capturing the element of "play" in the township, the company introduces The Venice Piazza, a world-class Venetian-inspired mall in McKinley Hill Town Center. The mall features the iconic landmarks of Italy by having a replica of St. Marks Tower, the Piazza Grande, and even flocks of pigeons.

Learn

McKinley Hill brings together top-notch learning institutions such as the Chinese International School Manila and Korean International School Philippines, which both offer first-rate kindergarten, elementary and high school education. Undergraduate studies can be pursued at Enderun Colleges, with courses such as Hospitality Management and Business, Technology and Entrepreneurship, or at the Meridian International (MINT) College's Business, Arts and Technology programs.

Manhattan Garden City



Fast Facts:
- 5.7 hectares
- 20 residential towers
- All towers are linked by an elevated garden walkway
- Transit-oriented residential development
- Direct access to LRT 2 and MRT 3 systems
- 9,000 residential units

Manhattan Garden City
AT THE ARANETA CENTER

Manhattan Garden City sets a precedent for future Megaworld communities as the first transit-oriented residential development project in the Philippines. It has been designed in such a way that residents can easily access Metro Manila's mass transit systems through direct linkages installed in the complex. For almost 10 years, the development has served as Megaworld's contribution in the effort to re-develop Araneta Center, which saw its heyday in the '60s and the '70s, under the supervision of the Quezon City government.

Manhattan Garden City has been developed over 5.7 hectares of land and is considered the largest single residential development in the country with a total of 9,000 residential units upon the project's completion. The 20 residential buildings are linked by an elevated garden walkway that runs 720 meters and connects directly to the Light Rail Transit 2 and Metro Rail Transit 3 systems. Thus residents are offered easy access to the transit systems bound for other parts of the metropolis as well as the commercial complexes adjacent to these systems.

Though it is still in the process of completion, Manhattan Garden City is meant to revive Araneta Center as a popular destination for the families of Manila and is certainly helping by linking shelter and transport.

Live

Manhattan Garden City boasts a lifestyle of being in the middle of everything in Araneta Center. All residential towers are interconnected through elevated walkways, which provide residents easy mobility in and around Araneta Center.

Work

Residents can enjoy the ease of working as the township is surrounded by office and commercial buildings in Quezon City. It also has a direct access to the country's main transit systems, such as the LRT-2 and MRT-3, providing workers convenience to go to key places around the metro.

Play

Manhattan Garden City is surrounded by different commercial and retail establishments where residents can shop, day and night, just right outside their doorstep.

The Mactan Newtown

Fast Facts:
- 28.8 hectares
- The company's first township development outside Metro Manila
- Granted "ecozone" status by PEZA

THE MACTAN NEWTOWN

The first major township development project outside Metro Manila, The Mactan Newtown marks Megaworld's expansion in the direction of provincial real estate development, making the company not only a game-changer in the nation's capital, but also in the country's lush, developing provinces. The 25-hectare mega-community was recently declared a special economic zone by PEZA, one of three Megaworld communities to be declared as such by the government and notably the first of the two Megaworld developments outside Metro Manila to be given special economic zone status. Its closeness to the Mactan-Cebu International Airport, known to be the second largest international airport in the country, has made it a prime destination for businessmen, BPO executives, and frequent travellers, something not unfamiliar to Megaworld, having previously developed the largely successful Newport City across Terminal 3 of the Ninoy Aquino International Airport.

That being said, it is no surprise that The Mactan Newtown is already expected to become Cebu's next IT-business hub in the next three to five years. The development, which has allocated 150,000 square meters for BPO offices, is already home to companies such as Results Manila and EnfraUSA, which specializes as BPO locators. These BPO offices are spread out among the development's many BPO office buildings, such as the recently completed One World Center, a five-story building with over 6,000 square meters of office space, and the newly launched Two World Center, which in turn will contain over 7,000 square meters of office space. Aside from the aforementioned World Center buildings, The Mactan Newtown also boasts 8 Newtown Boulevard, Pacific Garden Tower, and Pacific World Tower as developments primed for occupancy by BPO companies. These buildings comprise the development's aptly-named cyber park.

It goes without saying that the development of The Mactan Newtown will also integrate into its plan Megaworld's well-known concept of "live-work-play-learn," and has launched various projects in order to ensure this. Recently, Megaworld launched a new condominium cluster in the community called One Manchester Place, whose three towers will give residents a breathtaking view of the historic Mactan Shrine, Magellan Bay, and the Hilutungan Channel, as well as various leisure amenities from a swimming pool with a sunbathing deck to a function room, among others. A new learning center is also in the works in a joint venture with the Lasallian Schools Supervision Office (LASSO). The Newtown School of Excellence will be built over 7,000 square meters with state-of-the-art facilities such as laboratories, audio-visual rooms, open and covered courts and green spaces. It is expected to open classes for the primary level in school year 2016-2017. In time, The Mactan Newtown is expected to see the rise of a world-class lifestyle mall as well as a luxury hotel.

Mactan, known for its beaches, also poses as a hot tourist destination, and The Mactan Newtown's location puts it between luxury resorts, such as Shangri-La Mactan and Portofino, and the Marcelo Fernan Bridge, which links Mactan to the larger island of Cebu, home to even more sights, sounds, and commercial districts.

Live

The Mactan Newtown, dubbed as the next central business district in Central Visayas, has 10 luxury residential towers in the pipeline inside the vibrant township: the four-tower 8 Newtown Boulevard, the three-tower One Pacific Residences, and three-tower One Manchester Place.

Play

The township also poses as a tourist destination by having its own commercial district composed of a lifestyle mall, open parks, and other retail and commercial establishments.

Work

The Mactan Newtown is also envisioned to become Cebu's next IT-BPO hub in the region, allocating 150,000 square meters for office and BPO locators. The first tower to be completed is One World Center, which is now leased to US-based EnfraUSA and Results Manila. The second office tower, Two World Center, was launched to add 7,000 square meters to the office space inventory of the township.

Learn

By 2016, Megaworld is also opening the **Newtown School of Excellence**, a state-of-the-art educational institution that will be supervised by the Lasallian Schools Supervision Office (LASSO).

Iloilo Business Park

Fast Facts:
- 72 hectares
- Located at the old site of Iloilo Airport in Mandurriao
- Houses the Iloilo Convention Center and two luxury business hotels

ILOILO
BUSINESS PARK

Iloilo, being the business and commercial center of the Western Visayas region, was eyed as an ideal location for a new Megaworld development. Hence, like The Mactan Newton in Central Visayas, Iloilo Business Park signals Megaworld's expansion into the country's southern provinces. The 72-hectare development project is expected to see the rise of first-class hotels, a commercial area, a modern lifestyle mall, BPO office buildings, and a large convention center meant to accommodate more than 3,000 people. In fact, the P700-million Iloilo Convention Center, expected to open in 2015, is a joint venture between Megaworld and the local government, and is meant to occupy almost two hectares of the whole property in order to provide a venue for conventions, trade fairs, and even performances by local and international artists.

The constructions of Richmonde Tower is now ongoing and it is expected to house the hotel and BPO offices. A 15-story Courtyard by Marriott has also been launched within the recent year. The Courtyard by Marriott is expected to have 314 rooms and suites, leisure amenities, and a spectacular view of the Iloilo Business Park's urban landscape. Similarly in development is the third tower of luxury residential condominium One Madison Place, which was launched in the past year to meet the overwhelming demand for residential condominiums. One Madison Place, expected for completion in 2017, will occupy a total 1,700 square meters of space along the Megaworld Boulevard of Iloilo Business Park and will have 10 storeys of pre-furnished residential units in each tower.

The community's expected focal point is the Megaworld Center Mall as it is slated to be the first upscale mall to be built in Iloilo. Meanwhile, the 1.1-kilometer Festive Walk is a wide open-air strolling area lined with shops and outlets of various signature brands, patterned after outlet shops in America.

Live

Iloilo Business Park brings a township lifestyle to Western Visayas by introducing the luxury residential condominium One Madison Place. The residential enclave was launched to meet the strong demand for residential condos in Iloilo. One Madison Place occupies a sprawling 1,700-square-meter land area along Megaworld Boulevard in Iloilo Business Park. It will be comprised of 127 units with layouts ranging from executive studios to two-bedroom units. Each unit is pre-furnished with cooktops (four-burner for two-bedroom units, two-burners for the others) and a range hood. The project is expected to be completed in 2017.

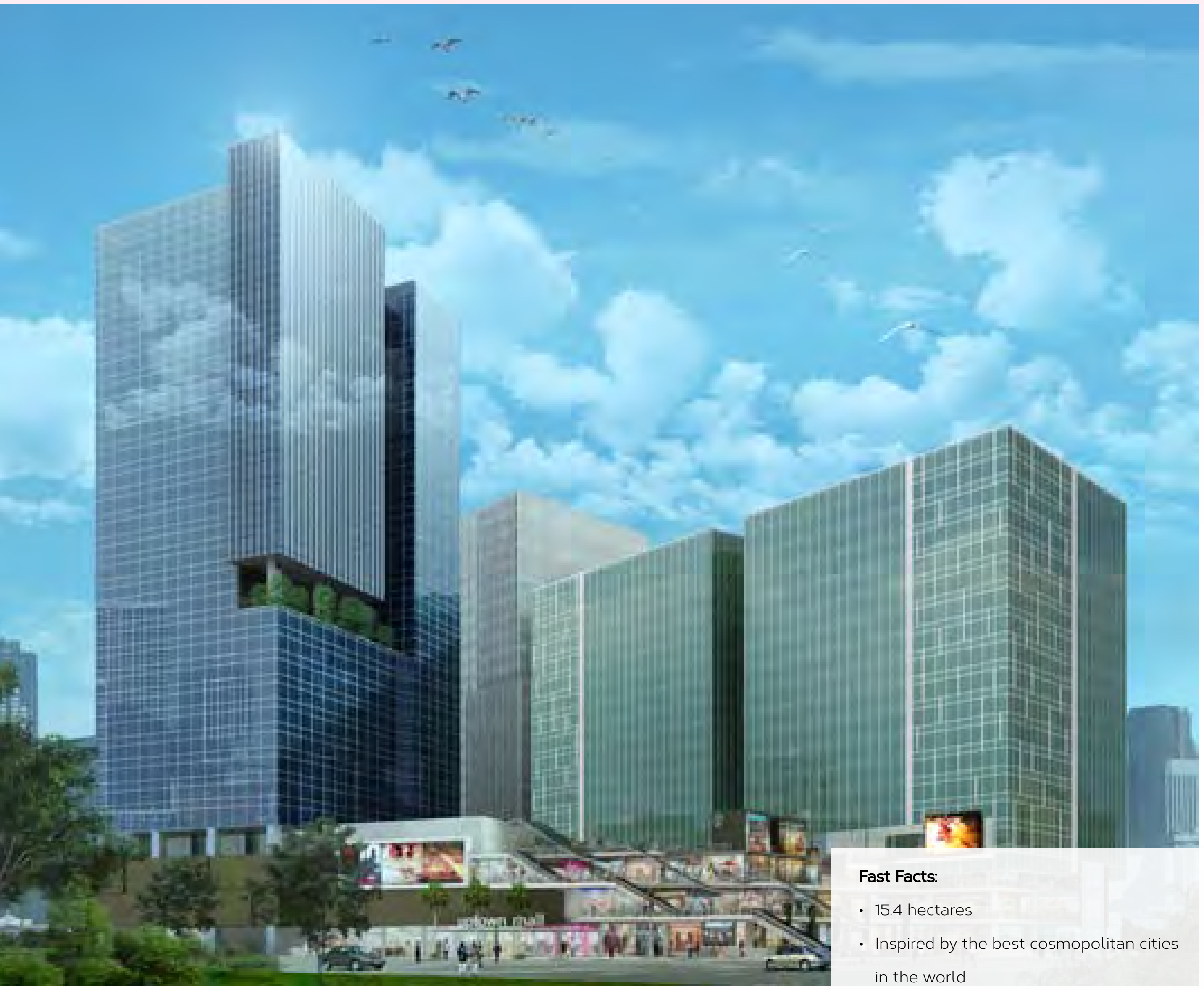
Work

Megaworld is also committed to make Iloilo one of the country's biggest IT-BPO hubs in the country as it is expected to offer close to 100,000 square meters of leasable floor area for IT-BPO companies in the next three to five years.

Play

The township highlights the rise of its Megaworld Central Mall as it is slated to be the first upscale lifestyle mall to be built in Iloilo. The 1.1-kilometer Festive Walk, a wide open-air strolling area will soon host shops and outlets of various signature brands.

Uptown Bonifacio



Fast Facts:

- 15.4 hectares
- Inspired by the best cosmopolitan cities in the world
- Home of the Megaworld corporate office
- Dubbed as the next central business district

UPTOWN BONIFACIO

Megaworld's Uptown Bonifacio is the latest township project that is expected to rise at the northern part of Bonifacio Global City, under a joint venture agreement with the Bases Conversion and Development Authority. The Uptown Bonifacio is expected to span 15.4 hectares of land patterned after the best cosmopolitan cities such as Paris, London, Milan, New York, and Tokyo. The township is being developed in phases: 500,000 square meters will be allotted for residential space, 400,000 square meters for office space, and finally 90,000 square meters for commercial space. The first residential building was launched in 2011: One Uptown Residences, a 45-storey, 660-unit condominium expected for completion in 2016. In the past year, the Uptown Parksuites was also launched.

Live

Uptown Bonifacio ups the ante of luxury living in BGC by introducing all the world's best in one township. The first three residential condominiums to be completed in the township will be One Uptown Residence which will have a direct access to Uptown Place mall, the "all-suites" Uptown Ritz, and the latest residential condo – the Uptown Parksuites.

Work

Megaworld is pouring P65 billion to build the township within 10 to 20 years. It will be comprised of several corporate and residential towers. Among the first office towers to rise in Uptown Bonifacio is the 25-storey Alliance Global Tower, the future headquarters of Alliance Global Group, Inc. and Megaworld.

Play

Located in the northern tip of BGC, the community will be highlighted by a modern, state-of-the-art Uptown Place mall to synergize the upbeat lifestyle inside the township. It will also have retail and commercial establishments in some of the office and residential towers.

Makati CBD

Despite Megaworld's commitment to erect brand new communities in underdeveloped locations, the company has not stopped to staking a claim on communities that have already been developed. Megaworld's various projects in Makati's central business district are a testament to the company's adaptability to circumstances that affect the prospects for development.

In Makati, the ongoing projects include the 31-storey Greenbelt Madison, the 35-storey Greenbelt Chancellor, the 35-storey Greenbelt Excelsior in Legaspi Village, the 51-storey Three Central tower in Salcedo Village, the 30-storey Paseo Heights condominium building in Salcedo Village, and the Greenbelt Hamilton, which is expected to reach 31 storeys by 2016. Megaworld's properties in Makati exceed 15 projects in various stages of completion. The company expects to reach 26 buildings in the Makati Central Business District by 2017.

Fast Facts:

- Considered to be the country's premier financial center
- Home to top local and multinational corporations, educational and medical institutions, and foreign embassies and consulates
- Top choice for most investors
- Megaworld currently has 18 residential towers in Makati CBD

Game-changing Real Estate Development

Given the company's focus on developing properties in the provinces, it is no surprise that Megaworld still retains the game-changer status it earned through the success of its first community. Through the integration of the "live-work-play-learn-shop" into the planning of the Visayan townships, the prospects for the next few years are indeed promising. With the opening of BPO offices, schools, and high-class retail establishments in these communities, the company is surprising the country with an approach that has been tried and tested for the past 20 years. It is only a matter of time before the inhabitants of these younger communities will realize that it isn't just the locale that's changed, but it will also be their lives that have changed for the better.

PROJECTS LAUNCHED

ILOILO BOUTIQUE HOTEL AND COMMERCIAL DISTRICT

The Iloilo Boutique Hotel and Commercial District is set to rise in the 72-hectare Iloilo Business Park township, the largest business district in Western Visayas. The development is no doubt meant to meet the overwhelming demand for residential and commercial properties in the area. The township hosts a variety of current developments, including residential condominiums, office towers, the Megaworld Central Mall and Annex, a commercial strip, and the highly anticipated Iloilo Convention Center.

Projects Launched |

ONE EASTWOOD AVENUE, Eastwood City

Experience the high-life in One Eastwood Avenue. Here, the luxury of live, work, play, and learn revolves around you because it is strategically located in the famous Eastwood City – the first master-planned IT cyberpark in Libis, Quezon City. This magnificent 47 and 52-storey twin-tower all-glass façade has direct access to an array of the township's modern facilities such as a lifestyle mall, wellness centers, retail hotspots, high-end office towers, and world-class learning institutions. One Eastwood Avenue is a relaxing home in the "city within the city."

UPTOWN PARKSUITES, Uptown Bonifacio

Nothing beats the convenience of having an address in the middle of a bustling township like Uptown Parksuites. A 50-storey all-glass and steel façade, towering over the 15.4-hectare Uptown Bonifacio township, Uptown Parksuites is one of the most prestigious addresses to have. Giving utmost consideration to its highly discriminating residents, Uptown Parksuites was designed with privacy and security in mind, complemented by the best views of Metro Manila. Nestled in Uptown Bonifacio, the northern part of Bonifacio Global City, this residential enclave affords its residents the best view of the skyline of the Makati Central Business District and Fort Bonifacio – offering generous living spaces with its expansive 453.5-square-meter four bedroom units. Since privacy was a key element in the design process, it has strategically placed its amenities on different levels of the enclave. Sky lounges are on six different floors, while amenities are on the podium, and the ground level serves as a commercial strip.

Projects Launched |

BAYSHORE RESIDENTIAL RESORT PHASE 2

Rising on the shores of Manila Bay, Bayshore Residential Resort is Megaworld's latest residential community development in Bayshore City, a township inside Entertainment City Manila – a 100-hectare tourism estate and entertainment complex in Manila. The unique project offers a lifestyle that integrates a fun blend of beach, Broadway, and family-oriented Las Vegas-style entertainment. The Bayshore Residential Resort has six residential clusters that has direct access to a 135-meter-long beach-type free-form pool with white sand. Moreover, as part of the entertainment complex, the residential community has instant access to different attractions, such as the Grand Opera House, which is expected to establish Bayshore City's image as the new Broadway of Asia. It also nestled beside international brand hotels, themed-parks, and a world-class retail center.

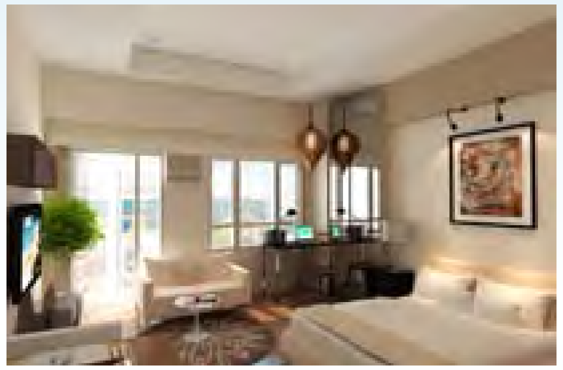
THE FLORENCE, McKinley Hill

The first and only serene Italian garden-inspired residential community in Fort Bonifacio, The Florence is located in the heart of Megaworld's 50-hectare McKinley Hill township. Imagine the middle of central business district having an exclusive enclave with a beautiful backdrop of lush greenery and the thick foliage of trees and plants bursting with different colors – reminiscent of the Renaissance era of the Tuscan region in Italy. McKinley Hill is a place where everything is inspired by the lights, sounds, and taste of Italy. It is home to Emperador Stadium, the country's first world-class football field, and the famous Venice Piazza inspired by Venice's Piazza di San Marco. The newest residential gated garden community offers the perfect dwelling place for relaxation and tranquility. Upon entry, the three-tower curvilinear designed condominium has the modern distinction of upscale living but exudes a relaxing ambience brought about by the green surroundings. Each tower will have one- to two-bedroom units consisting of lavish 43 to 79 square meters of space. All units will come pre-furnished with a balcony that overlooks the picturesque scenery of the garden below and the skylines of the Makati CBD and Bonifacio Global City.

Projects Launched |

MANHATTAN PLAZA, Manhattan Garden City at Araneta Center

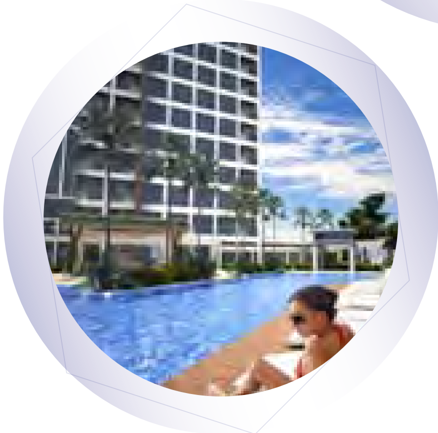
Introducing the newest development in Manhattan Garden City in Araneta Center: the Manhattan Plaza.



Manhattan Plaza is composed of six towers with first-class amenities unlike any ever seen before. It offers a luxury living community designed after and inspired by the well-known development in Manhattan, New York City. Situated in Araneta Center in Quezon City, Manhattan Garden City stands out as the country's first transit-oriented residential development project in the country. It was designed to seamlessly integrate with Metro Manila's mass-transit system. The sprawling 5.7-hectare complex is also considered the largest single residential development in the country to date with a total of about 9,000 units upon completion. The complex features a 720-meter elevated garden walkway that connects the cluster's 20 towers. Another first in Philippine real-estate development, the walkway links the condominium complex to the Light Rail Transit 2 and Metro Rail Transit 3 systems, providing residents with easy access to trains bound for other parts of Metro Manila. Manhattan Garden City is envisioned to revive the former glory of Araneta Center and transform it again into a popular family destination it once was.

ONE MANCHESTER PLACE, The Mactan Newtown

One Manchester Place is a three-tower condominium complex expected to rise in The Mactan Newtown and the third residential condominium cluster of Megaworld to do so. The complex will offer residential units that have been fitted with pre-fabricated closets for bedrooms, sleeping dens, and kitchen cabinets, as well as kitchens pre-furnished with four-burner and two-burner cooktops (depending on the size of the unit), ovens, and range hoods. Residents will also be given direct access to a mall that will soon rise in the township. The first tower of the complex is currently in development but is already being offered to interested buyers.



Aside from the unit, residents will also have access to various common amenities which include a 25-meter swimming pool with a sunbathing deck, an in-water pool lounge and pool spa, a children's pool, a pavilion, a reflexology path, an indoor spa, a fitness and taichi area, a state-of-the-art fitness gym, a jogging path, a dry Zen garden, a flower garden, a children's playground, a reading nook, a day care center, a business center, and a function room.

Projects Launched|

ONE MADISON PLACE, Iloilo Business Park

Although still under development, One Madison Place Luxury Residences, through its swift success in pre-selling condominium units in two of its three planned towers, serves as an indicator of the great demand for residential properties in Iloilo. It also indicates the quality lifestyle that future residents envision themselves enjoying in a Megaworld township. The three towers will rise over 1,700 square meters of land area along Iloilo Business Park's major highway, Megaworld Boulevard.
One Madison Place Tower 1 offers 156 residential condominium units over 10 floors. Each unit has been offered pre-furnished and includes access to top-notch amenities that include indoor and outdoor fitness centers, a function room, an outdoor spa, and a swimming pool with a paved sunbathing deck. When pre-selling of condominium units began in March 2013, it only took two months to sell over 85% of the first tower's units. This immediately prompted the pre-selling of units in the second tower, which was met with similar results.

ONE MADISON PLACE 2, Iloilo Business Park

One Madison Place Tower 2 contains 15 to 16 residential condominium units per floor over 10 floors. This allows for 127 residential units in the second tower, which range from studios to one or two-bedroom units. Like the units of the first tower, the second tower units are pre-furnished and offer residents access to top-notch amenities. And although the second tower contains less residential units than its predecessor, it contains larger areas for recreational facilities, which include several swimming pools fit for recreation and fitness, indoor and outdoor sports facilities, function rooms, and even a reading nook with a green wall feature. Enjoying the same success as the first tower, the second tower units have been sold out in a matter of months, prompting pre-selling for the last tower in August 2013.

Projects Launched |

ONE MADISON PLACE 3, Iloilo Business Park

The third of the One Madison Place Luxury Residence towers has been designed with larger floor layouts intended mostly for occupancy by families. Like the other two towers, this tower is 10 storeys high and contains pre-furnished units and amenities that are top-of-the-line, including fitness centers, recreational swimming pools, gardens, and a reading nook. However, Tower 3 will be the only one to offer an arcade of retail shops expected to open at the ground floor.

SAVOY HOTEL MACTAN NEWTOWN
The Mactan Newtown

The Savoy Hotel Mactan Newtown is set to make waves at The Mactan Newtown, making the township a key destination for pleasure- and thrill-seekers. The hotel is expected to rise over 18 storeys and also contains condominium units, making the Savoy a condotel. The hotel features Executive Suites, Twin Bedroom Suites, Queen Suites, and other special units. The Savoy Hotel will also include first-rate amenities including a swimming pool, a bar lounge, a massage deck, a gymnasium, and a business center.

Results of Operations

(Based on Financial Statements adopted in accordance with the Philippine Financial Reporting Standards)

Review of December 31, 2013 versus December 31, 2012

The Group's consolidated net income for the year ending on December 31, 2013 posted an amount of P9.03 billion (which includes P763.83 million non-recurring gain on acquisition of subsidiary), or 21.90% higher than the previous year's net income of P7.41 billion. Consolidated total revenues composed of real estate sales, rental income, hotel income and other revenues posted an increase of 18.42% from P30.60 billion to P36.24 billion.

Development

Among product portfolios, the bulk of generated consolidated revenues came from the sale of condominium units amounting to P21.25 billion in 2013 compared to P18.17 billion in 2012, an increase of 16.94%. The Group's registered sales mostly came from the following projects: One Uptown Residences; Noble Place Binondo; Belmont Hotel; Savoy Hotel; Uptown Ritz Residences; Greenbelt Hamilton; Three Central; Viceroy Tower 1, 2 & 3; One Eastwood Avenue Tower 1; One Pacific Residence; The Venice Luxury Residence Domenico & Carusso; Eight Newtown; 101 Newport Boulevard; Eight Forbes Town Road and One Madison Place Ilollo.

Leasing

Rental income contributed 16.66% to the consolidated revenue and amounted to P6.04 billion compared to P4.99 billion reflected last year, a 20.88% increase. Contributing to the growth are the escalation and completion of additional leasing properties and increase in demand for office space from BPO Companies.

Hotel Operations

The Group's hotel operations posted an amount of P451.04 million in 2013, slightly declined by 2.44%, from P462.31 million in 2012.

In general, the increase in costs and expenses from P23.19 billion in 2012 to P27.21 billion in 2013, or increase by 17.33% was mainly due to the increase in real estate sales, additional interest on new dollar bonds issued and increase in other administrative and corporate overhead expenses. Income tax expense in 2013 amounting to P2.57 billion resulted to a 14.15% increase from 2012 reported amount of P2.25 billion due to higher taxable income.

There were no seasonal aspects that had a material effect on the financial condition or financial performance of the Group. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations. The Group is not aware of events that will cause material change in the relationship between costs and revenues.

There are no significant elements of income or loss that did not arise from the Group's continuing operations.

Financial Conditions

The Group maintains a prudent financial policy as it engages to a more competitive and challenging environment. The Group's Statement of Financial Position reflects stable financial growth. Total resources as of December 31, 2013 amounted to P173.88 billion posted an increase of 21.83% compared to P142.72 billion as of December 31, 2012.

The Group shows liquid position as of December 31, 2013 by having its current assets amounted to P98.46 billion as against its current obligations of P25.90 billion. Current assets posted an increase of 20.46% from December 31, 2012 balance of P81.73 billion. Current obligations reflected an increase of 0.52% from December 31, 2012 balance of P25.76 billion.

Cash and cash equivalents increased by 18.36% from P26.83 billion in 2012 to P31.75 billion in 2013. The increase is due to the proceeds from the issuance of dollar bonds, share subscription by the Parent Company from the increase in authorized capital, exercise of stock warrants and proceeds from sale of an associate. A 9.51% increase from its current and non-current trade and other receivables – P43.00 billion as of December 31, 2013 compared to P39.26 billion as of December 31, 2012, was due to higher sales for the period. An increase by 21.53% from P28.89 billion in 2012 to P35.11 billion in 2013 in residential and condominium units for sale pertains to additional construction cost attributable to on-going projects. Property development cost increased by 12.64% from last year-end's amount of P8.62 billion to P9.71 billion in 2013. The Group's investment in available-for-sale securities increased by 20.63%, from P3.26 billion in 2012 to P3.93 billion in 2013 was due to changes in market value of investments. Investment property increased by 49.99%, amounting to P24.95 billion in 2013 as compared with 2012 balance of P16.63 billion due to additional property for lease and contribution by newly acquired subsidiary.

Trade and other payables amounted to P7.20 billion and P7.90 billion as of December 31, 2013 and 2012, respectively. The decrease of 8.88% was due to payments made to the Group's suppliers and contractors in relation to its real estate developments. Total customers' deposits as of December 31, 2013 amounted to P5.12 billion compared to P5.94 billion as of December 31, 2012 with a 13.82% decrease.

The combined effect of current and non-current deferred income on real estate sales increased by 16.01% which amounted to P7.47 billion as of December 31, 2013 compared to P6.44 billion as of December 31, 2012 due to increase in unearned revenue. Total interest-bearing loans and borrowings current and non-current amounted to P3.80 billion resulted in a 41.52% decrease from previous year P6.50 billion mainly due to principal payments of loans and early redemption of notes during the period. Bonds payable increased by 83.13%, amounting to P24.83 billion in 2013 from P13.56 billion in 2012 due to issuance of dollar bonds during the year. Total other liabilities amounted to P3.59 billion from P3.77 billion as of December 31, 2013 and December 31, 2012, respectively translating to a 4.83% decrease.

Total equity (including non-controlling interest) increased by 25.52% from P81.23 billion as of December 31, 2012 to P101.95 billion as of December 31, 2013 due to the Group's continuous profitability, issuance of shares amounting to P2.5 billion to Parent Company and additional issuance of common shares from exercised stock warrants amounting to P721.81 million in 2013.

The top five (5) key performance indicators of the Group are shown below:

	2013	2012
Current Ratio *1	**3.80:1**	3.17:1
Quick Ratio *2	**1.23:1**	1.04:1
Debt to Equity Ratio *3	**0.28:1**	0.25:1
Return on Assets *4	**5.71%**	5.46%
Return on Equity *5	**9.76%**	5.46%

*1 – Current Assets / Current Liabilities
*2 – Cash and Cash Equivalents / Current Liabilities
*3 – Interest Bearing Loans and Borrowings and Bonds payable / Stockholders' Equity
*4 – Net Income / Average total assets
*5 – Net Income / Equity (Computed using figures attributable only to company's shareholders)

With its strong financial position, the Group will continue investing in and pursuing expansion activities as it focuses on identifying new markets, maintaining established markets and tapping business opportunities.

Corporate Governance

COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

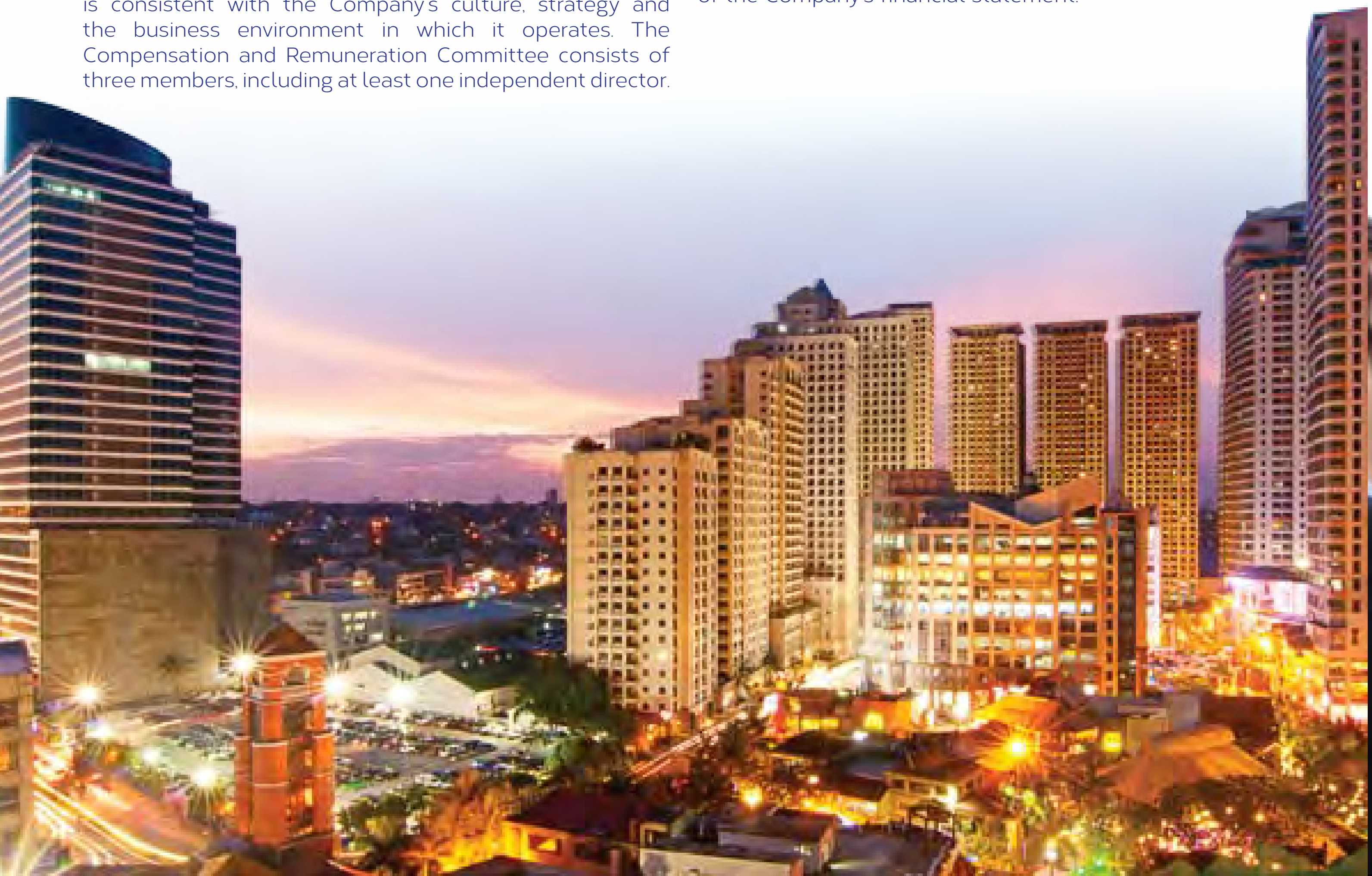
In 2002, the Company adopted a Manual on Corporate Governance in order to institutionalize the principles of good corporate governance in the entire organization. Pursuant to the Company's Manual on Corporate Governance, the Company's Board of Directors created each of the following committees and appointed board members thereto.

AUDIT COMMITTEE

The Audit Committee assists the Board in the performance of its ovesight responsibility for the financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations, provides oversight over financial management functions and over internal and external auditors and the financial statements of the Company. On October 3, 2012, the Board approved the Audit Committee Charter which provides for the purpose, membership, structure, operations, duties and responsibilities of the Audit Committee. The Audit Committee has three members, two of whom are independent directors. An independent director serves as the head of the committee.

COMPENSATION AND REMUNERATION COMMITTEE

The Compensation and Remuneration Committee is responsible for establishing a formal and transparent procedure for developing a policy on remuneration of the directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates. The Compensation and Remuneration Committee consists of three members, including at least one independent director.



NOMINATION COMMITTEE

The Nomination Committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval. The Nomination Committee has three members, including at least one independent director.

In 2005, the Company engaged the services of the Institute of Corporate Directors (ICD) to facilitate a Corporate Governance Training/Seminar for its Board of Directors and executives. The Training/Seminar includes a discussion on the Main Principles of Corporate Governance contained in the Organization for Economic Cooperation and Development (OECD), the Pacific Economic Cooperation Council (PECC) and the Philippine SEC Corporate Governance Code, Responsible Citizenship and Corporate Social Responsibility, Finance in the Corporate Governance Setting and Best Practices of Corporate Governance.

In 2004, the Company designated a new engagement partner of Punongbayan and Araullo for the audit of its financial statements beginning the year ending December 31, 2004 in compliance with its Manual on Corporate Governance requirement that the Company rotate its external auditor or change the handling partner every five (5) years or earlier. During the same year, the Company increased the number of independent directors in its Audit Committee, from one independent director to two (2) independent directors, and appointed an independent director to head the Audit Committee, in accordance with SEC Memorandum Circular No. 6. In 2011, Nelson J. Dinio was designated as the new handling partner for the audit of the Company's financial statement.

EVALUATION SYSTEM

The Company has designated a Compliance Officer who is tasked monitoring compliance with the provisions and requirements of its Manual on Corporate Governance. The Compliance Officer has established an evaluations system, patterned after the CG Scorecard of the Institute of Corporate Directors to measure or determine the level of compliace by the Company with its Manual.

DEVIATIONS FROM MANUAL AND SANCTIONS IMPOSED

In 2002, the Company substantially complied with its Manual on Corporate Governance and did not materially deviate from its provisions.

No sanctions were imposed on any director, officer or employee on account on non-compliance with the Company's Manual on Corporate Governance.

PLAN TO IMPROVE CORPORATE GOVERNANCE

Pursuant to SEC Memorandum Circular No. 6, Series of 2009, the Company has revised its Manual of Corporate Governance to make the same compliant with the Revised Code of Corporate Governance. The Company will continue to adopt best practices in Corporate Governance as may be prescribed by the Commission.

Risk Management

Risks Associated with the Company's Business

Historically, the Company has derived substantially all of its revenues and operating profits from sales of its real estate products in the Philippines, and its business is highly dependent on the state of the Philippine economy. Demand for new residential projects in the Philippines, in particular, has also fluctuated in the past as a result of prevailing economic conditions in both the Philippines and in other countries, such as the United States (including overall growth levels and interest rates), the strength of overseas markets (as a substantial portion of demand comes from OFWs and expatriate Filipinos), the political and security situation in the Philippines and other related factors. For example, the global financial crisis in 2008 and 2009 resulted in a generally negative effect on real estate property prices globally, including the Philippines. The Company expects this general cyclical trend to continue, which means that the Company's results of operations may fluctuate from period to period in accordance with fluctuations in the Philippine economy, the Philippine property market and the global property market in general. There can be no assurance that such variances will not have a material adverse affect on the business, financial condition or results of operations of the Company. There is no assurance that there will not be recurrence of an economic slowdown in the Philippines or abroad.

The Company may be unable to acquire land for future development.

The Company's business is dependent, in large part, on the availability of large tracts of land suitable for development by the Company. As the Company and its competitors attempt to locate sites for development, it may become more difficult to locate parcels of suitable size in locations and at prices acceptable to the Company.

The Company is exposed to risks associated with real estate development.

The Company is subject to risks inherent in property development. Such risks include, among other things, the risks that financing for development may not be available on favourable terms, that construction may not be completed on schedule or within budget (for reasons including shortages of equipment, material and labor, work stoppages, interruptions resulting from inclement weather, unforeseen engineering, environmental and geological problems and unanticipated cost increases), that development may be affected by governmental regulations (including changes in building and planning regulations and delays or failure to obtain the requisite construction and occupancy approvals), and that developed properties may not be leased or sold on profitable terms and the risk of purchaser and/or tenant defaults.

The Company is exposed to risks that it will be unable to lease its properties in a timely manner or collect rent at profitable rates or at all.

The Company is subject to risk incidental to the ownership and operation of office and related retail properties including, among other things, competition for tenants, changes in market rents, inability to renew leases or re-let space as existing leases expire, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, increased operating costs and the need to renovate, repair and re-let space periodically and to pay the associated costs. In particular, the Company relies on the growth of the BPO business as a continued source of revenue from its rental properties. If the BPO business does not grow as the Company expects or if the Company is not able to continue to attract BPO-based tenants, it may not be able to lease its office space or as a consequence, its retail space, in a timely manner or otherwise at satisfactory rents.

Services rendered by independent contractors may not always match the Company's requirements for quality or be available within its budget.

The Company relies on independent contractors to provide various services, including land clearing and infrastructure development, various construction projects and building and property fitting-out works. Although the Company invites contractors to tender bids according to their reputation for quality and track record, and although once a contract is awarded the Company supervises the construction progress, there can be no assurance that the services rendered by any of its independent contractors will always be satisfactory or match the Company's requirements for quality. Contractors may also experience financial or other difficulties, and shortages or increases in the price of construction materials may occur, any of which could delay the completion or increase the cost of certain development projects.

The interests of joint development partners for the Company's development projects may differ from the Company's and they may take actions that adversely affect the Company.

The Company obtains a significant portion of its land bank through joint development agreements with landowners, as part of its overall land acquisition strategy and intends to continue to do so. A joint venture involves special risks where the venture partner may have economic or business interests or goals inconsistent with or different from those of the Company's.

Risk Management and Business Strategy

To manage the risks associated with the business of the Company, the Company has adopted a business strategy that is based on conservative financial and operational policies and controls, revenue and property diversification, availability of quality landbank and strategic partners, as well as product innovation.

Maximize earnings through integrated community township developments

The Company intends to maximize earnings by developing alternative, integrated residential, business and retail property communities. This allows the Company to capitalize on the live-work-play-learn concept, which has become popular in the Philippines. The Company's position as a leader in crafting and delivering community township developments has strengthened over the years and continues to be its key strategy in bringing new projects to the market and in entering into new joint venture developments. In 2007, the Company acquired properties in Iloilo and Cebu to expand its BPO office developments and townships in the Visayas. In 2009 and 2010, the Company increased its property portfolio through the acquisition of rights to develop the Uptown Bonifacio and McKinley West properties. The Company continuously seeks opportunities to develop land in prime locations to further enhance its real estate portfolio.

Capitalize on brand and reputation

The Company believes that its strong brand name and reputation are key to its continued success. Since pre-selling is an industry practice in the Philippines, buyers place great importance on the track record and reputation of developers to reduce the completion risk relating to their properties. The Company intends to continue using its brand name and reputation to attract purchasers, tenants and joint development partners. The Company continues to enhance its reputation by employing and training a dedicated marketing staff and extensive sales network for its residential sales businesses who market the Megaworld brand. In addition, the Company is strategically involved in the aftersales market for the properties it develops by providing building management and other aftersales services such as interior design services.

Continue to evaluate projects for synergies

The Company intends to continue to evaluate potential projects, particularly with respect to opportunities among the Company itself and its various subsidiaries and affiliates, in order to maximize cost efficiencies, resources and other opportunities to derive synergies across the Megaworld group and the larger AGI group of companies.

Maintain a strong financial position

The Company intends to maintain its strong financial position by controlling costs and maintaining its net cash position. The Company is able to control development costs by generating a significant portion of its project financing from pre-sales of residential units. By securing post-dated checks and providing a variety of financing options to buyers, the Company limits its cash outlays prior to obtaining project funds. The Company also controls development costs by entering into joint development agreements with landowners, which is a cost-effective means of obtaining rights to develop land as initial costs are fixed and future payments are a fixed percentage of revenue from sales and leasing activity.

Sustain a diversified development portfolio

An important part of the Company's long-term business strategy is to continue to maintain a diversified earnings base. Because the Company's community townships include a mix of BPO offices, retail, middle-income residential, educational/training facilities, leisure and entertainment properties within close proximity to each other, the Company is able to capitalize on the complementary nature of such properties. In addition, the community township developments enable the Company to generate profits from selling residential projects as well as invest in office and retail assets retained by the Company to generate recurring income and long-term capital gains. The Company intends to continue to pursue revenue and property diversification as it develops community townships with the live-work-play-learn concept in various stages throughout Metro Manila. The Company also intends to continue pursuing innovative product lines that may complement its existing developments, while maintaining a well-diversified earnings base.

Capitalize on growing opportunities in tourism development

The Company has further developed and diversified its real estate business to include integrated tourism development projects through its acquisition of a minority ownership interest in Travellers. Due to growth in the number of tourist visits to the Philippines and the Company's real estate development expertise, the Company believes it is well-positioned to capitalize on opportunities in this growing sector. For example, the Company is exploring the possibility of developing hotels in The Mactan Newtown and Iloilo Business Park in the Visayas. The Company is also actively exploring and evaluating possible joint venture opportunities with an affiliate which focuses on tourism-related property developments.

Sustainability

MEGAWORLD EMBRACES "SUSTAINABILITY" IN ITS TOWNSHIP DEVELOPMENTS

Aside from innovative mixed-use development, Megaworld also expanded its horizon by revolutionizing the 'green' architecture and supporting "environmental" activities in every township to underpin the company's vision of creating communities that promote sustainability for the environment and maximizing the use of land.

Megaworld's ongoing commitment to reduce its usage of energy and finite resources is through its master plan design that can help reduce carbon footprint.

As part of a corporate green mandate, Megaworld has taken a concerted development effort by providing the most environment-friendly towers to office and retail partners that require green buildings for their operations.

As a result, the 8 Campus BPO office building was introduced as certified LEED structure in the 50-hectare McKinley Hill located in Bonifacio Global City.

LEED, which stands for Leadership in Energy and Environment Design, is a green building ratings program under the US Green Building Council or USGBC. It is the most widely accepted and recognized green building rating system worldwide.

The 8 Campus Place, which is now occupied by Wells Fargo & Co. (one of the biggest banks in the US) for their in-house business support center, is the latest LEED certified under the Core & Shell category in McKinley Hill. The three-tower building has five floors with a total leasable floor area of 3,000 sq. meters that can actually accommodate 3,000 employees.

The noteworthy features in the building that Megaworld and its LEED consultant, Barone International, are very proud of is the parking area, which accords very limited slots to encourage employees to use bicycle and public transportation instead of their private cars; a water reduction process, wherein the water fixtures were designed to use water efficiently; the wide-glass architecture was carefully planned to create maximum light permeability but has utilized glass with double glaze and noble gas argon to improve insulation; using recycled materials for the construction; and impressive indoor environmental quality.

To maintain the building, an independent third party contractor FAC LEEDership from Hong Kong coordinated efforts with Megaworld's property management office and the company's facility manager to ensure that the building is working properly and efficiently.

EARTH HOUR 2013

Since 1999, Megaworld has been in partnership with World Wildlife Fund for Nature (WWF-Philippines) to lead Earth Hour's biggest switch off movement in the country at its two largest townships – Eastwood City in Libis, Quezon City, and the McKinley Hill in Bonifacio Global City.

WWF-Philippines Vice Chairman and CEO Jose Ma. Lorenzo Tan, Megaworld First Vice President Kevin L. Tan and other Megaworld executives led the ceremonial lighting of torch at the Venice Piazza in McKinley Hill last March 23, 2013 to mark the exact second when the world-wide lights off began.

Earth Hour signifies the company's commitment to building townships that espouse environmental sustainability which everyone – from our mall-goers, commercial partners, to the BPO companies and residents of condominium properties inside the two biggest townships – are encouraged to participate.

The partnership is a symbolic act which represents Megaworld's ongoing commitment to inculcate to retail and office partners, as well as residents to conserve energy.

Earth Hour in 2013
- Megaworld townships (Eastwood City and McKinley Hill consumption was reduced to 83% for one hour
- 100% participation from mall and commercial partners
- 70% participation from office and BPO partners
- Megaworld was conferred the Environmental Leadership Award by WWF-Philippines

Personnel Development

Refining our Advocacy on Specialized Programs

Pursuant to Dr. Andrew L. Tan's key initiatives in the areas of people development, customer satisfaction, technological advancement and industry leadership, the company's Human Resources Division (HRD), under the guidance of the Chief Operating Officer (COO) Lourdes T. Gutierrez-Alfonso, hosted various employee engagement and development programs geared towards its continuous commitment to the welfare and advancement of its most important asset, the employees.

Megaworld Learning Academy: Building People, Creating Partners

Dr. Andrew L. Tan believes that strong pool of competent human resources is needed to ensure that Megaworld remains the leader in the real estate industry for the next decade. Megaworld endeavors to be a company where employees can build long-term fulfilling careers. As the company develops and nourishes the communities it creates, it also builds its people by providing them with opportunities for personal and professional growth.

On June 15, 2013, Megaworld launched the Megaworld Learning Academy (MLA), the company's strategic partner for the employees' personal and professional development through learning opportunities.

As of November 19, 2013, MLA has already conducted 52 learning programs with an over-all training attendance of 1,968 employees of Megaworld Corporation and its sister companies.

New training programs were added to our training portfolio such as:

- Competency-Based Human Resources Orientation
- Condo Living Experience
- Employee Discipline Orientation
- Enterprise Risk Management Workshop
- Civility At Work
- Megaworld Lifestyle: An Induction Program
- Program and Project Management Workshop
- Project Exposure Trip
- Presentation Skills
- Research and Development Walk-about
- Values-Driven Leadership

24/7 S.E.R.V.I.C.E. Launch – Building a Culture of Service Excellence

In an effort to ensure customer service excellence, the Human Resources Division in partnership with the Customer Relations Department (CRD) launched the 24/7 S.E.R.V.I.C.E. campaign last November 23, 2013 at the Grand Ballroom of Eastwood Richmonde Hotel.

The program aims to promote and inculcate customer service excellence among employees by instilling its mission statement, which stemmed from the acronym S.E.R.V.I.C.E., says that every Megaworld employee is committed to SWIFT action and EFFICIENCY in delivering RESULTS to clients guided by the VALUES of INTEGRITY, COMPASSION, and EXCELLENCE.

One of the highlights of the event is the unveiling of the company's customer service tagline, "WE DO IT FOR YOU", ensuring customers that Megaworld is always ready to provide assistance to customer's needs and requirements.

Building Work-Life Harmony

The HRD is also tasked to ensure the professional advancement and holistic development of its employees. With this in mind, various employee engagement activities were organized by HRD all through-out the year to provide an avenue for work-life harmony as well as to show the company's appreciation to its employees.

As of November 8, 2013, HRD has organized 14 employee engagement programs.

Corporate Social Responsibility

Scholars hired by Megaworld Corporation and its subsidiaries

A corporation exists to serve others. This belief has been our driving force to continuously give back to society through the company's socio-civic arm, Megaworld Foundation. The inception of the Foundation was established to actualize the vision of Dr. Andrew L. Tan in education and nation building.

MEGAWORLD FOUNDATION, INC.

Vision

Megaworld Foundation envisions to be a leading foundation that promotes corporate social responsibility by organizing and supporting educational and charitable programs geared toward the social and economic development of the less privileged.

Mission

* To provide scholarship grants to financially handicapped but academically qualified students.
* To provide financial assistance to foundations and socio-civic organizations that share the same vision as the Foundation.

We believe that giving a person of humble birth the opportunity of education gives him the chance to a better life. The Foundation's scholarship program has produced deserving and exceptional individuals and has extended to its scholars various career opportunities in Megaworld Corporation. Hired graduates have entered the fields of finance, engineering, marketing, and information technology (IT). In Megaworld, around 95 scholars have been hired while in its subsidiaries, 33 scholars.

We have continually supported and contributed to ongoing efforts in the fields of health, environment, infrastructure, people empowerment and other noble undertakings in line with the Foundation's vision and mission.

The year 2013 proved to be a challenging one for the country as severely damaging calamities struck. The Foundation partnered with various institutions to reach out and lend its helping hand to victims in the affected areas. Aggressive relief efforts, monetary and in-kind, especially during Typhoon Yolanda have been made by the Foundation.

Gathering of 2014 Graduating Scholars

Batch 2014 graduating scholars of Megaworld Foundation were invited by its president, Francisco C. Canuto to personally congratulate them in earning their degrees. The scholars attended a day of seminar, tour and celebration of the conclusion of their academic life.

By assisting them in their transition to the real world after their years of education, Megaworld Foundation stands to its commitment to help its scholars from education to employment.

3,685
Total Grants Given
(Year 2007 to 2013)

P123.5M
Total Spending for Scholarship
(Year 2000 to 2013)

Graduates Orientation

Cap Toss, an annual assembly of the Foundation's graduating scholars, is a venue to equip them with tools such as resumé writing and mock job interview, to become ready and competitive in the corporate world. Scholars are also given recognition for the hard work and determination in pursuing their studies.

Through the captoss, graduating scholars are oriented about Megaworld and various career opportunities within the company and its affiliates and subsidiaries.

College Scholars' Meet-up

Scholars' meet-up is the Foundation's way of reaching out to its scholars. It is an activity wherein they share their concerns and queries and where they are guided in their academic journey. During the event, scholars are acquainted with their responsibilities as a Megaworld scholar and learn about Megaworld and its mother company, Alliance Global.

High School Scholarship

Megaworld Foundation extends its commitment in supporting the education of the youth by providing scholarship to high school students.

Since scholars are from various areas in Metro Manila, the Foundation introduced a new way of releasing the benefits for its high school scholars through automated teller machine (ATM). This will help for a faster and easier access to their allowances.

Corporate Social Responsibility

P57.2M
2013 tuition fees, allowances and other donations

78
partner schools and institutions

As we envision being part of the country's social and economic development, the Foundation continues to direct its donations to institutions that share in the Foundation's vision. In 2013, the Foundation catered the needs of various sectors in society that contribute in strengthening the country's education system, providing shelter and affordable housing, supporting welfare projects for children, women and the elderly, improving the delivery of health care, and responding to environmental concern and calamities, among others.

Education
• Adamson University • Ateneo de Manila University • Angeles University Foundation • Centro Escolar University • Chiang Kai Shek College • De La Salle-College of Saint Benilde • De La Salle University • Far Eastern University • FEU-East Asia College • Grace Christian High School • Lyceum of the Philippines University • Miriam College • Mapua Institute of Technology • National University • Manila Tytana College • Pamantasan ng Lungsod ng Maynila • Polytechnic University of the Philippines • Philippine School of Business and Administration • San Beda College • San Sebastian College-Recoletos • Technological Institute of the Philippines • Technological University of the Philippines • University of the East • University of the Philippines • University of Santo Tomas • Diosdado Macapagal High School • World Vision Development Foundation • Virlanie Foundation, Inc. • Dynamic Teen Company • ABS-CBN Foundation Inc.- E-Media • Gospel Church of Manila • Fr. Al's Children Foundation Inc • Alagang Kapatid Foundation, Inc.

Infrastructure
• Habitat for Humanity Philippines Foundation Inc. • FFCCCII Foundations Inc. • Blessed John Paul II Home for Priests, Inc. • Dept. of Education - Paoay District

Calamity / Disaster Response
• Municipality of Cainta • Philippine Red Cross • Caritas Manila, Inc. • World of Outbound Corp. • Rescue Team 926 Inc. • Alagang Kapatid Foundation Inc. • Operation Blessing Foundation Phils., Inc • GMA Kapuso Foundation • ABS-CBN Foundation Inc.-Sagip Kapamilya • UNICEF • Philippine Business for Social Progress • Gawad Kalinga • World Vision Development Foundation Inc. • FFCCCII Foundation,Inc. • Fr. Al's Children Foundation Inc. • Philippine Star Operation Damayan • ATS Global Smile Foundation Inc. • Jacques De Molay Memorial Lodge • Waray Bayaay • Consular Corps of the Philippines • DSWD NROC • King Solomon Brotherhood

Health
• Operation Blessing Foundation Philippines • Center for Tuberculosis in Children, Philippines • JCI Manila Inc. 2013 • Philippine Foundation for Breast Care, Inc. • L.I.F.E • Philippine Cancer Society • Jesus Friends' Community Church, Inc. • PGH Medical Foundation

Children & Women
• Childhope Asia Philippines • Asociacion de Damas de Filipinas, Inc • De La Salle University Manila • CRIBS Foundation, Inc • Museo Pambata Foundation, Inc • UNICEF • Tuloy Foundation, Inc. • Grace to be born • Focolare Movement for Women, Inc. • Assembly of Family & Friends in Christ

Elderly & Persons with disabilities
• Caritas Manila, Inc. • Roman Catholic Bishop of Cubao • Anawim Lay Missions Foundation, Inc. •Tahanang Walang Hagdanan • Philippine School for Deaf • Brothers of Mercy

Environmental & others
• ABS-CBN Foundation Inc. • Anggelos Religious and Charitable Foundation • Alay sa Kawal Foundation, Inc.




Typhoon Yolanda Rehabilitation

P100M

Total commitment of the group

PhP50M is from
Megaworld Corporation


The year 2013 witnessed the worst natural calamities to hit the Philippines. One tropical cyclone after another not only left damages to infrastructure and agriculture but also claimed the lives of many. Two of the most devastating disasters in 2013 are a 7.2 magnitude quake that struck Bohol and its nearby provinces, and a super typhoon that slammed the Visayas with strong winds and storm surges.

The year that came proved to be challenging for the country, but the challenges were never too difficult for the individuals and organizations that altogether extended a helping hand for relief and rescue operations and the rehabilitation in affected areas. Megaworld Foundation, including Alliance Global Group of companies, is one of the organizations which responded to these efforts.

Board of Directors

ANDREW L. TAN
Chairman and President

GERARDO C. GARCIA
Independent Director

KINGSON U. SIAN
Executive Director

MIGUEL B. VARELA
Independent Director/Vice Chairman

ENRIQUE SANTOS L. SY
Director

KATHERINE L. TAN
Director

ROBERTO S. GUEVARA
Independent Director

MIGUEL B. VARELA
Independent Director/Vice Chairman

KATHERINE L. TAN
Director

KINGSON U. SIAN
Executive Director

ENRIQUE SANTOS L. SY
Director

GERARDO C. GARCIA
Independent Director

ROBERTO S. GUEVARA
Independent Director

Board of Directors

Andrew L. Tan
Chairman and President

Mr. Tan is the founder of the Company and has served as its Chairman and President since its incorporation in 1989. He pioneered the live-work-play-learn model in real estate development through the Company's integrated township communities, thus fueling the growth of the business process outsourcing (BPO) industry. He chairs publicly-listed Alliance Global Group, Inc. which holds interests in property development through the Company, integrated tourism development through Global-Estate Resorts, Inc., which develops integrated tourism estates, Travellers International Hotel Group, Inc., which owns Resorts World Manila, and food and beverage manufacturing and distribution through Emperador, Inc., which owns Emperador Distillers, Inc., the leading brandy manufacturer and distributor in the Philippines, and Golden Arches Development Corporation, which operates and franchises quick service restaurants under the McDonald's brand. Mr. Tan also serves as Chairman of the Board of the Company's publicly-listed real estate subsidiary, Empire East Land Holdings, Inc., and the Company's affordable housing subsidiary, Suntrust Properties, Inc. He also serves in the boards of other Megaworld subsidiaries including Eastwood Cyber One Corporation, Megaworld Land, Inc., Megaworld Central Properties, Inc., Townsquare Development, Inc. and Richmonde Hotel Group International Limited. Mr. Tan is Chairman of Megaworld Foundation, the Company's corporate social responsibility arm, which primarily focuses on the promotion of education through scholarship programs for financially handicapped but deserving students, and supports causes that promote poverty alleviation, people empowerment, social justice, good governance and environmental conservation.

Miguel B. Varela
Independent Director/Vice Chairman

A man who wears many hats, Miguel B. Varela holds significant positions in various public and private institutions.

Mr. Varela has been a member of the Company's Board of Directors since June 2006. He is presently the Chairman of the Philippine Chamber of Commerce and Industry (PCCI), was formerly President and now presently Director of Manila Bulletin Publishing Corporation, Director of Ausphil Tollways Corporation, Director, NPC Alliance Corporation, Vice Chairman Richmonde Hotel, among others. Chairman of the Employers Confederation of the Philippines (ECOP), Board of Trustee of Philippines Trade Foundation, Inc. Chairman of Pribadong Institusyon Laban sa Kahirapan (PILAK). Chairman of the Philippine Association of Voluntary Arbitration Foundation (PAVAF), and Vice Chairman of Philippine Dispute Resolution Center, Inc. (PDRCI). Also the Vice President of the International Labor Organization, Inc., and Vice Chairman and Trustee, Foundation for Crime Prevention. He is an accredited international arbitrator of the Paris-based International Court of Arbitration. A member of the Philippine Bar, he pursued his Bachelor of Laws in the Ateneo de Manila Law School and his Associate in Liberal Arts from the San Beda College. He attended a Top Management and Productivity Program from the Asian Institute of Management (AIM) as well as special courses sponsored by ILO, Geneva, Switzerland, Asian Productivity Organization (APO), and the Nikkeren, Japan, covering areas of Managerial Management and Organizational Development, Productivity, Legal Management, Labor and Industrial Relations, Development of SME's among others. He is a member of the Philippine Bar Association, a Commissioner of the Consultative Commission on Constitutional Reform and a Lifetime Member of the Philippine Constitution Association (PHILCONSA). He is the recipient of various awards and citations such as San Beda College's Outstanding Alumni Award for Business Leadership, and San Beda Hall of Fame Awardee, Presidential Medal of Merit for Outstanding Service to the Republic of the Philippines, Tamaraw Leadership Award, Katipunan Leadership Award and Leadership Award from ECOP, PCCI and ASEAN Productivity Organization and Confederation of Asia-Pacific Chamber of Commerce and Industry (CACCI) Medallion for Distinguished Service Award. He was also conferred by the Central Luzon State University with the degree of Doctor of Humanities (honoris causa), and by the Eulogio "Amang" Rodriguez University of Science and Technology with a Doctorate in Business Technology (honoris causa).

Katherine L. Tan
Director

Ms. Tan, has served as Director of the Company since 1989. She is concurrently Director of Empire East Land Holdings, Inc. and Director and Treasurer of Alliance Global Group, Inc. and Emperador Inc. She has extensive experience in the food and beverage industry and is currently Director and Corporate Secretary of The Bar Beverage, Inc. and Choice Gourmet Banquet, Inc. She is Director and President of Raffles & Company, Inc. and Director and Treasurer of Alliance Global Brands, Inc. and Emperador Distillers, Inc.

Kingson U. Sian
Executive Director

Mr. Sian has served as Director of the Company since April 13, 2007. He joined the Megaworld Group in September 1995 as Senior Vice President and is currently Executive Director of the Company. He is concurrently Director and President of Alliance Global Group, Inc. and Travellers International Hotel Group, Inc. and a Director of Emperador, Inc. He is the Chairman and President of Prestige Hotels & Resorts, Inc. and Luxury Global Hotels and Leisure, Inc. He is the Senior Vice President and Chief Executive Officer of Megaworld Land, Inc. Mr. Sian was formerly a Vice President of FPB Asia Ltd/First Pacific Bank in Hong Kong from 1990 to 1995. Prior to that, he was connected with Citicorp Real Estate, Inc. in the United States from 1988 to 1990. Mr. Sian graduated from the University of the Philippines with the degree of Bachelor of Science in Business Economics. He obtained his Masters Degree in Business Administration for Finance and Business Policy from the University of Chicago.

Enrique Santos L. Sy
Director

Mr. Sy has served as Director of the Company since July 2009. He was Vice President for the Corporate Communications & Advertising Division of the Company until his retirement in March 2011. He is concurrently a Director of Empire East Land Holdings, Inc. and First Oceanic Property Management Inc. He is Director and the Corporate Secretary of Asia Finest Cuisine, Inc. and Corporate Secretary of Empire East Communities, Inc. Mr. Sy previously worked as Advertising Manager of Consolidated Distillers of the Far East, Inc., Creative Director of AdCentrum Advertising, Inc., Copy Chief of Admakers, Inc. and Peace Advertising Corporation, and Creative Associate of Adformatix, Inc. Mr. Sy graduated with honors from the Ateneo de Manila University with the degree of Bachelor of Arts in Communication Arts.

Gerardo C. Garcia
Independent Director

Mr. Garcia has served in the Company's Board of Directors since 1994. He concurrently serves as independent director in the boards of Empire East Land Holdings, Inc. and Global-Estate Resorts, Inc. He also serves as an independent director of Megaworld Land, Inc., and Suntrust Properties, Inc. From October 1994 to December 1997, Mr. Garcia served as President of Empire East Land Holdings, Inc. Prior to joining Empire East Land Holdings, Inc. Mr. Garcia served as Executive Vice President of UBP Capital Corporation. He holds a bachelor's degree in Chemical Engineering and a Masters Degree in Business Administration from the University of the Philippines.

Roberto S. Guevara
Independent Director

Mr. Guevara has been a member of the Company's Board of Directors since June 20, 2001. He is Chairman of the Board of Directors of Seed Capital Ventures, Inc. He serves on the board of other companies, such as G & S Transport Corporation, a licensee of Avis Car Rentals, Guevent Industrial Development Corporation and Radiowealth Finance Corporation, and as independent director of First Centro, Inc. He is also the President of Seed Capital Corporation and RFC (HK) Limited. Mr. Guevara graduated from San Beda College in 1974, and received graduate degree from the Asian Institute of Management and a post graduate course at the Institute for Management Development (IMD), in Lausanne, Switzerland.

Key Officers

ANDREW L. TAN
Chairman and President

LOURDES GUTIERREZ-ALFONSO
Chief Operating Officer

KINGSON U. SIAN
Executive Director

FRANCISCO C. CANUTO
Senior Vice President, Treasurer

GIOVANNI C. NG
Senior Vice President, Finance Director

PHILIPPS C. CANDO
Senior Vice President, Operations

GARRY V. DE GUZMAN
First Vice President, Legal Affairs

MONICA T. SALOMON
First Vice President, Corporate Management

JERICHO P. GO
First Vice President, Business Development and Leasing

CARMEN C. FERNANDO
Managing Director, Hotels

KEVIN L. TAN
First Vice President, Commercial Division

NOLI D. HERNANDEZ
Senior Vice President, Sales and Marketing

MARIA VICTORIA M. ACOSTA
Managing Director, International Sales

KIMBERLY HAZEL A. STA. MARIA
Head, Corporate Communications and Advertising

RAFAEL ANTONIO S. PEREZ
Head, Human Resources

Statement of Management's Responsibility for Financial Statements

The management of **Megaworld Corporation and Subsidiaries**, is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2013 and 2012, in accordance with Philippine Financial Reporting Standards (PFRS), including the following additional supplemental information filed separately from the basic financial statements:

a. Supplementary Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68
b. Reconciliation of Retained Earnings Available for Dividend Declaration
c. Schedule of PFRS Effective as of December 31, 2013
d. Schedule of Financial Indicators for December 31, 2013 and 2012
e. Map Showing the Relationship Between and Among the Company and its Related Entities

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

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

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

ANDREW L. TAN
Chairman of the Board

ANDREW L. TAN
Chief Executive Officer

FRANCISCO C. CANUTO
SVP and Treasurer
(Chief Financial Officer)

Signed this 10th day of March 2014

SUBSCRIBED AND SWORN to before me on this 8th day of April 2014 at Makati City, Philippines affiants exhibiting to me their Community Tax Certificate Nos. as follows:

Andrew L. Tan	07668465	January 6, 2014	Quezon City
Francisco C. Canuto	10857427	January 10, 2014	Makati City

Doc. No. 311;
Page No. 64;
Book No. 76;
Series of 2014

ATTY. HOBERT N. ULUZ
NOTARY PUBLIC
Until December 31, 2015
Appt. No. M-44, Makati City
IBP #942830, Nov. 12, 2013-RSM
PTR #4225542, Jan. 02, 2014-Makati
S.C. Roll No. 59597
MCLE Compliance No. IV-0011330
Unit 6E Citiland Herrera Tower
#98 Rufino cor. Valero St.
Salcedo Village, Makati City

Report of Independent Auditors

The Board of Directors and Stockholders
Megaworld Corporation and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
28th Floor, The World Centre Building
Sen. Gil Puyat Avenue, Makati City

We have audited the accompanying consolidated financial statements of Megaworld Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Megaworld Corporation and Subsidiaries as at December 31, 2013 and 2012, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 4225008, January 2, 2014, Makati Ciy
SEC Group A Accreditation
Partner – No. 1036-AR-1 (until Aug. 21, 2016)
Firm – No. 0002 – FR – 3 (until Jan. 18, 2015)
BIR AN 08-002511-32-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

March 10, 2014

Consolidated Statements of Financial Position

December 31, 2013 and 2012 (With Corresponding Figures as of January 1, 2012) (Amounts in Philippine Pesos)

ASSETS	Notes	December 31, 2013	December 31, 2012 (As Restated - see Note 2)	January 1, 2012 (As Restated - see Note 2)
CURRENT ASSETS				
Cash and cash equivalents	5	**P 31,751,905,645**	P 26,826,715,439	P 30,324,479,180
Trade and other receivables - net	6	**19,557,352,589**	15,345,700,853	17,178,451,090
Financial assets at fair value through profit or loss	7	**258,000,000**	167,600,000	109,203,260
Residential and condominium units for sale	3	**35,109,686,003**	28,889,616,581	19,497,662,902
Property development costs	3	**9,707,715,117**	8,618,320,424	8,753,452,084
Prepayments and other current assets - net	2	**2,073,710,855**	1,884,456,257	1,801,123,705
Total Current Assets		**98,458,370,209**	81,732,409,554	77,664,372,221
NON-CURRENT ASSETS				
Trade and other receivables	6	**23,439,510,637**	23,916,156,834	20,209,042,452
Advances to landowners and joint ventures	9	**3,737,052,253**	3,782,781,280	3,888,345,313
Land for future development	3	**5,049,384,978**	4,324,634,536	4,366,523,063
Investments in available-for-sale securities	8	**3,928,755,091**	3,256,786,619	2,591,747,678
Investments in and advances to associates and other related parties	10	**12,774,499,537**	7,782,205,062	6,745,964,129
Investment property - net	11	**24,946,939,119**	16,632,035,663	12,372,290,665
Property and equipment - net	12	**701,673,742**	596,965,678	540,859,730
Deferred tax assets - net	22	**43,615,338**	41,449,933	6,554,348
Other non-current assets	13	**802,304,443**	657,972,598	609,047,834
Total Non-current Assets		**75,423,735,138**	60,990,988,203	51,330,375,212
TOTAL ASSETS		**P 173,882,105,347**	P 142,723,397,757	P 128,994,747,433
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	14	**P 1,564,723,318**	P 1,587,594,400	P 1,950,115,400
Trade and other payables	16	**7,198,373,106**	7,900,017,312	7,296,966,494
Customers' deposits	2	**4,112,696,679**	4,193,247,506	3,610,212,295
Reserve for property development	2	**6,879,581,659**	6,231,192,522	5,107,725,787
Deferred income on real estate sales	2	**4,118,886,956**	4,126,291,119	3,446,835,596
Income tax payable		**66,465,589**	12,560,956	36,897,538
Other current liabilities	17	**1,955,789,301**	1,711,170,179	1,706,049,300
Total Current Liabilities		**25,896,516,608**	25,762,073,994	23,154,802,410
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	14	**2,235,181,916**	4,910,569,450	5,991,475,388
Bonds payable	15	**24,826,702,190**	13,556,628,075	13,538,914,490
Customers' deposits	2	**1,002,304,707**	1,741,951,677	456,003,854
Reserve for property development	2	**5,385,667,481**	4,094,681,043	3,719,081,747
Deferred income on real estate sales	2	**3,349,019,264**	2,311,173,838	1,809,305,117
Deferred tax liabilities - net	22	**6,733,095,381**	5,743,360,060	5,052,234,527
Advances from associates and other related parties	23	**120,487,829**	692,604,550	210,242,443
Retirement benefit obligation	21	**748,398,533**	626,120,913	485,537,679
Other non-current liabilities	17	**1,631,709,613**	2,058,307,551	1,943,654,006
Total Non-current Liabilities		**46,032,566,914**	35,735,397,157	33,206,449,251
Total Liabilities		**71,929,083,522**	61,497,471,151	56,361,251,661
EQUITY	24			
Total equity attributable to the company's shareholders		**91,927,391,376**	71,350,562,627	60,826,837,982
Non-controlling interests		**10,025,630,449**	9,875,363,979	11,806,657,790
Total Equity		**101,953,021,825**	81,225,926,606	72,633,495,772
TOTAL LIABILITIES AND EQUITY		**P 173,882,105,347**	P 142,723,397,757	P 128,994,747,433

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

For the years ended December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

	Notes	2013	2012 (As Restated - see Note 2)	2011 (As Restated - see Note 2)
REVENUES AND INCOME				
Real estate sales	2	**P 21,250,984,220**	P 18,173,071,093	P 15,887,590,800
Interest income on real estate sales	6	**1,537,113,091**	1,327,541,711	1,218,788,823
Realized gross profit on prior years' sales	2	**3,055,810,351**	2,007,159,684	1,970,174,052
Rental income	11	**6,037,779,873**	4,994,769,197	3,826,341,215
Hotel operations	2	**451,040,792**	462,313,446	392,171,105
Equity in net earnings of associates	10	**311,681,755**	794,347,508	597,834,536
Interest and other income - net	19	**3,597,154,420**	2,845,187,238	4,740,048,841
		36,241,564,502	30,604,389,877	28,632,949,372
COSTS AND EXPENSES				
Real estate sales	2	**12,644,982,372**	11,491,174,383	10,157,277,262
Deferred gross profit	2	**4,239,120,916**	3,188,317,305	3,055,851,217
Hotel operations	2	**233,322,382**	235,441,633	223,731,697
Operating expenses	18	**5,664,364,910**	4,897,715,525	4,093,648,687
Interest and other charges - net	20	**1,859,653,882**	1,127,193,834	931,868,458
Tax expense	22	**2,571,452,012**	2,252,723,421	1,995,607,541
		27,212,896,474	23,192,566,101	20,457,984,862
PROFIT FOR THE YEAR BEFORE PREACQUISITION INCOME		**9,028,668,028**	7,411,823,776	8,174,964,510
PREACQUISITION LOSS (INCOME) OF SUBSIDIARIES	1	**6,315,710**	—	(17,326,952)
NET PROFIT FOR THE YEAR		**P 9,034,983,738**	P 7,411,823,776	P 8,157,637,558
Net profit attributable to:				
Company's shareholders		**P 8,970,664,010**	P 7,298,865,167	P 8,033,925,719
Non-controlling interests		**64,319,728**	112,958,609	123,711,839
		P 9,034,983,738	P 7,411,823,776	P 8,157,637,558
Earnings per Share:	25			
Basic		**P 0.308**	P 0.281	P 0.319
Diluted		**P 0.305**	P 0.275	P 0.319

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

	Notes	2013	2012 (As Restated - see Note 2)	2011 (As Restated - see Note 2)
NET PROFIT FOR THE YEAR		**P 9,034,983,738**	P 7,411,823,776	P 8,157,637,558
OTHER COMPREHENSIVE INCOME (LOSS)	2			
Items that will not be reclassified subsequently to profit or loss -				
Actuarial gains (losses) on retirement benefit obligations	21	**26,996,797**	(42,439,951)	(159,469,293)
Tax income (expense)	21, 22	**(8,099,039)**	12,731,985	47,840,788
		18,897,758	(29,707,966)	(111,628,505)
Items that will not be reclassified subsequently to profit or loss -				
Fair valuation of available-for-sale securities:				
Fair value gains (losses) during the year	8	**1,202,548,494**	592,528,177	(1,445,735,858)
Fair value gains on disposal reclassified to profit or loss	19	**(115,258,400)**	-	(2,242,526,309)
		1,087,290,094	592,528,177	(3,688,262,167)
Share in other comprehensive income (loss) of associates	10	**4,714,128**	1,092,535	(147,365)
Exchange difference on translating foreign operations	2	**50,906,173**	(235,983,560)	(12,808,786)
Tax expense (income)	22	**(15,271,852)**	70,795,068	3,842,636
		35,634,321	(165,188,492)	(8,966,150)
		1,127,638,543	428,432,220	(3,697,375,682)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P 10,181,520,039**	P 7,810,548,030	P 4,348,633,371
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Company's shareholders		**P 10,129,718,148**	P 7,698,143,935	P 4,233,577,575
Non-controlling interests		**51,801,891**	112,404,095	115,055,796
		P 10,181,520,039	P 7,810,548,030	P 4,348,633,371

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

	Notes	2013	2012 (As Restated - see Note 2)	2011 (As Restated - see Note 2)
CAPITAL STOCK	24			
Balance at beginning of year		**P 28,938,862,985**	P 25,829,203,626	P 25,829,203,626
Additional issuances during the year		**3,221,812,120**	3,109,659,359	-
Balance at end of year		**32,160,675,105**	28,938,862,985	25,829,203,626
ADDITIONAL PAID-IN CAPITAL	24			
Balance at beginning of year		**8,432,990,413**	8,432,990,413	8,432,990,413
Additional issuances during the year		**8,225,000,000**	-	-
Balance at end of year		**16,657,990,413**	8,432,990,413	8,432,990,413
TREASURY SHARES - At Cost	24			
Balance at beginning of year		**(633,721,630)**	(1,188,836,744)	(633,721,630)
Reduction representing the shares held by a deconsolidated subsidiary		**-**	555,115,114	-
Additions during the year		**-**	-	(555,115,114)
Balance at end of year		**(633,721,630)**	(633,721,630)	(1,188,836,744)
NET ACTUARIAL GAINS (LOSSES) ON RETIREMENT BENEFIT PLAN				
Balance at beginning of year				
As previously stated		**-**	-	-
Effect of adoption of PAS 19 (Revised)	2	**(162,361,714)**	(133,208,262)	(30,235,800)
As restated		**(162,361,714)**	(133,208,262)	(30,235,800)
Other comprehensive income (loss) for the year, net of tax		**31,415,595**	(29,153,452)	(102,972,462)
Balance at end of year		**(130,946,119)**	(162,361,714)	(133,208,262)
NET UNREALIZED GAINS ON AVAILABLE-FOR-SALE SECURITIES	8			
Balance at beginning of year		**713,379,422**	120,851,245	3,809,113,412
Other comprehensive income (loss) for the year		**1,087,290,094**	592,528,177	(3,688,262,167)
Balance at end of year		**1,800,669,516**	713,379,422	120,851,245
SHARE IN OTHER COMPREHENSIVE INCOME OF ASSOCIATES				
Balance at beginning of year		**1,445,170**	352,635	500,000
Other comprehensive income (loss) for the year	10	**4,714,128**	1,092,535	(147,365)
Balance at end of year		**6,159,298**	1,445,170	352,635
ACCUMULATED TRANSLATION ADJUSTMENTS				
Balance at beginning of year		**(426,489,912)**	(261,301,420)	(252,335,270)
Other comprehensive income (loss) for the year, net of tax		**35,634,321**	(165,188,492)	(8,966,150)
Balance at end of year		**(390,855,591)**	(426,489,912)	(261,301,420)
Balance carried forward		**P 49,469,970,992**	P 36,864,104,734	P 32,800,051,493

Consolidated Statements of Changes in Equity

For the years ended December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

	Notes	2013	2012 (As Restated - see Note 2)	2011 (As Restated - see Note 2)
Balance brought forward		**P 49,469,979,992**	P 36,864,104,734	P 32,800,051,493
RETAINED EARNINGS				
Balance at beginning of year				
As previously stated		**34,477,768,506**	28,022,891,787	20,590,273,079
Effect of adoption of PAS 19 (Revised)	2	**8,689,387**	3,894,702	1,853,494
As restated		**34,486,457,893**	28,026,786,489	20,592,126,573
Net profit attributable to the company's shareholders		**8,970,664,010**	7,298,865,167	8,033,925,719
Share-based compensation	21, 24	**30,382,120**	-	-
Cash dividends	24	**(1,030,083,639)**	(839,193,763)	(599,265,803)
Balance at end of year		**42,457,420,384**	34,486,457,893	28,026,786,489
Total Equity Attributable to the Company's Shareholders		**91,927,391,376**	71,350,562,627	60,826,837,982
NON-CONTROLLING INTERESTS	10			
Balance at beginning of year				
As previously stated		**9,885,358,617**	11,815,953,737	743,113,007
Effect of adoption of PAS 1 (Revised)	2	**(9,994,638)**	(9,295,947)	(546,285)
As restated		**9,875,363,979**	11,806,657,790	742,566,722
Additions (deductions)		**98,464,579**	(2,043,697,906)	10,949,035,272
Total comprehensive income attributable to non-controlling interests, net of tax		**51,801,891**	112,404,095	115,055,796
Balance at end of year		**10,025,630,449**	9,875,363,979	11,806,657,790
TOTAL EQUITY		**P 101,953,021,825**	P 81,225,926,606	P 72,633,495,772

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

	Notes	2013	2012 (As Restated - see Note 2)	2011 (As Restated - see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 11,606,435,750**	P 9,664,547,197	P 10,153,245,099
Adjustments for:				
Interest income	19	**(1,566,850,939)**	(1,840,964,871)	(1,618,727,549)
Interest expense	20	**1,317,523,303**	917,317,657	838,727,411
Depreciation and amortization	18	**956,774,624**	752,578,923	566,641,137
Gain on acquisition of a subsidiary	19	**(763,834,597)**	-	-
Foreign currency losses (gains) - net	19, 20	**491,259,799**	52,961,596	(65,503,537)
Equity in net earnings of associates	10	**(311,681,755)**	(794,347,508)	(597,834,536)
Realized fair value gains - AFS	19	**(115,258,400)**	-	(2,242,526,309)
Fair value losses (gains) - FVPTL	19, 20	**(90,400,000)**	(64,200,000)	7,851,631
Dividend income	19, 23	**(55,359,121)**	(53,887,430)	(32,661,662)
Gain on sale of investments in available-for-sale securities	19	**(32,993,081)**	-	-
Share option benefits expense	21	**30,382,120**	-	-
Donation expense		**-**	95,491,514	-
Operating profit before working capital changes		**11,465,997,703**	8,729,497,078	7,009,211,685
Increase in trade and other receivables		**(3,494,261,992)**	(1,957,705,213)	(2,267,053,315)
Increase in residential and condominium units for sale		**(4,758,341,291)**	(9,372,972,184)	(1,056,701,557)
Decrease (increase) in property development costs		**(1,201,786,932)**	725,377,207	(236,023,249)
Increase in prepayments and other current assets		**(189,254,598)**	(77,529,292)	(660,103,590)
Decrease in advances to landowners and joint ventures		**45,729,027**	105,564,033	698,482,342
Increase (decrease) in trade and other payables		**(691,719,974)**	624,802,137	2,461,337,793
Increase (decrease) in customers' deposits		**(820,197,797)**	1,868,983,034	(543,697,574)
Increase in deferred income on real estate sales		**1,030,441,263**	1,181,324,244	1,195,329,212
Increase in reserve for property development		**1,939,375,575**	1,499,066,031	1,535,423,535
Increase in other liabilities		**95,447,544**	424,697,744	126,469,235
Cash generated from operations		**3,421,428,528**	3,751,104,819	8,262,674,517
Cash paid for income taxes		**(1,575,900,684)**	(1,773,286,565)	(1,259,507,902)
Net Cash From Operating Activities		**1,845,527,844**	1,977,818,254	7,003,166,615
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of shares of stock of subsidiary and associates		**(8,309,882,171)**	(1,248,571,429)	-
Additions to:				
Investment property	11	**(3,494,295,658)**	(4,871,545,620)	(2,874,137,207)
Land for future development		**(1,762,592,832)**	(53,602,987)	(2,803,899,896)
Property and equipment	12	**(206,947,857)**	(201,938,395)	(87,466,426)
Increase in other non-current assets		**(204,164,186)**	(1,620,376,400)	(1,636,853,016)
Interest received		**1,326,107,392**	1,768,082,480	1,618,727,549
Decrease (increase) in advances to associates and other related parties	23	**(914,231,178)**	666,190,994	(513,185,604)
Dividends received	10, 19	**669,429,121**	53,887,430	32,661,662
Increase (decrease) in advances from associates and other related parties	23	**(572,116,721)**	482,362,107	(79,625,814)
Decrease (increase) in investments in available-for-sale securities	8	**350,735,590**	(71,418,229)	3,944,596,595
Proceeds from redemption of preferred shares held	10	**-**	428,410,000	-
Net Cash Used in Investing Activities		**(13,117,958,500)**	(4,668,520,049)	(2,399,182,157)
Balance Carried Forward		**(P 11,272,430,656)**	(P 2,690,701,795)	(P 4,603,984,458)

Consolidated Statements of Cash Flows

For the years ended December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

	Notes	2013	2012 (As Restated - see Note 2)	2011 (As Restated - see Note 2)
Balance brought forward		**(P 11,272,430,656)**	(P 2,690,701,795)	(P 4,603,984,458)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from additional issuance of shares	24	**10,725,000,000**	-	-
Proceeds from availments of long-term liabilities	14,15	**10,259,227,640**	330,000,000	9,013,788,580
Payments of long-term liabilities		**(2,698,258,616)**	(1,889,072,723)	(4,934,748,567)
Interest paid		**(1,896,694,645)**	(1,518,454,819)	(818,237,019)
Cash dividends paid	24	**(1,030,083,639)**	(839,193,763)	(599,265,803)
Proceeds from exercise of share warrants	24	**721,812,120**	3,109,659,359	
Net Cash From (Used in) Financing Activities		**16,081,002,860**	(807,061,946)	2,661,537,191
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**4,808,572,204**	(3,497,763,741)	7,265,521,649
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES		**117,016,208**	-	1,624,146,150
PREACQUISITION CHANGES IN CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES		**(398,206)**	-	(596,773,562)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**26,826,715,439**	30,324,479,180	22,031,584,943
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 31,751,905,645**	P 26,826,715,439	P 30,324,479,180

Supplemental Information on Non-cash Investing and Financing Activities:

In the normal course of business, the Group enters into non-cash transactions such as exchanges or purchase on account of real estate and other assets. Other non-cash transactions include transfers of property from Land for Future Development to Property Development Costs or Investment Property as the property goes through its various stages of development. These non-cash activities are not reflected in the consolidated statements of cash flows (see Notes 9 and 11).

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Megaworld Corporation (the Company) was incorporated in the Philippines on August 24, 1989, primarily to engage in the development of large scale mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. The Company is presently engaged in property-related activities such as project design, construction and property management. The Company's real estate portfolio includes residential condominium units, subdivision lots and townhouses, as well as office projects and retail spaces.

All of the Company's common shares are listed at the Philippine Stock Exchange (PSE).

The registered office of the Company, which is also its principal place of business, is located at the 28th Floor, The World Centre Building, Sen. Gil Puyat Avenue, Makati City.

Alliance Global Group, Inc. (AGI or parent company), also a publicly listed company in the Philippines, is the ultimate parent company of Megaworld Corporation and its subsidiaries (the Group). AGI is a holding company and is presently engaged in the food and beverage business, real estate, quick service restaurant, tourism-oriented and gaming businesses. AGI's registered office, which is also its primary place of business, is located at the 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Quezon City.

As at December 31, the Company holds ownership interests in the following subsidiaries and associates:

Subsidiaries/Associates	Explanatory Notes	Percentage of Ownership 2013	2012	2011
Subsidiaries:				
Megaworld Land, Inc. (MLI)		**100%**	100%	100%
Prestige Hotels and Resorts, Inc. (PHRI)		**100%**	100%	100%
Mactan Oceanview Properties and Holdings, Inc. (MOPHI)		**100%**	100%	100%
Megaworld Cayman Islands, Inc. (MCII)		**100%**	100%	100%
Richmonde Hotel Group International (RHGI)		**100%**	100%	100%
Eastwood Cyber One Corporation (ECOC)		**100%**	100%	100%
Megaworld Cebu Properties Inc. (MCP) (formerly Forbes Town Properties and Holdings, Inc.)		**100%**	100%	100%
Megaworld Newport Property Holdings, Inc. (MNPHI)		**100%**	100%	100%
Oceantown Properties, Inc. (OPI)		**100%**	100%	100%
Piedmont Property Ventures, Inc. (PPVI)	(a)	**100%**	100%	100%
Stonehaven Land, Inc. (SLI)	(a)	**100%**	100%	100%
Streamwood Property, Inc. (SP)	(a)	**100%**	100%	100%
Suntrust Properties, Inc. (SPI)	(b)	**100%**	88.20%	82.45%
Lucky Chinatown Cinemas, Inc. (LCCI)	(c)	**100%**	-	-
Luxury Global Hotels and Leisure, Inc. (LGHLI)	(c)	**100%**	-	-
Suntrust Ecotown Developers, Inc. (SEDI)	(c)	**100%**	-	-
Woodside Greentown Properties, Inc. (WGPI) (formerly Union Ajinomoto Realty Corporation)	(c)	**100%**	-	-
Empire East Land Holdings, Inc. and Subsidiaries (EELHI)	(d)	**81.53%**	78.59%	61.13%
Megaworld Central Properties, Inc. (MCPI)	(e)	**76.50%**	75.90%	73.76
Megaworld-Daewoo Corporation (MDC)		**60%**	60%	60%
Eastwood Cinema 2000, Inc. (EC2000)	(c)	**55%**	-	-
Manila Bayshore Property Holdings, Inc. (MBPHI)	(f)	**55%**	55%	55%
Gilmore Property Marketing Associates, Inc. (GPMAI)	(g)	**52.04%**	-	46.45%
Megaworld Resort Estates, Inc. (MREI)	(h)	**51%**	51%	51%
Megaworld Globus Asia, Inc. (MGAI)		**50%**	50%	50%
Philippine International Properties, Inc. (PIPI)	(i)	**50%**	50%	50%
Townsquare Development, Inc. (TDI)	(h)	**30.60%**	30.60%	30.60%
Associates:				
Megaworld Global Estates, Inc. (MGEI)	(j)	**54.82%**	40.00%	40.00%
La Fuerza, Inc. (LFI)	(k)	**50%**	-	-
Suntrust Home Developers, Inc. (SHDI)		**42.48%**	42.48%	42.48%
Palm Tree Holdings and Development Corporation (PTHDC)		**40%**	40%	40%
Twin Lakes Corporation (TLC)	(l)	**31.35%**	19%	-
Global Estate Resorts, Inc. (GERI)	(m)	**24.70%**	-	-
Resorts World Bayshore City, Inc. (RWBCI)	(n)	**10%**	-	-
Travellers International Hotel Group, Inc. (TIHGI)	(o)	**9%**	10%	10%
Alliance Global Properties Ltd (AGPL)	(p)	**-**	39.44%	39.44%
GPMAI	(g)	**-**	37.23%	-

Explanatory Notes:

(a) These were acquired subsidiaries in 2008 but have not yet started commercial operations as at December 31, 2013.

(b) As at December 31, 2012, the Company's ownership in SPI is 88.20% which consists of direct ownership of 58.80% and indirect ownership of 29.40% through EELHI and SHDI. On June 7, 2013, the Company purchased the shares held by EELHI and SHDI representing 32.96% and 8.24% ownership interest in SPI, respectively, thereby increasing the Company's direct ownership in SPI to 100%.

(c) In 2013, the Company acquired 100% ownership interest on these entities, except EC2000 (at 55%). WGPI and SEDI are engaged in the same line of business as the Company while LCCI and EC2000 are engaged in cinema operations. LGHLI is a newly incorporated subsidiary during the year and will be engaged in hotel operations. SEDI became a subsidiary of the Company through SPI, its intermediate parent company. The acquisition of WGPI resulted in a gain on acquisition (negative goodwill) of P763.8 million (see Note 19). Also, pre-acquisition loss of P6.3 million was recognized in the consolidated financial statements.

(d) On various dates in 2011, the Company acquired additional shares of EELHI, increasing its ownership to 61.13% and thereby making EELHI a subsidiary of the Company. In 2011, a pre-acquisition income amounting to P5.67 million was recognized. In 2013 and 2012, the Company subscribed to additional shares of EELHI resulting in increase in ownership interest to 81.53% and 78.59%, respectively.

(e) As at December 31, 2013, the Company owns 76.50% of MCPI consisting of 51% direct ownership, 18.92% indirect ownership thru EELHI and 6.58% indirect ownership through MREI.

(f) MBPHI was incorporated in October 2011 and started commercial operations on January 1, 2012. The Company holds 50% direct ownership in MBPHI; the latter is also 50% owned by TIHGI, thereby increasing the Company's ownership to 55%.

(g) In 2011, GPMAI became a subsidiary of the Company through EELHI, its intermediate parent company. In 2012, GPMAI was deconsolidated and treated as an associate of both the Company and EELHI, as EELHI lost its control due to the decrease in ownership interest, but has retained significant influence, over GPMAI. In 2013, as a result of the Company's increase in ownership interest to EELHI, the Company's ownership interest also increased to 52.04% while all members of the Board of Directors (BOD) of GPMAI are also members of the BOD of the Company; hence, GPMAI is now considered as a subsidiary.

(h) MREI was incorporated in 2007 while TDI was incorporated in 2006. MREI owns 60% of TDI resulting in the Company's indirect ownership interest of 30.60% in TDI.

(i) PIPI was incorporated in 2002 and acquired by the Company in 2006 but has not yet started commercial operations as at December 31, 2013.

(j) MGEI was incorporated on March 14, 2011 but has not yet started commercial operation as of December 31, 2013. In addition, the Company has indirect ownership interest in MGEI of 14.82% through GERI which resulted in the increase in ownership to 54.82%. In spite of more than 50% ownership, MGEI remains an associate of the Company as only significant influence has been established over MGEI and not control.

(k) On November 4, 2013, the Company acquired 50% ownership interest over LFI which is engaged in leasing of real estate properties. The Company has not yet established control over LFI; hence, the latter was only considered as an associate as at December 31, 2013.

(l) TLC was incorporated in 2011 and has started commercial operation in June 2012. In September 2012, the Company acquired 19% ownership in TLC. The Company also acquired an indirect interest of 12.35% in TLC through GERI which resulted in the increase in ownership to 31.35% as at December 31, 2013.

(m) In 2013, the Company acquired 24.70% ownership interest on GERI. GERI is considered as an associate of the Company as of December 31, 2013.

(n) In 2013, the Company acquired 10% ownership over RWBCI. Although the Company's percentage ownership is only 10%, RWBCI was considered as an associate due to the Company's significant influence over RWBCI through 2 out of 5 BOD representations. RWBCI was incorporated on April 30, 2013 and has not yet started commercial operations as at December 31, 2013.

(o) TIHGI was incorporated in 2003 and started commercial operations in August 2009. In 2008, the Company acquired 10% ownership in TIHGI through a share swap agreement. In August 2010, the Company's investment in TIHGI was converted to 10.0 million common shares and 990.0 million preferred shares of TIHGI. Subsequently, TIHGI redeemed 430.0 million in November 2010 and 428.41 million in March 2012 preferred shares held by the Company. The conversion of common shares and the redemption of preferred shares did not change the Company's ownership in TIHGI. On November 5, 2013, TIHGI had its initial public offering. This resulted in a decrease in the Company's ownership interest in TIHGI to 9%. TIHGI is considered as an associate due to the Company's significant influence over TIHGI through 2 out of 5 BOD representations

(p) In February 2009, RHGI acquired 44.34% ownership in AGPL, which resulted in the Company's indirect interest of 44.34% as at December 31, 2009. In October 2010, AGPL issued additional shares which resulted in the decrease in RHGI's ownership in AGPL to 39.44%. AGPL is considered as an associate due to the Company's significant influence, but not control, over AGPL. In 2013, RHGI disposed all of its shares of AGPL reducing the Company's ownership to AGPL to nil at the end of the year.

Except for MCII, RHGI and AGPL, all the subsidiaries and associates were incorporated in the Philippines and have its principal place of business in Metro Manila, Philippines. MCII and AGPL were incorporated and have principal place of business in the Cayman Islands while RHGI was incorporated and has principal place of business in the British Virgin Islands.

The Company and its subsidiaries, except for entities which have not yet started commercial operations as at December 31, 2013, are presently engaged in the real estate business, hotel and cinema operations and marketing services.

EELHI, SHDI, GERI and TIHGI are publicly listed companies in the Philippines.

The consolidated financial statements of the Group for the year ended December 31, 2013 (including the comparatives for the years ended December 31, 2012 and 2011) were authorized for issue by the Company's BOD on March 10, 2014.

Notes to Consolidated Financial Statements
December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS 1), *Presentation of Financial Statements*. The Group presents a consolidated statement of comprehensive income separate from the consolidated statement of income.

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

The Group's adoption of PAS 19 (Revised), *Employee Benefits*, resulted in material retrospective restatements on certain accounts in the comparative statements for the year ended December 31, 2012 and in the corresponding figures as at January 1, 2012 [see Note 2.2(a)(ii)]. Accordingly, the Company presents a third statement of financial position as at January 1, 2012 without the related notes, except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

(c) Functional and Presentation Currency

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

Items included in the consolidated financial statements of the Group are measured using the Company's functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2013 that are Relevant to the Group

In 2013, the Group adopted the following amendments to the following new PFRS, revisions and amendments thereto that are relevant to the Group and effective for financial statements for the annual periods beginning on or after July 1, 2012 or January 1, 2013:

PAS 1 (Amendment)	: Presentation of Financial Statements – Clarification of the Requirements for Comparative Information
PAS 19 (Revised)	: Employee Benefits
PFRS 7 (Amendment)	: Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities
Consolidation Standards	
PFRS 10	: Consolidated Financial Statements
PFRS 11	: Joint Arrangements
PFRS 12	: Disclosures of Interests in Other Entities
PAS 27 (Revised)	: Separate Financial Statements
PAS 28 (Revised)	: Investments in Associate and Joint Ventures
PFRS 10, 11 and 12 (Amendments)	: Amendments to PFRS 10, 11 and 12 – Transition Guidance to PFRS 10, 11 and 12
PFRS 13	: Fair Value Measurement
Annual Improvements	: Annual Improvements to PFRS (2009 – 2011 Cycle)

Discussed below and in the succeeding pages are the relevant information about these new, revised and amended standards.

(i) PAS 1 (Amendment), *Presentation of Financial Statements– Presentation of Items of Other Comprehensive Income* (effective from July 1, 2012). The amendment requires an entity to group items presented in other comprehensive income into those that, in accordance with other PFRS: (a) will not be reclassified subsequently to profit or loss; and, (b) will be reclassified subsequently to profit or loss when specific conditions are met. The amendment has been applied retrospectively; hence, the presentation of other comprehensive income has been modified to reflect the changes. Prior period comparatives have been restated as a consequence of this change in presentation.

December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

(ii) PAS 19 (Revised), *Employee Benefits* (effective from January 1, 2013). This revised standard made a number of changes to the accounting for employee benefits. The most significant changes relate to the defined benefit plans as follows:

- eliminates the corridor approach and requires the recognition of remeasurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;
- changes the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit liability or asset; and,
- enhances disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

The Group has applied PAS 19 (Revised) retrospectively in accordance with its transitional provisions. Consequently, it restated the comparative financial statements for December 31, 2012 and the corresponding figures as at January 1, 2012. The effect of the restatement on the affected assets, liabilities and equity components is shown below.

	December 31, 2012		
	As Previously Reported	Effect of Adoption of PAS 19	As Restated
Change in consolidated asset and liabilities:			
Deferred tax assets	P 42,259,622	(P 809,689)	P 41,449,933
Retirement benefit obligation	(390,201,956)	(235,918,957)	(626,120,913
Deferred tax liabilities	(5,814,797,078)	71,437,018	(5,743,360,060)
Other current liabilities	(1,712,794,842)	1,624,663	(1,711,170,179)
		(P 163,666,965)	
Changes in consolidated components of equity:			
Retained earnings	P 34,477,768,506	P 8,689,387	P 34,486,457,893
Net actuarial losses on retirement benefit plan	-	(162,361,714)	(162,361,714)
Non-controlling interest	9,885,358,617	(9,994,638)	9,875,363,979
		(P 163,666,965)	

	January 1, 2012		
	As Previously Reported	Effect of Adoption of PAS 19	As Restated
Change in consolidated asset and liabilities:			
Deferred tax assets	P 7,333,579	(P 779,231)	P 6,554,348
Retirement benefit obligation	(285,421,740)	(200,115,939)	(485,537,679)
Deferred tax liabilities	(5,112,895,527)	60,661,000	(5,052,234,527)
Other current liabilities	(1,707,673,963)	1,624,663	(1,706,049,300)
		(P 138,609,507)	
Changes in consolidated components of equity:			
Retained earnings	P 28,022,891,787	P 3,894,702	P 28,026,786,489
Net actuarial losses on retirement benefit plan	-	(133,208,262)	(133,208,262)
Non-controlling interest	11,815,953,737	(9,295,947)	11,806,657,790
		(P 138,609,507)	

The effects of adoption of PAS 19 (Revised) on the consolidated statements of income and consolidated statements of comprehensive income for the years ended December 31, 2012 and 2011 are shown below

	As Previously Reported	Effectof Adoption of PAS 19	As Restated
2012			
Changes in consolidated profit or loss:			
Operating expenses	(P 4,934,193,655)	P 36,478,130	(P 4,897,715,525)
Interest and other charges - net	(1,097,352,635)	(29,841,199)	(1,127,193,834)
Tax expense	(2,250,736,998)	(1,986,423)	(2,252,723,421)
		P 4,650,508	
Change in consolidated other comprehensive income –			
Net actuarial losses on retirement benefit plan	P -	(P 29,707,966)	(P 29,707,966)
Total comprehensive income attributable to:			
Company's shareholders	P 7,722,502,702	(P 24,358,767)	P 7,698,143,935
Non-controlling interest	113,102,786	(698,691)	112,404,095
	P 7,835,605,488	(P 25,057,458)	P 7,810,548,030
2011			
Changes in consolidated profit or loss:			
Operating expenses	(P 4,116,225,061)	P 22,576,374	(P 4,093,648,687)
Interest and other charges - net	(911,378,066)	(20,490,392)	(931,868,458)
Tax expense	(1,995,469,148)	(138,393)	(1,995,607,541)
		P 1,947,589	
Change in consolidated other comprehensive income –			
Net actuarial losses on retirement benefit plan	P -	(P 111,628,505)	(P111,628,505)
Total comprehensive income attributable to:			
Company's shareholders	P 4,334,508,829	(P 100,931,254)	P 4,233,577,575
Non-controlling interest	123,805,458	(8,749,662)	115,055,796
	P 4,458,314,287	(P 109,680,916)	P 4,348,633,371

The adoption of PAS 19 (Revised) did not have a material impact on Group's consolidated statement of cash flows and on the basic and diluted earnings per share (see Note 25) for the years ended December 31, 2012 and 2011.

(iii) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities* (effective from January 1, 2013). The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation*. The amendment also requires disclosure of information about recognized financial instruments which are subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32 and amounts related to a financial collateral. These disclosures allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the entity's statement of financial position. The adoption of this amendment did not result in any significant changes in the Group's disclosures on its consolidated financial statements as it has no master netting arrangements; however, potential offsetting arrangements are disclosed in Note 28.2.

(iv) Consolidation, Joint Arrangements, Associates and Disclosures

This package of consolidation, joint arrangements, associates and disclosures standards comprise of PFRS 10, *Consolidated Financial Statements*, PFRS 11, *Joint Arrangements*, PFRS 12, *Disclosure of Interests in Other Entities*, PAS 27 (Revised 2011), *Separate Financial Statements* and PAS 28 (Revised 2011), *Investment in Associates and Joint Ventures*.

- PFRS 10 changes the definition of control focusing on three elements which determine whether the investor has control over the investee such as the: (a) power over the investee, (b) exposure or rights to variable returns from involvement with the investee, and, (c) ability to use such power to affect the returns. This standard also provides additional guidance to assist in determining control when it is difficult to assess, particularly in situation where an investor that owns less than 50% of the voting rights in an investee may demonstrate control to the latter.

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- PFRS 11 deals with how a joint arrangement is classified and accounted for based on the rights and obligations of the parties to the joint arrangement by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. The option of using proportionate consolidation for arrangement classified as jointly controlled entities under the previous standard has been eliminated. This new standard now requires the use of equity method in accounting for arrangement classified as joint venture.

- PFRS 12 integrates and makes consistent the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, associates, special purpose entities and unconsolidated structured entities. In general , this requires more extensive disclosures about the risks to which an entity is exposed from its involvement with structured entities.

- PAS 27 (Revised) deals with the requirements pertaining solely to separate financial statements after the relevant discussions on control and consolidated financial statements have been transferred and included in PFRS 10, while PAS 28 (Revised) includes the requirements for joint ventures, as well as for associates, to be accounted for using the equity method following the issuance of PFRS 11.

Subsequent to the issuance of these standards, amendments to PFRS 10, PFRS 11 and PFRS 12 were issued to clarify certain transitional guidance for the first-time application of the standards. The guidance clarifies that an entity is not required to apply PFRS 10 retrospectively in certain circumstances and clarifies the requirements to present adjusted comparatives. The guidance also made changes to PFRS 10 and PFRS 12 which provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period. Further, it provides relief by removing the requirement to present comparatives for disclosures relating to unconsolidated structured entities for any period before the first annual period for which PFRS 12 is applied.

The Group has evaluated the various facts and circumstances related to its interests in other entities and it has determined that the adoption of the foregoing standards, revisions and amendments had no material impact on the amounts recognized in the consolidated financial statements. Additional information, however, are disclosed in compliance with the requirements of PAS 27 (Revised) with respect to principal place of business and incorporation of the significant subsidiaries and associates (see Note 1).

(v) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This new standard clarifies the definition of fair value and provides guidance and enhanced disclosures about fair value measurements. The requirements under this standard do not extend the use of fair value accounting but provide guidance on how it should be applied to both financial instrument items and non-financial items for which other PFRS require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances. This new standard applies prospectively from annual period beginning January 1, 2013; hence, disclosure requirements need not be presented in the comparative information in the first year of application.

Other than the additional disclosures presented in Note 29, the application of this new standard had no significant impact on the amounts recognized in the consolidated financial statements.

(vi) 2009 – 2011 Annual Improvements to PFRS. Annual Improvement to PFRS (2009-2011 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following are relevant to the Group:

(a) PAS 1 (Amendment), *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information*. The amendment clarifies that a statement of financial position as at the beginning of the preceding period (third statement of financial position) is required when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the third statement of financial position. The amendment specifies that other than disclosure of certain specified information in accordance with PAS 8, related notes to the third statement of financial position are not required to be presented.

Consequent to the Group's adoption of PAS 19 (Revised) in the current year which resulted in retrospective restatement of the prior years' consolidated financial statements, the Group has presented a third consolidated statement of financial position as of January 1, 2012 without the related notes, except for the disclosure requirements of PAS 8 (see Note 2.1).

(b) PAS 16 (Amendment), *Property, Plant and Equipment – Classification of Servicing Equipment*. The amendment addresses a perceived inconsistency in the classification requirements for servicing equipment which resulted in classifying servicing equipment as part of inventory when it is used for more than one period. It clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognized as property, plant and equipment when they meet the definition of property, plant and equipment, otherwise, these are classified as inventory. This amendment had no impact on the Group's consolidated financial statements since it has been recognizing those servicing equipment in accordance with the recognition criteria under PAS 16.

(c) PAS 32 (Amendment), *Financial Instruments: Presentation – Tax Effect of Distributions to Holders of Equity Instruments*. The amendment clarifies that the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with PAS 12, *Income Taxes*. Accordingly, income tax relating to distributions to holders of an equity instrument is recognized in profit or loss while income tax related to the transaction costs of an equity transaction is recognized in equity. This amendment had no effect on the Group's consolidated financial statements as it has been recognizing the effect of distributions to holders of equity instruments and transaction costs of an equity transaction in accordance with PAS 12.

(b) Effective in 2013 that are not Relevant to the Group

The following amendments, annual improvements and interpretation to PFRS are mandatory for accounting periods beginning on or after January 1, 2013 but are not relevant to the Group's consolidated financial statements:

PAS 34 (Amendment)	:	Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities
PFRS 1 (Amendment)	:	First-time Adoption of PFRS – Government Loans
Annual Improvements PFRS 1 (Amendment)	:	First-time Adoption of PFRS – Repeated Application of PFRS 1 and Borrowing Cost
Philippine Interpretation International Financial Reporting Interpretations Committee 20	:	Stripping Costs in the Production Phase of a Surface Mine

(c) Effective Subsequent to 2013 but not Adopted Early

There are new PFRS, amendments and annual improvements and interpretation to existing standards that are effective for periods subsequent to 2013. Management has initially determined the following pronouncements, which the Group will apply in accordance with their transitional provisions, to be relevant to its financial statements:

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions* (effective from January 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. Management has initially detemined that this amendment will have no impact on the Group's consolidated financial statements.

(ii) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2014). The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that a right of set-off is required to be legally enforceable, in the normal course of business; in the event of default; and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies the principle behind net settlement and provided characteristics of a gross settlement system that would satisfy the criterion for net settlement. The Group does not expect this amendment to have a significant impact on its consolidated financial statements.

(iii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets* (effective from January 1, 2014). The amendment clarifies that the requirements for the disclosure of information about the recoverable amount of assets or cash-generating units is limited only to the recoverable amount of impaired assets that is based on fair value less cost of disposal. It also introduces an explicit requirement to disclose the discount rate used in determining impaiment (or reversals) where recoverable amount based on fair value less cost of disposal is determined using a present value technique. Management will reflect in its subsequent years' consolidated financial statements the changes arising from this relief on disclosure requirements, if the impact of the amendment will be applicable.

(iv) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* (effective from January 1, 2014). The amendment provides some relief from the requirements on hedge accounting by allowing entities to continue the use of hedge accounting when a derivative is novated to a clearing counteparty resulting in termination or expiration of the original hedging instrument as a consequence of laws and regulations, or the introduction thereof. As the Group neither enters into transactions involving derivative instruments nor it applies hedge accounting, the amendment will not have an impact on the consolidated financial statements.

(v) PFRS 9, *Financial Instruments: Classification and Measurement*. This is the first part of a new standard on financial instruments that will replace PAS 39, *Financial Instruments: Recognition and Measurement*, in its entirety. The first phase of the standard was issued in November 2009 and October 2010 and contains new requirements and guidance for the classification, measurement and recognition of financial assets and financial liabilities. It requires financial assets to be classified into two measurement categories: amortized cost or fair value. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows that represent solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt instruments and equity instruments are measured at fair value. In addition, PFRS 9 allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

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

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to the liability's credit risk is recognized in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

In November 2013, the IASB has published amendments to International Financial Reporting Standard (IFRS) 9 that contain new chapter and model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. The amendment also now requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather in profit or loss. It also includes the removal of the January 1, 2015 mandatory effective date of IFRS 9.

To date, the remaining chapter of IFRS/PFRS 9 dealing with impairment methodology is still being completed. Further, the IASB is currently discussing some limited modifications to address certain application issues regarding classification of financial assets and to provide other considerations in determining business model.

The Group does not expect to implement and adopt PFRS 9 until its effective date. In addition, management is currently assessing the impact of PFRS 9 on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(vi) PFRS 10, 12 and PAS 27 (Amendments) – *Investment Entities* (effective from January 1, 2014). The amendments define the term "investment entities," provide supporting guidance, and require investment entities to measure investments in the form of controlling interest in another entity, at fair value through profit or loss.

Management does not anticipate these amendments to have a material impact on the Group's consolidated financial statements.

(vii) Annual Improvements to PFRS. Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS, which are effective for annual period beginning on or after July 1, 2014. Among those improvements, the following amendments are relevant to the Group but management does not expect a material impact on the Group's consolidated financial statements:

Annual Improvements to PFRS (2010-2012 Cycle)

(a) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets*. The amendments clarify that when an item of property, plant and equipment, and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

(b) PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also requires and clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and should not the amounts of compensation paid or payable by the key management entity to its employees or directors.

(c) PFRS 3 (Amendment), *Business Combinations* (effective July 1, 2014). Requires contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

(d) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment, through a revision only in the basis of conclusion of PFRS 13 clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financiaL instruments did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvements to PFRS (2011-2013 Cycle)

(a) PFRS 3 (Amendment), *Business Combinations* (effective July 1, 2014). Clarifies that PFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

(b) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of, and accounted for in accordance with, PAS 39 or PFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.

(c) PAS 40 (Amendment), *Investment Property*. The amendment clarifies the interrelationship of PFRS 3, *Business Combinations*, and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset, or a business combination in reference to PFRS 3.

(viii) Philippine IFRIC 15, *Agreements for Construction of Real Estate*. This Philippine interpretation is based on IFRIC interpretation issued by the IASB in July 2008 effective for annual periods beginning on or after January 1, 2009. The adoption of this interpretation in the Philippines, however, was deferred by the FRSC and Philippine Securities and Exchange Commission after giving due considerations on various application issues and the implication on this interpretation of the IASB's on-going revision of the Revenue Recognition standard. This interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and accordingly, when revenue from the construction should be recognized. The main expected change in practice is a shift from recognizing revenue using the percentage of completion method (i.e., as a construction progresses, by reference to the stage of completion of the development) to recognizing revenue at completion upon or after delivery. The Group is currently evaluating the impact of this interpretation on its consolidated financial statements in preparation for its adoption when this becomes mandatorily effective in the Philippines.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Company, and its subsidiaries as enumerated in Note 1, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. In addition, the shares of the Company held by the subsidiaries are recognized as treasury shares and these are presented as deduction in the consolidated statement of changes in equity. Any changes in the market values of such shares as recognized separately by the subsidiaries are likewise eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting principles. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Company accounts for its investments in subsidiaries, associates, interests in jointly controlled operations and non-controlling interests as follows:

(a) Investments in Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when it is has the power over the investee, it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Company obtains control. The Company reassesess whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill (see also Note 2.12). If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly gain in profit or loss.

(b) Investments in Associates

Associates are those entities over which the Company is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for in the consolidated financial statements using the equity method.

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

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

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

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

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

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Interests in Jointly Controlled Operations

For interests in jointly controlled operations, the Group recognizes in its consolidated financial statements the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint venture. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Group.

No adjustment or other consolidation procedures are required for the assets, liabilities, income and expenses of the joint venture that are recognized in the separate financial statements of the venturers.

(d) Transactions with Non-controlling Interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. Any difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses that are also recognized in equity.

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

2.4 Foreign Currency Transactions and Translation

(a) Transactions and Balances

Except for MCII, RHGI and AGPL which use the U.S. dollars as their functional currency, the accounting records of the Company and its subsidiaries are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

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

(b) Translation of Financial Statements of Foreign Subsidiaries and an Associate

The operating results and financial position of MCII and RHGI, which are measured using the U.S. dollars, their functional currency, are translated to Philippine pesos, the Company's functional currency, as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end reporting period;

(ii) Income and expenses for each profit or loss account are translated at the annual average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,

(iii) All resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in MCII and RHGI are recognized as Translation Adjustments in the consolidated statement of comprehensive income. As these entities are wholly owned subsidiaries, the translation adjustments are fully allocated to the Company's shareholders. When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of gains or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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

The Company's equity in net earnings or loss of AGPL, which is also measured in U.S. dollars, is translated to Philippine pesos using the annual average exchange rates.

2.5 Financial Assets

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

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

The Group's financial assets are currently categorized as follows:

(a) Financial Assets at FVTPL

This category includes financial assets that are either classified as held for trading or that meets certain conditions and are designated by the entity to be carried at fair value through profit or loss upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months from the end of the reporting period.

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at FVTPL) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term.

(b) 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. These are included in current assets, except for maturities greater than 12 months after the reporting period which are classified as non-current assets.

Loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables (excluding Advances to Contractors and Suppliers), Guarantee and other deposits (presented as part of Other Non-current Assets), and Advances to associates and other related parties (presented as part of Investments in and Advances to Associates and Other Related Parties) in the consolidated statement of financial position. Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Trade receivables, which generally have one-year to five-year terms, are generally noninterest-bearing instruments recognized initially at fair value and subsequently stated at amortized cost using the effective interest method for maturities beyond one year, less accumulated impairment losses, if any. An impairment loss is provided when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

(c) AFS Securities

This includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included as Investments in AFS Securities under non-current assets section in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months of the reporting period. The Group's AFS securities include listed equity securities and quoted dollar-denominated corporate bonds.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Net Unrealized Gains on Available-for-Sale Securities account in equity. When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income.

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

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Interest and Other Income - net and Interest and Other Charges – net accounts in the consolidated statement of income.

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

December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

Derecognition of financial assets occurs when the contractual rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred to another party.

2.6 Real Estate Transactions

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title of the property to the Group, are charged to the Land for Future Development account. These costs are reclassified to Property Development Costs account when the development of the property starts. Related property development costs are then accumulated in this account. Borrowing costs on certain loans incurred during the development of the real estate properties are also capitalized by the Group as part of the property development costs (see Note 2.20). Once a revenue transaction occurred, on a per project basis, up to the stage the unit is sold, the related property development costs are reclassified to Residential and Condominium Units for Sale account. The cost of real estate property sold before completion of the development is determined based on the actual costs incurred to date plus estimated costs to complete the development of the property. The estimated expenditures for the development of sold real estate property, as determined by the project engineers, are charged to the Cost of Real Estate Sales presented in the consolidated statement of income with a corresponding credit to a liability account, Reserve for Property Development.

Costs of properties and projects accounted for as Land for Future Development, Property Development Costs and Residential and Condominium Units for Sale are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known.

2.7 Prepayments and Other Assets

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

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

2.8 Investment Property

Properties held for lease under operating lease agreements, which comprise mainly of land, buildings and condominium units, are classified as Investment Property, and carried at cost, net of accumulated depreciation and any impairment in value, except for land which is not subjected to depreciation. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Depreciation of investment property, excluding land, is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 25 years. Investment property is subject to impairment testing as described in Note 2.17.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of income in the year of retirement or disposal.

2.9 Property and Equipment

Property and equipment are carried at acquisition or construction cost less subsequent depreciation, amortization and any impairment losses, if any.

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

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Amortization of office and land improvements is recognized over the estimated useful lives of improvements or the term of the lease, whichever is shorter. The depreciation and amortization periods for property and equipment, based on the above policies, are as follows:

Condominium units	10-25 years
Office and land improvements	5-20 years
Transportation equipment	5 years
Office furniture, fixtures and equipment	3-5 years

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further change for depreciation and amortization is made in respect of these assets.

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

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

An item of property and equipment, including the related accumulated depreciation and impairment losses, 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 profit or loss in the year the item is derecognized.

2.10 Financial Liabilities

Financial liabilities of the Group include Interest-bearing Loans and Borrowings, Bonds Payable, Trade and Other Payables and Advances from Associates and other Related Parties. Financial liabilities are recognized when the Group becomes a party to the contractual terms of instrument. All interest related charges are recognized as expense in profit or loss under the caption Interest and Other Charges – net account in the consolidated statement of income.

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

Trade and Other Payables and Advances from Associates and Other Related Parties are initially recognized at their fair values and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments.

Dividend distributions to shareholders are recognized as financial liabilities when the dividends are approved by the BOD.

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

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

2.11 Offsetting Financial Instruments

Financial assets and liabilities are offset and the resulting net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.12 Business Combination

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

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

Negative goodwill, which is the excess of the Company's interest in the net fair value of net identifiable assets acquired over acquisition cost, is charged directly to profit or loss.

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

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

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

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

2.13 Segment Reporting

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

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

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

The measurement policies the Group uses for segment reporting under PFRS 8 are the same as those used in its financial statements, except that the following are not included in arriving at the operating profit of the operating segments:

- post-employment benefit expenses;
- expenses relating to share-based payments;
- research costs relating to new business activities;
- revenue, costs and fair value gains from investment property;
- interest income, equity in net earnings of associates, fair value gains, dividend income and foreign currency gains/losses; and
- finance costs

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

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

2.14 Provisions and Contingencies

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

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

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

2.15 Revenue and Expense Recognition

Revenue comprises revenue from the sale of goods and the rendering of services measured by reference to the fair value of consideration received or receivable by the Group for goods sold and services rendered, excluding VAT and trade discounts.

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

(a) *Sale of residential and condominium units* – For financial reporting purposes, revenues from transactions covering sales of residential and condominium units are recognized under the percentage-of-completion method. Under this method, realization of gross profit is recognized by reference to the stage of development of the properties, i.e., revenue is recognized in the period in which the work is performed. The unrealized gross profit on a year's sales is presented as Deferred Gross Profit in the consolidated statement of income; the cumulative unrealized gross profit as of the end of the year is shown as Deferred Income on Real Estate Sales (current and non-current liabilities) in the consolidated statements of financial position.

The sale is recognized when a certain percentage of the total contract price has already been collected. The amount of real estate sales recognized in the consolidated statement of income is equal to the total contract price, net of day-one loss related to the discounting of noninterest-bearing receivables. If the transaction does not yet qualify as sale, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of sale, payments received from buyers are presented under the Customers' Deposits account in the liabilities section of the consolidated statements of financial position. Revenues and costs relative to forfeited or back out sales are reversed in the current year as they occur.

For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from sales is used by the Company, MGAI, EELHI, ECOC, SPI, SEDI, WGPI and MBPHI while MDC reports revenues for tax purposes based also on the percentage-of-completion method.

(b) *Sale of undeveloped land* – Revenues on sale of undeveloped land are recognized using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership on the undeveloped land have passed to the buyer and the amount of revenue can be measured reliably.

(c) *Rendering of services* – Revenue is recognized when the performance of contractually agreed tasks has been substantially rendered. Revenue from rendering of services include rental income, commissions, hotel operations, income from cinema operations and others. Rental income is recognized on a straight-line basis over the lease term. Advance rentals received are recorded as deferred rental income. Unearned Revenues pertain to advanced collections from real estate customers. For tax purposes, rental income is recognized based on the contractual terms of the lease.

(d) *Construction contracts* – Revenue is recognized when the performance of contractually agreed tasks have been substantially rendered using the cost recovery and percentage-of-completion methods. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

(e) *Interest* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

(f) *Dividends* – Revenue is recorded when the shareholders' right to receive the payment is established.

Costs of residential and condominium units sold before completion of the projects include the acquisition cost of the land, development costs incurred to date, applicable borrowing costs (see Note 2.20) and estimated costs to complete the project, determined based on estimates made by the project engineers (see also Note 2.6).

Operating expenses and other costs (other than costs of real estate sold) are recognized in profit or loss upon utilization of goods or services or at the date they are incurred.

2.16 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

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

(b) *Group as Lessor*

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease income is recognized as income in profit or loss on a straight-line basis over the lease term.

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

2.17 Impairment of Non-financial Assets

The Group's Investments in Associates, Goodwill (included as part of Other Non-current Assets), Investment Property, Property and Equipment and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of its fair value less costs-to-sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.18 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan, as well as various defined benefit contribution plans.

(a) Defined Benefit Plan

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

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

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

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment.

(b) Defined Contribution Plans

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

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(d) Compensated Absences

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

2.19 Share-based Employee Remuneration

The Company grants share options to qualified employees of the Group eligible under a share option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in profit or loss with a corresponding credit to retained earnings.

The expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number that ultimately vests on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid in capital (APIC).

2.20 Borrowing Costs

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

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

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

2.21 Income Taxes

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

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

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.22 Related Party Relationships and Transactions

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

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

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

2.23 Equity

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

APIC includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits.

Treasury shares are stated at the cost of re-acquiring such shares and are deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. This also includes shares of the Company held by certain subsidiaries (see Note 2.3).

Net actuarial gains (losses) on retirement benefit comprise accumulated actuarial gains and losses arising from remeasurement of on retirement benefit obligation, net of tax.

Net unrealized gains (losses) on AFS securities represent gains or losses recognized due to changes in fair values of these assets.

Share in other comprehensive income of associate represents cumulative share in other comprehensive income of associates attributable to the Group.

Accumulated translation adjustments represent the translation adjustments resulting from the translation of foreign-currency denominated financial statements of certain foreign subsidiaries into the Group's functional and presentation currency.

Retained earnings represent all current and prior period results of operations and share-based employee remuneration as reported in the consolidated statement of income, reduced by the amounts of dividends declared.

2.24 Earnings per Share

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

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

2.25 Events after the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Impairment of Investments in AFS Securities

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

Based on the recent evaluation of information and circumstances affecting the Group's investments in AFS securities, management concluded that the assets are not impaired as of December 31, 2013 and 2012. Future changes in such information and circumstance might significantly affect the carrying amount of the assets.

(b) Distinction Among Investment Property, Owner-Occupied Properties and Land for Future Development

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generates cash flows that are attributable not only to property but also to other assets used in the production or supply process while Land for Future Development are properties intended solely for future development.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the Group's main line of business or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the Group's main line of business 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.

(c) Distinction between Operating and Finance Leases

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

(d) Consolidation of Entities in which the Group Holds Less than 50%

Management considers that the Group has de facto control of TDI even though it holds less than 50% of the ordinary shares and voting rights in the latter. The Group is the majority shareholder of TDI with a 31% equity interest and has appointed 4 out of a total 5 members of the BOD. In making judgment regarding its involvement in TDI, management considered the Group's voting rights, the relative size and dispersion of the voting rights held by other shareholders and the extent of recent participation by those shareholders in general meetings. Based on recent experience, there is no history of other shareholders forming a group to exercise their votes collectively or to prevent the Group from having the practical ability to direct the relevant activities of TDI.

(e) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition and disclosure of provision are discussed in Note 2.14 and disclosures on relevant provisions and contingencies are presented in Note 26.

3.2 Key Sources of Estimation Uncertainty

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

(a) Revenue Recognition Using the Percentage-of-Completion Method

The Group uses the percentage-of-completion method in accounting for its gross profit on real estate sales. The use of the percentage-of-completion method requires the Group to estimate the portion completed using relevant information such as costs incurred to date as a proportion of the total budgeted cost of the project and estimates by engineers and other experts. Should the proportion of the percentage of completed projects differ by 5% from management's estimates, the amount of revenue recognized in 2013 would have increased by P393.7 million or would have decreased by P421.5 million if the proportion performed decreased. There were no changes in the assumptions or basis for estimation during the year.

(b) Determining Net Realizable Value of Residential and Condominium Units for Sale, Property Development Costs and Land for Future Development

In determining the net realizable value of residential and condominium units for sale, property development costs and land for future development, management takes into account the most reliable evidence available at the times the estimates are made. The future realization of the carrying amounts of real estate for sale and property development costs is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation and uncertainty and may cause significant adjustments to the Group's Residential and Condominium Units for Sale, Property Development Costs and Land for Future Development within the next financial year.

Considering the Group's pricing policy, the net realizable values of real estate units for sale are higher than their related costs.

The carrying values of the Group's Residential and Condominium Units for Sale, Property Development Costs, and Land for Future Development amounted to P35.1 billion, P9.7 billion and P5.0 billion, respectively, as of December 31, 2013 and P28.9 billion, P8.6 billion and P4.3 billion, respectively, as at December 31, 2012.

(c) Fair Value of Share Options

The Company estimates the fair value of the share option by applying an option valuation model, taking into account the terms and conditions on which the share option were granted. The estimates and assumptions used are presented in Note 24.6 which include, among other things, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the Company's share price and fair value of the Company's common shares. Changes in these factors can affect the fair value of share options at grant date.

The fair value of the share option recognized as part of Salaries and employee benefits shown under Operating Expenses in the 2013 consolidated statement of comprehensive income amounted to P30.4 million for the year ended December 31, 2013. A corresponding credit to Retained Earnings of the same amount is presented in the equity portion of the 2013 consolidated statement of financial position (see Notes 21.2 and 24.6).

(d) Fair Value Measurement of Investment Property

Investment Property is measured using the cost model. The fair value disclosed in Note 11 to the consolidated financial statements is determined by the Group using the discounted cash flows valuation technique since the information on current or recent prices of investment property is not available. The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition. Portion of the investment property is also determined by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant areas.

(e) Estimating Useful Lives of Property and Equipment and Investment Property

The Group estimates the useful lives of property and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment property are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment and investment property is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets.

The carrying amounts of Investment Property and Property and Equipment are disclosed in Notes 11 and 12, respectively. Based on management's assessment as at December 31, 2013 and 2012, there is no change in the estimated useful lives of these assets during those years. Actual results, however may vary due to changes in estimates brought by changes in factors mentioned above.

(f) Impairment of Trade and Other Receivables

Adequate amount of allowance is provided for specific and groups of accounts, where an objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 6.

(g) Valuation of Financial Assets Other than Trade and Other Receivables

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ had the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and equity. The carrying amounts of cash and cash equivalents, financial assets at FVTPL and AFS Securities and the amounts of fair value changes recognized during the years on those assets are disclosed in Notes 5, 7 and 8, respectively.

(h) Determining Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the balance of deferred tax assets as at December 31, 2013 and 2012 will be utilized within the next two to three years.

The carrying amount of the net deferred tax assets as at December 31, 2013 and 2012 is disclosed in Note 22.

(i) Impairment of Non-financial Assets

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

There were no impairment losses required to be recognized in 2013 and 2012 based on management's assessment.

(j) Valuation of Post-employment Defined Benefit

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase, and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post employment benefit as well as the significant assumptions used in estimating such obligation are presented in Note 21.3.

(k) Business Combinations

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

Notes to Consolidated Financial Statements
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4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group is engaged in the development of residential and office units including urban centers integrating office, residential and commercial components. The Real Estate segment pertains to the development and sale of residential and office developments. The Rental segment includes leasing of office and commercial spaces. The Hotel Operations segment relates to the management of hotel business operations. The Corporate and Others segment includes cinema operations, marketing services, general and corporate income and expense items. Segment accounting policies are the same as the policies described in Note 2.13. The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, real estate inventories, property and equipment, and investment property, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities.

4.3 Intersegment Transactions

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

4.4 Analysis of Segment Information

The following tables present revenue and profit information regarding industry segments for the years ended December 31, 2013, 2012 and 2011 and certain asset and liability information regarding segments at December 31, 2013, 2012 and 2011.

2013	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 25,843,907,662	P 6,037,779,873	P 451,040,792	P 1,120,709,762	P -	P 33,453,438,089
Inter segment sales	-	158,223,538	-	475,685,657	(633,909,195)	-
Total revenues	P 25,843,907,662	P 6,196,003,411	P 451,040,792	P 1,596,395,419	(P 633,909,195)	P 33,453,438,089
RESULTS						
Segment results	P 6,095,543,660	P 4,376,694,494	P 86,049,397	P 3,835,261	P 58,653,918	P 10,620,776,730
Gain on acquisition of a subsidiary						763,834,597
Interest and other income						1,712,610,060
Interest and other charges						(1,808,783,102)
Equity in net earnings of associates						311,681,755
Tax expense						(2,571,452,012)
Pre-acquisition loss of a subsidiary						6,315,710
Net profit						P 9,034,983,738
ASSETS AND LIABILITIES						
Segment assets	P 124,344,277,458	P 29,874,431,168	P 260,740,026	P 6,628,157,158	P -	P 161,107,605,810
Investments in and advances to associates and other related parties - net	-	-	-	12,774,499,537	-	12,774,499,537
Total assets	P 124,344,277,458	P 29,874,431,168	P 260,740,026	P 19,402,656,695	P -	P 173,882,105,347
Segment liabilities	P 64,613,351,366	P 5,373,189,923	P 148,045,509	P 1,794,496,724	P -	P 71,929,083,522
OTHER SEGMENT INFORMATION						
Project and capital expenditures						P 32,051,912,203

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2012

	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 21,507,772,488	P 4,994,769,197	P 462,313,446	P 886,134,955	P -	P 27,850,990,086
Inter segment sales	-	110,085,770	-	222,831,481	(332,917,251)	-
Total revenues	P 21,507,772,488	P 5,104,854,967	P 462,313,446	P 1,108,966,436	(P 332,917,251)	P 27,850,990,086
RESULTS						
Segment results	P 3,936,964,620	P 3,848,300,987	P 122,321,275	P 4,097,830	P 17,601,370	P 7,929,286,082
Unallocated expenses						(47,859,441)
Interest and other income						1,959,052,301
Interest and other charges						(970,279,253)
Equity in net earnings of associates						794,347,508
Tax expense						(2,252,723,421)
Net profit						P 7,411,823,776
ASSETS AND LIABILITIES						
Segment assets	P 104,426,551,477	P 16,424,538,688	P 259,410,181	P 13,830,692,349	P -	P 134,941,192,695
Investments in and advances to associates and other related parties - net	-	-	-	7,782,205,062	-	7,782,205,062
Total assets	P 104,426,551,477	P 16,424,538,688	P 259,410,181	P 21,612,897,411	P -	P 142,723,397,757
Segment liabilities	P 52,847,673,565	P 2,203,461,213	P 121,671,842	P 6,324,664,531	P -	P 61,497,471,151
OTHER SEGMENT INFORMATION						
Project and capital expenditures						P 24,001,473,831

2011

	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 19,076,553,675	P 3,826,341,215	P 392,171,105	P 3,023,156,092	P -	P 26,318,222,087
Inter segment sales	-	53,969,793	-	166,500,934	(220,470,727)	-
Total revenues	P 19,076,553,675	P 3,880,311,008	P 392,171,105	P 3,189,657,026	(P 220,470,727)	P 26,318,222,087
RESULTS						
Segment results	P 3,532,707,027	P 2,903,020,448	P 99,220,101	P 2,184,832,849	P 25,888,853	P 8,745,669,278
Unallocated expenses						(43,245,469)
Interest and other income						1,716,892,748
Interest and other charges						(846,579,042)
Equity in net earnings of associates						597,834,536
Tax expense						(1,995,607,541)
Pre-acquisition loss of a subsidiary						(17,326,952)
Net profit						P 8,157,637,558
ASSETS AND LIABILITIES						
Segment assets	P 93,027,684,187	P 13,098,763,945	P 261,591,040	P 15,860,744,132	P -	P 122,248,783,304
Investments in and advances to associates and other related parties - net	-	-	-	6,745,964,129	-	6,745,964,129
Total assets	P 93,027,684,187	P 13,098,763,945	P 261,591,040	P 22,606,708,261	P -	P 128,994,747,433
Segment liabilities	P 46,802,707,496	P 1,853,118,305	P 111,753,205	P 7,593,672,655	P -	P 56,361,251,661
OTHER SEGMENT INFORMATION						
Project and capital expenditures						P 19,825,843,992

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of December 31:

	2013	2012
Cash on hand and in banks	**P 4,550,729,220**	P 1,807,234,630
Short-term placements	**27,201,176,425**	25,019,480,809
	P 31,751,905,645	P 26,826,715,439

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods between 15 to 30 days and earn effective interest ranging from 0.80% to 3.0% in 2013, 3.66% to 4.13% in 2012 and 3.5% to 4.9% in 2011.

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Note	2013	2012
Current:			
Trade	23.1	**P 17,582,803,332**	P 13,228,178,001
Allowance for impairment		**(18,625,105)**	(18,364,972)
		17,564,178,227	13,209,813,029
Advances to contractors and suppliers		**1,620,018,121**	1,399,294,183
Others		**373,156,241**	736,593,641
		19,557,352,589	15,345,700,853
Non-current:			
Trade	23.1	**23,407,069,973**	23,924,555,970
Allowance for impairment		**(12,224,936)**	(12,224,936)
		23,394,845,037	23,912,331,034
Others		**44,665,600**	3,825,800
		23,439,510,637	23,916,156,834
		P 42,996,863,226	P 39,261,857,687

A reconciliation of the allowance for impairment at the beginning and end of 2013 and 2012 is shown below.

	2013	2012
Balance at beginning of year	**P 30,589,908**	P 30,683,023
Impairment loss during the year	**260,133**	18,300
Write-off trade receivables previously provided with allowance	**-**	(111,415)
Balance at end of year	**P 30,850,041**	P 30,589,908

Impairment losses recognized in 2013 and 2012 are presented as part of Miscellaneous under Interest and Other Charges - net in the consolidated statement of income. (see Note 20).

The installment period of sales contracts averages to five years. Trade receivables are noninterest-bearing and are remeasured at amortized cost using the effective interest rate of 10%. Interest income recognized amounted to P1.5 billion, P1.3 billion and P1.2 billion in 2013, 2012, and 2011, respectively; these amounts are presented as Interest Income on Real Estate Sales in the consolidated statements of income.

Certain receivables with carrying values of P220.0 million and P333.0 million as of December 31, 2013 and 2012, respectively, were discounted on a with recourse basis with certain local banks (see Note 14).

All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regard to Trade and Other Receivables as the amounts recognized consist of a large number of receivables from various customers. Most receivables from trade customers are covered by postdated checks. Certain past due accounts are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer. The titles to the real estate properties remain with the Group until the receivables are fully collected.

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7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account consists of investments in equity securities (see Note 23.5) which are presented at their fair values determined directly by reference to published prices quoted in the PSE as of December 31, 2013 and 2012. The changes in fair values of these financial assets are presented as Fair Value Gains on FVPTL under Interest and Other Income - net account in the consolidated statements of income (see Note 19).

8. INVESTMENTS IN AVAILABLE-FOR-SALE SECURITIES

AFS securities comprise the following as of December 31:

	Note	2013	2012
Equity securities	23.5	**P 3,928,755,091**	P 2,704,469,578
Debt securities		**-**	552,317,041
		P 3,928,755,091	P 3,256,786,619

The reconciliation of the carrying amounts of AFS securities are as follows:

	2013	2012
Balance at the beginning of year	**P 3,256,786,619**	P 2,591,747,678
Fair value gains - net	**1,202,548,494**	592,528,177
Disposals	**(451,141,706)**	(138,241,416)
Foreign currency gains (losses)	**(79,438,316)**	210,752,180
Balance at end of year	**P 3,928,755,091**	P 3,256,786,619

Equity securities significantly pertain to investments in a publicly-listed holding company with fair values determined directly by reference to published prices in the PSE while debt securities consist of U.S. dollar-denominated corporate bonds quoted in a foreign active market.

A portion of the Group's AFS equity securities amounting to P189.2 million as at December 31, 2013 and 2012 refers to unquoted equity securities of certain investee companies. These AFS equity securities have no quoted market price; hence, are carried at cost.

The aggregate cost of AFS securities as at December 31, 2013 and 2012 amounted to P2.1 billion and P2.6 billion, respectively. The fair value gains or losses arising from these financial assets which comprised the movements in the carrying amounts and disposals of AFS, are reported as part of Net Unrealized Gains account under the equity section of the consolidated statements of financial position.

The resulting gain from sale of investments in 2013 and 2011 is presented as Gain on Sale of AFS Securities under Interest and Other Income - net account in the consolidated statements of income (see Note 19). There was no gain or loss on disposals made in 2012.

A portion of the AFS securities are owned by RHGI and EELHI, which are subsidiaries of the Company. Hence, the movements in the AFS Securities arising from fair value gains or losses are allocated to the Company's shareholders.

9. ADVANCES TO LANDOWNERS AND JOINT VENTURES

The Group enters into numerous joint venture agreements for the joint development of various projects. These are treated as jointly controlled operations; there were no separate entities created under these joint venture agreements. The joint venture agreements stipulate that the Group's joint venturer shall contribute parcels of land and the Group shall be responsible for the planning, conceptualization, design, demolition of existing improvements, construction, financing and marketing of residential and condominium units to be constructed on the properties. Costs incurred by the Group for these projects are recorded under the Property Development Costs account in the consolidated statements of financial position (see Note 2.6). The amounts of other related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Group (see Note 2.3).

The Group also grants noninterest-bearing, secured cash advances to a number of landowners and joint ventures under agreements they entered into with landowners covering the development of certain parcels of land. Under the terms of the agreements, the Group, in addition to providing specified portion of total project development costs, also commits to advance mutually agreed-upon amounts to the landowners to be used for pre-development expenses such as the relocation of existing occupants.

Repayment of these advances shall be made upon completion of the project development either in the form of the developed lots corresponding to the owner's share in saleable lots or in the form of cash to be derived from the sales of the landowner's share in the saleable lots and residential and condominium units.

Total amount of advances made by the Group less repayments, is presented as part of the Advances to Landowners and Joint Ventures account in the consolidated statements of financial position.

As of December 31, 2013 and 2012, there has been no outstanding commitment for cash advances under the joint venture agreements.

The net commitment for construction expenditures amounts to:

	2013	2012
Total commitment for construction expenditures	**P 10,305,951,395**	P 9,580,606,292
Total expenditures incurred	**(7,711,181,450)**	(6,797,658,256)
Net commitment	**P 2,594,769,945**	P 2,782,948,036

The Group's interests in jointly-controlled operations and projects range from 73% to 95% in 2013 and 2012. The listing and description of the Group's jointly controlled projects are as follows:

Company:
- McKinley Hills
- Newport City
- Manhattan Parkway Residences
- Greenbelt Excelsior
- Forbeswood Heights
- Forbeswood Parklane 1 & 2
- The Noble Place

EELHI:
- Pioneer Woodlands
- San Lorenzo Place
- Various Metro Manila and Calabarzon projects

SPI:
- Adriatico Gardens
- Capitol Plaza
- Governor's Hill
- Mandara
- Sta. Rosa Heights
- Sta. Rosa Hills
- Sentosa
- Asmara

The aggregate amounts of the current assets, long-term assets, current liabilities, long-term liabilities, income and expenses as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 related to the Group's interests in joint ventures are not presented or disclosed as the joint ventures in which the Group is involved are not jointly controlled entities (see Note 2.3).

As at December 31, 2013 and 2012, the Group either has no other contingent liabilities with regard to these joint ventures or has assessed that the probability of loss that may arise from contingent liabilities is remote.

10. INVESTMENTS IN AND ADVANCES TO ASSOCIATES AND OTHER RELATED PARTIES AND NON-CONTROLLING INTEREST

10.1 Breakdown of Carrying Values

The details of investments in and advances to associates and other related parties, are as follows:

	2013	2012
Investments in associates – at equity		
Acquisition costs:		
GERI	**P 5,932,063,610**	P -
LFI	**1,442,492,819**	-
TLC	**1,248,571,429**	1,248,571,429
SHDI	**875,445,000**	875,445,000
TIHGI	**141,590,000**	141,590,000
PTHDC	**64,665,000**	64,665,000
RWBC	**27,500,000**	-
MGEI	**5,000,000**	5,000,000
AGPL	**-**	2,463,056,417
GPMAI	**-**	86,830,455
	9,737,327,858	4,885,158,301

December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

	2013	2012
Accumulated equity in net earnings:		
Balance at beginning of year	**1,003,061,319**	207,621,276
Equity share in net earnings for the year	**311,681,755**	794,347,508
Share in other comprehensive income	**4,714,128**	1,092,535
Dividends received from an associate	**(743,991,000)**	-
Reversals resulting from:		
Disposal of AGPL	**(394,281,305)**	-
Consolidation of GPMAI	**47,770,162**	-
Balance at end of year	**228,955,059**	1,003,061,319
Advances to associates and other related parties (see Note 23.3)	**2,808,216,620**	1,893,985,442
	P 12,774,499,537	P 7,782,205,062

In 2013, the Company acquired 50.0%, 24.7% and 10.0% ownership interest in LFI, GERI and RWBCI, respectively.

LFI and GERI were considered as associates as the Company has established significant influence, but not control, over these two entities. Consequently, through indirect ownership interest from GERI, the Company has increased its ownership interest in MGEI and TLC, both subsidiaries of GERI, to 54.82% and 31.35%, respectively. TLC, a 60%-owned subsidiary of GERI, became an associate of the Company in 2012 after the latter acquired 19% ownership interest.

The Company also subscribed for 10% ownership in RWBCI which was incorporated during the year. Despite the 10% ownership, the Company considers RBWCI as an associate as it is able to exert significant influence over RWBCI through the two out of the five directors of RWBCI who are also members of the Company's BOD.

In November 2013, RHGI, a 100% owned subsidiary sold its entire ownership interest in AGPL to a third party. Consequently, the Company lost significant influence over AGPL during the year and, thus, ceases to be an associate.

TIHGI declared cash dividend of P744.0 million in 2013 (nil in 2012). The amount received is considered a return on investment and is presented as deduction from the Accumulated Equity in Net Earnings shown in the previous table presented (see Note 23). On November 5, 2013, TIHGI had its initial public offering. In 2012, TIHGI redeemed 428.4 million preferred shares held by the Company at a par value of P1 per share. There is an outstanding receivable of P129.9 million as of December 31, 2013 (nil as of December 31, 2012) arising from TIHGI's dividend declaration. There are no outstanding receivable arising from redemption of preferred shares held by the Company in 2013 and 2012. Despite the 9% ownership, the Company considers TIHGI as an associate as it is able to exert significant influence over TIHGI through the two out of the five directors of TIHGI who are also members of the Company's BOD.

In 2011, EELHI, SPI and GPMAI became subsidiaries of the Company (see Note 1). The increase in ownership in EELHI from 48.38% to 61.13% in 2011 resulted in the consolidation of the entity and increase in non-controlling interests and also in the presentation of the amount of pre-acquisition income in the consolidated statement of income. In 2011, the Company's indirect ownership in GPMAI also increased to 46.45% through the Company's increased ownership interest in EELHI, which resulted in the effective ownership interest of 52% in GPMAI. Subsequently, in 2012, GPMAI ceased to be a subsidiary of both EELHI and the Company (see Note 1). In 2013, as a result of the Company's increase in ownership interest to EELHI, the Company's ownership interest in GPMAI also increased to 52.04% while 5 out of 5 BOD of GPMAI were also members of the BOD of the Company; hence, control was re-established and GPMAI becomes a subsidiary.

The shares of TIHGI, GERI and SHDI are listed in the PSE. The total quoted or market value of SHDI amounted to P850.7 million and P516.1 million as of December 31, 2013 and 2012. TIHGI, which had only been listed during the year has a total market value as of December 31, 2013 of P14.6 billion. While, GERI, the Company's newly acquired associate, has a market value of P3.7 billion. The related book values of the Group's holdings in all of the associates are either in excess or approximate their carrying values; hence, management deemed that the recognition of impairment loss is not necessary. The fair values of all other investments in associates are not available as of December 31, 2013 and 2012.

The balance of the Accumulated Equity in Net Earnings of P0.2 billion and P1.0 billion as at December 31, 2013 and 2012, respectively, which is mainly lodged in the Group's Retained Earnings as of those dates, is not available for dividend declaration.

10.2 Summarized Financial Information

The aggregated amounts of assets, liabilities and net profit (loss) of the associates are as follows:

	Assets	Liabilities	Revenues	Net Profit (Loss)
2013:				
GERI	P 31,041,953,861	P 7,415,822,780	P 1,758,715,249	P 339,274,971
LFI	750,623,932	112,987,853	198,185,473	53,399,019
TLC	5,982,244,755	1,430,021,859	44,421,628	(28,392,989)
SHDI	398,645,173	273,168,573	282,887,917	17,496,796
TIHGI	61,225,735,552	27,797,891,304	30,848,028,933	2,739,516,493
PTHDC	1,136,148,867	1,004,801,955	17,848	(451,069)
RWBCI	964,833,598	688,966,309	2,524,621	867,280
MGEI	12,426,899	55,000	270,982	146,772
	P 101,512,612,637	**P 38,723,715,633**	**P 33,135,052,651**	**P 3,121,857,273**
2012:				
TLC	P 5,525,542,334	P 1,394,926,449	P 13,734,389	(P 43,885,015)
SHDI	153,559,159	45,232,263	1,318,257	(1,838,513)
TIHGI	47,996,781,320	26,729,976,553	29,389,747,392	6,734,216,200
PTHDC	1,136,626,722	1,004,828,741	71,301	(327,871)
MGEI	12,275,979	50,582	392,240	192,136
AGPL	6,380,453,088	6,848,129	431,546,120	404,975,974
GPMAI	617,315,052	12,044,026	13,240,559	(93,998,746)
	P 61,822,553,654	P 29,193,906,743	P 29,850,050,258	P 6,999,334,165

10.3 Subsidiary with Material Non-Controlling Interest

EELHI has the material non-controlling interest (NCI) of the Group. As of December 31, 2013 and 2012, EELHI's NCI held 18.47% and 21.41% interest, respectively. Net profit allocated to NCI amounted to P65.7 million and P41.3 million, while accumulated NCI amounted to P8.8 billion and P8.2 billion, respectively.

No dividends were paid to the NCI in 2013 and 2012.

The summarized financial information of EELHI, before intragroup eliminations, is shown below.

	Assets	Liabilities	Equity	Revenues	Net Profit	Other Comprehensive Income
December 31, 2013	**P 32,951,539,362**	**P 8,161,935,395**	**P 24,789,603,967**	**P 2,951,099,574**	**P 300,121,825**	**P 1,287,539,550**
December 31, 2012	P 31,974,683,980	P 9,732,619,563	P 22,242,064,417	P 2,522,753,617	P 236,021,986	P 697,643,836

11. INVESTMENT PROPERTY

The gross carrying amounts and accumulated depreciation of investment property at the beginning and end of 2013 and 2012 are shown below.

	Land	Building	Total
December 31, 2013			
Cost	P 6,433,222,583	P 21,899,120,429	P 28,332,343,012
Accumulated depreciation	-	(3,385,403,893)	(3,385,403,893)
Net carrying amount	**P 6,433,222,583**	**P 18,513,716,536**	**P 24,946,939,119**
December 31, 2012			
Cost	P 1,412,634,527	P 17,810,102,539	P 19,222,737,066
Accumulated depreciation	-	(2,590,701,403)	(2,590,701,403)
Net carrying amount	P 1,412,634,527	P 15,219,401,136	P 16,632,035,663
January 1, 2012			
Cost	P 1,412,634,527	P 12,938,556,919	P 14,351,191,446
Accumulated depreciation	-	(1,978,900,781)	(1,978,900,781)
Net carrying amount	P 1,412,634,527	P 10,959,656,138	P 12,372,290,665

December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

A reconciliation of the carrying amounts at the beginning and end of 2013 and 2012 of investment property is shown below.

	Land	Building	Total
Balance at January 1, 2013, net of accumulated depreciation	P 1,412,634,527	P 15,219,401,136	P 16,632,035,663
Investment property of newly-acquired subsidiaries	5,020,588,056	-	5,020,588,056
Additions	-	3,494,295,658	3,494,295,658
Transfer from property development cost	-	594,722,232	594,722,232
Depreciation charges for the year	-	(794,702,490)	(794,702,490)
Balance at December 31, 2013, net of accumulated depreciation	**P 6,433,222,583**	**P 18,513,716,536**	**P 24,946,939,119**
Balance at January 1, 2012, net of accumulated depreciation	P 1,412,634,527	P 10,959,656,138	P 12,372,290,665
Additions	-	4,871,545,620	4,871,545,620
Depreciation charges for the year	-	(611,800,622)	(611,800,622)
Balance at December 31, 2012, net of accumulated depreciation	P 1,412,634,527	P 15,219,401,136	P 16,632,035,663

Investment property with carrying values of P40.4 million and P43.5 million as of December 31, 2013 and 2012, respectively, are used as collateral by the Group for its various loans obtained from local banks (see Note 14).

Rental income earned from these properties amount to P6.0 billion, P5.0 billion and P3.8 billion in 2013, 2012 and 2011, respectively, and is shown as Rental Income in the consolidated statements of income. The direct operating costs, exclusive of depreciation, incurred by the Group relating to these investment properties amounted to P360.90 million in 2013, P174.31 million in 2012 and P135.08 million in 2011. The operating lease commitments of the Group as a lessor are fully disclosed in Note 26.1.

Depreciation of investment property is presented as part of Operating Expenses account (see Note 18).

The fair market values of these properties are P106.5 billion and P85.5 billion as at December 31, 2013 and 2012, respectively. These are determined by calculating the present value of the cash inflows anticipated until the end of the life of the investment property using a discount rate of 10% in 2013 and 2012 while the investment property of WGPI, a newly acquired subsidiary, is determined by independent appraiser and valuation expert.

Other information about the fair value measurement and disclosures related to the investment property are presented in Note 29.4.

12. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2013 and 2012 are shown below.

	Condominium Units	Office Furniture, Fixtures and Equipment	Office and Land Improvements	Transportation Equipment	Land	Total
December 31, 2013						
Cost	P 862,412,652	P 528,919,165	P 174,411,940	P 146,142,080	P 81,095,000	P 1,792,980,837
Accumulated depreciation and amortization	(578,989,364)	(308,066,539)	(111,797,739)	(92,453,453)	-	(1,091,307,095)
Net carrying amount	**P 283,423,288**	**P 220,852,626**	**P 62,614,201**	**P 53,688,627**	**P 81,095,000**	**P 701,673,742**

	Condominium Units	Office Furniture, Fixtures and Equipment	Office and Land Improvements	Transportation Equipment	Land	Total
December 31, 2012						
Cost	P 786,366,715	P 364,319,866	P 161,106,262	P 133,312,797	P 81,095,000	P 1,526,200,640
Accumulated depreciation and amortization	(522,192,653)	(222,366,914)	(97,063,452)	(87,611,943)	-	(929,234,962)
Net carrying amount	P 264,174,062	P 141,952,952	P 64,042,810	P 45,700,854	P 81,095,000	P 596,965,678
January 31, 2012						
Cost	P 707,071,366	P 295,154,303	P 146,350,111	P 99,645,611	P 81,095,000	P 1,329,316,391
Accumulated depreciation and amortization	(463,382,815)	(180,626,286)	(82,351,477)	(62,096,083)	-	(788,456,661)
Net carrying amount	P 243,688,551	P 114,528,017	P 63,998,634	P 37,549,528	P 81,095,000	P 540,859,730

A reconciliation of the carrying amounts at the beginning and end of 2013 and 2012 of property and equipment is shown below.

	Condominium Units	Office Furniture, Fixtures and Equipment	Office and Land Improvements	Transportation Equipment	Land	Total
Balance at January 1, 2013, net of accumulated depreciation and amortization	P 264,174,062	P 141,952,952	P 64,042,810	P 45,700,854	P 81,095,000	P 596,965,678
Additions	76,045,937	101,599,189	13,305,678	15,997,052	-	206,947,857
Property and equipment of newly-acquired subsidiaries	-	63,000,110	-	-	-	63,000,110
Disposals	-	-	-	(3,167,769)	-	(3,167,769)
Depreciation and amortization charges for the year	(56,796,711)	(85,699,625)	(14,734,287)	(4,841,510)	-	(162,072,134)
Balance at December 31, 2013, net of accumulated depreciation and amortization	**P 283,423,288**	**P 220,852,626**	**P 62,614,201**	**P 53,688,627**	**P 81,095,000**	**P 701,673,742**
Balance at January 1, 2012, net of accumulated depreciation and amortization	P 243,688,551	P 114,528,017	P 63,998,634	P 37,549,528	P 81,095,000	P 540,859,730
Additions	79,295,349	69,142,747	14,784,675	38,715,624	-	201,938,395
Reclassification	-	28,524	(28,524)	-	-	-
Disposals	-	(5,708)	-	(5,048,438)	-	(5,054,146)
Depreciation and amortization charges for the year	(58,809,838)	(41,740,628)	(14,711,975)	(25,515,860)	-	(140,778,301)
Balance at December 31, 2012, net of accumulated depreciation and amortization	P 264,174,062	P 141,952,952	P 64,042,810	P 45,700,854	P 81,095,000	P 596,965,678

December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

Depreciation and amortization is presented as part of Operating Expenses account (see Note 18).

The Group's fully depreciated assets that are still being used in operations amounted to P238.7 million and P354.0 million as of December 31, 2013 and 2012, respectively.

None of the Group's property and equipment are used as collateral for its interest-bearing loans and borrowings.

13. OTHER NON-CURRENT ASSETS

This account consists of:

	2013	2012
Guarantee and other deposits	P **435,979,746**	P 295,356,231
Goodwill	**343,095,101**	343,095,101
Miscellaneous	**23,229,596**	19,521,266
	P **802,304,443**	P 657,972,598

Goodwill is subject to impairment testing at least annually. No impairment losses were recognized in 2013 and 2012 based on management's assessment.

Guarantee deposits mainly pertain to payments made for compliance with construction requirements in relation to the Group's real estate projects.

14. INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing Loans and Borrowings account represents the following loans of the Group as at December 31:

	2013	2012
Current:		
Company	P **1,050,714,285**	P 1,203,380,952
SPI	**442,808,691**	231,223,837
EELHI	**71,200,342**	152,989,611
	1,564,723,318	1,587,594,400
Non-current:		
Company	**1,280,119,048**	3,667,833,333
SPI	**806,532,059**	1,005,842,266
EELHI	**148,530,809**	236,893,851
	2,235,181,916	4,910,569,450
	P **3,799,905,234**	P 6,498,163,850

14.1 Company

In 2008, the Company signed a financing deal with a local bank under which the Company may avail of a P5.0 billion unsecured loan, divided into Tranche A (P3.5 billion) and Tranche B (P1.5 billion). The Company had availed of P4.5 billion out of the P5.0 billion facility in 2008 while the remaining P500.0 million was availed of in 2009. The proceeds of the loan were used to fund the development of the Group's various real estate projects. The loan is payable in seven years with a grace period of two years, divided into 21 consecutive equal quarterly payments. Interest is payable every quarter based on the Philippine Dealing System Treasury Fixing rate (PDSTF-R) plus a certain spread. The outstanding balance pertaining to these loans amounted to P1.67 billion and P2.62 billion as at December 31, 2013 and 2012, respectively.

In February 2009, the Company issued unsecured corporate notes to several financial institutions in the aggregate principal amount of P1.4 billion which will mature in seven years from the issue date. The principal repayments on this loan commenced in February 2010 and interest is paid semi-annually based on a fixed 9.0% annual interest rate. The outstanding balance pertaining to this loan amounted to P1.35 billion as at December 31, 2012. In 2013, the Company had early redeemed these outstanding corporate notes. As a result of the early redemption of these notes, the Company incurred and paid P41.1 million penalty charges which is presented as part of the Finance Costs account under Interest and Other Charges in 2013 consolidated statement of income.

Also, in May 2009, the Company obtained an unsecured long-term loan from a local bank amounting to P500.0 million. The loan is payable for a term of seven years and interest is payable semi-annually based on a floating six-month PDSTF-R plus a certain spread, subject to semi-annual repricing. The outstanding balance pertaining to this loan amounted to P477.5 million and P482.5 million as at December 31, 2013 and 2012, respectively.

The Company also obtained an additional loan with original amount of P387 million in 2005 and P403.0 million in 2006 from the same local bank subject to the same terms and conditions. The outstanding balance pertaining to this loan amounted to P186.7 million and P418.7 million as of December 31, 2013 and 2012, respectively. Collateral for the loans consisted of a mortgage over certain investment property of the Company with carrying value of P40.4 million and P43.5 million as at December 31, 2013 and 2012, respectively (see Note 11).

14.2 EELHI

EELHI has outstanding secured loans from local banks amounting to P219.7 million and P389.9 million as at December 31, 2013 and 2012, respectively. The loans bear annual interest rates ranging from 7.8% to 10.5% in 2013 and 2012 and 7.9% to 10.5% in 2011 Certain properties presented as part of Residential and condominium units for sale with an estimated carrying value of P434.7 million and P528.1 million as at December 31, 2013 and 2012, respectively, are used as collateral for these bank loans.

Bank loans of EELHI also include amounts arising from trade receivables discounted on a with-recourse basis amounting to P220.0 million and P333.0 million as at December 31, 2013 and 2012, respectively (see Note 6). Included in the 2012 balance is the portion of a P400.0 million loan obtained in 2006. This loan bears annual interest of 10.5%. The principal amount is payable in seven equal annual amortization beginning March 15, 2007. The loan was fully paid in 2013.

14.3 SPI

In 2011, SPI availed of a short-term loan from a local bank amounting to P400.0 million with an annual interest rate of 5.5% payable upon maturity in 2012. The loan was fully settled in 2012.

In 2012, SPI also availed of long-term loans from a local bank amounting to P330.0 million. As at December 31, 2013 and 2012, this unsecured loan which will mature in 2016, bear an annual interest of 5.5%, has an outstanding balance of P229.2 million and P330.0 million, respectively.

In 2013, SPI obtained short-term unsecured noninterest-bearing loan from a local bank amounting to P250.0 million. As at December 31, 2013, the outstanding balance is P241.0 million, net of P9.0 million payments during the year.

SPI partially manages its cash flows for use in operations through discounting its trade receivables on a with-recourse basis with certain local banks. The outstanding loans to the banks arising from receivables assigned as at December 31, 2013 and 2012 amounted to P779.2 million and P907.1 million, respectively, and is shown as part of Interest-bearing Loans and Borrowings account in the consolidated statements of financial position.

Finance costs arising from the preceding loans and borrowings that are directly attributable to construction of the Group's projects are capitalized as part of Residential and Condominium Units for Sale and Property Development Costs. The remaining interest costs are expensed outright.

Total finance costs attributable to all the loans of the Group amounted to P353.2 million, P509.18 million and P596.8 million in 2013, 2012 and 2011, respectively. Of these amounts, portion expensed is presented as part of Finance Costs under Interest and Other Charges - net in the consolidated statements of income (see Note 20). Interest capitalized in 2013, 2012 and 2011 amounted to P73.6 million, P183.0 million, and P355.6 million respectively. Capitalization rate used in determining the amount of interest charges qualified for capitalization is 5.06% in 2013, 6.73% in 2012 and 8.29% in 2011.

Certain interest bearing loans require the Group to maintain a debt- to-equity ratio of not more than 1:1 and current ratio of not less than 1:1. As at December 31, 2013 and 2012, the Group is in compliance with such financial covenant obligation.

15. BONDS PAYABLE

In 2013, the Group issued 10-year term bonds totaling U.S.$250 million. The bond carries a coupon rate of 4.25% per annum and are payable semi-annually in arrears starting October 17, 2013. The bond will mature in 2023. The proceeds of the bond issuance is being used by the Company for general corporate purposes.

Also, in 2011, the Group issued 7-year term bonds totaling U.S.$200 million. The bonds bear interest at 6.75% per annum payable semi-annually in arrears starting October 15, 2011. The bonds will mature in 2018. Also, in 2009, the Group issued P5.0 billion fixed rate unsecured bonds with a term of five years and six months which bear an interest of 8.46% per annum. The bonds were issued at par and will be redeemed at 100% of the face value on maturity date. The proceeds received are being used by the Group to finance its capital expenditures from 2009 up to 2013 mainly for the development of its real estate projects.

Total interest incurred on these bonds amounted to P1.3 billion in 2013, P984.3 million in 2012 and P1.0 billion in 2011, of which portions capitalized amounted to P423.0 million in 2013, 2012 and 2011. The remaining amounts are expensed and presented as part of Finance Costs under Interest and Other Charges - net in the consolidated statements of income (see Note 20). Capitalization rate used in determining the amount of interest charges qualified for capitalization is 8.46% both in 2013, 2012 and 2011.

16. TRADE AND OTHER PAYABLES

This account consists of:

	2013	2012
Trade payables	P **4,391,126,481**	P 5,081,234,403
Retention payable	**2,166,045,398**	2,084,707,464
Accrued interest	**281,898,919**	292,296,901
Accrued construction cost	**7,796,206**	72,057,733
Miscellaneous	**351,506,102**	369,720,811
	P **7,198,373,106**	P 7,900,017,312

December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

Trade payables mainly represent obligations to subcontractors and suppliers of construction materials for the Group's projects.

Retention payable pertains to amount withheld from payments made to contractors to ensure compliance and completion of contracted projects equivalent to 10% of every billing made by the contractor. Upon completion of the contracted projects, the amounts are returned to the contractors.

Miscellaneous payable consist primarily of withholding taxes payable and accrual of salaries and wages and utilities.

17. OTHER LIABILITIES

This account consists of:

	2013	2012 [As Restated – see Note 2.2 (a)]
Current:		
Unearned revenues	**P 1,802,882,065**	P 1,463,820,018
Deferred rental income	**150,792,198**	246,307,507
Other payables	**2,115,038**	1,042,654
	1,955,789,301	1,711,170,179
Non-current:		
Deferred rental income	**1,631,709,613**	1,725,888,010
Other payables	**-**	332,419,541
	1,631,709,613	2,058,307,551
	P 3,587,498,914	P 3,769,477,730

18. OPERATING EXPENSES

Presented below are the details of this account.

	Notes	2013	2012 [As Restated – see Note 2.2 (a)]	2011 [As Restated – see Note 2.2 (a)]
Salaries and employee benefits	21	**P 1,206,397,043**	P 903,929,720	P 752,982,215
Depreciation and amortization	11, 12	**956,774,624**	752,578,923	566,641,137
Commission		**905,847,959**	940,106,924	934,748,085
Advertising and promotions		**589,935,280**	643,939,022	572,052,650
Taxes and licenses		**446,823,406**	172,504,165	196,304,569
Rent		**398,718,708**	264,382,431	163,714,850
Utilities and supplies		**287,743,734**	338,239,281	215,840,286
Transportation		**218,930,485**	223,735,372	142,590,321
Professional fees and outside services		**201,182,692**	225,648,686	176,664,004
Association dues		**169,925,605**	188,226,417	103,023,327
Miscellaneous		**282,085,374**	244,424,584	269,087,243
		P 5,664,364,910	P 4,897,715,525	P 4,093,648,687

Miscellaneous operating expenses include repairs and maintenance, training and development and insurance.

19. INTEREST AND OTHER INCOME

Presented below are the details of this account.

	Notes	2013	2012	2011
Interest income		**P 1,566,850,939**	P 1,840,964,871	P 1,618,727,549
Gain on acquisition of a subsidiary	1	**763,834,597**	-	-
Cinema operations income		**226,072,923**	-	-
Realized fair value gains from AFS securities		**115,258,400**	-	2,242,526,309
Fair value gains on FVTPL	7	**90,400,000**	64,200,000	-
Construction income		**83,084,683**	130,162,337	138,492,457
Dividend income	23	**55,359,121**	53,887,430	32,661,662
Commission income		**35,938,670**	112,417,366	73,432,592
Gain on sale of AFS securities	8	**32,993,081**	-	-
Foreign currency gain – net		**-**	-	65,503,537
Miscellaneous – net		**627,362,006**	643,555,234	568,704,735
		P 3,597,154,420	P 2,845,187,238	P 4,740,048,84

In August, 2013, the Company acquired 100% ownership interest on WGPI, thereby obtaining control. The acquisition was made to enhance the Group's landbanking position in the real estate industry within the country. The transaction was settled in cash amounting to P3.3 billion. The fair value of the net identifiable assets acquired amounted to P4.1 billion. Gain on acquisition of a subsidiary amounting to P763.8 million represents the excess of the fair value of the identifiable net assets of WGPI at the date of acquisition over the acquisition cost (see Note 1).

Miscellaneous income refers to forfeited deposits, collections, marketing fees and others.

20. INTEREST AND OTHER CHARGES

Presented below are the details of this account.

	Notes	2013	2012 [As Restated – see Note 2.2 (a)]	2011 [As Restated – see Note 2.2 (a)]
Interest expense resulting from:				
Bank loans and borrowings	14, 15	**P 1,280,554,678**	P 887,476,458	P 818,237,019
Post-employment defined benefit obligation	2, 21	**36,968,625**	29,841,199	20,490,39
Foreign currency losses – net		**491,259,799**	52,961,596	-
Impairment of property development cost		**-**	61,518,212	-
Fair value loss on FVTPL		**-**	-	7,851,631
Miscellaneous – net	6	**50,870,780**	95,396,369	85,289,416
		P 1,859,653,882	P 1,127,193,834	P 931,868,458

Miscellaneous pertains to amortization of discounts on security deposits, bank charges and other related fees.

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21. EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below (see Note 18).

	Notes	2013	2012 [As Restated – see Note 2.2 (a)]	2011 [As Restated – see Note 2.2 (a)]
Short-term benefits		P **1,048,509,131**	P 820,427,634	P 706,127,598
Post-employment benefits	21.3	**127,505,792**	83,502,086	46,854,617
Share option benefit expense	21.2, 24.6	**30,382,120**	–	–
		P **1,206,397,043**	P 903,929,720	P 752,982,215

21.2 Employee Share Option Plan (ESOP)

On November 6, 2012, the Company granted share options to qualified employees of the Group, giving them the right to subscribe to a total of 245 million common shares of the Company at the exercise price of P1.77 per share. The employee share options shall generally vest on the 60th birthday of the option holder and may be exercised until the date of his or her retirement from the Group. Based on management assessment, the amount of employee benefits relative to the share option is not significant to the consolidated financial statements in 2012; hence, the Group only started to accrue for such employee benefits in 2013 and throughout the vesting period of the share options granted.

Share option benefits expense, included as part of Salaries and Employee Benefits under Operating Expenses in the consolidated statements of income amounted to P30.4 million in 2013 (see Note 21.1) while the corresponding credit to Retained Earnings of the same amount is presented under the equity section of the 2013 consolidated statements of financial position (see Note 24).

21.3 Post-employment Defined Benefit Plan

(a) Characteristics of Defined Benefit Plan

The Group maintains a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Group. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of 5 years of credited service. The post-employment defined benefit plan provides for retirement ranging from 60% to 200% of plan salary for every year of credited service, but shall not be less than the regulatory benefit under Republic Act 7641, *The Retirement Pay Law* or the applicable retirement law at the time of the member's retirement.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2013 including the comparative year which has been restated in line with the adoption of PAS 19 (Revised) [see Note 2.2(a)(ii)].

The amounts of retirement benefit obligation, presented as non-current liability in the consolidated statements of financial position, are determined as follows:

	2013	2012 [As Restated – see Note 2.2 (a)]
Present value of the obligation	P **851,805,596**	P 714,914,438
Fair value of plan assets	(**103,407,063)**	(88,793,525)
Net defined benefit liability	P **748,398,533**	P 626,120,913

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	2013	2012 [As Restated – see Note 2.2 (a)]
Balance at beginning of year	P **714,914,438**	P 557,371,638
Current service costs	**116,785,988**	83,502,086
Past service costs	**10,719,804**	–
Interest costs	**41,985,326**	34,327,252
Remeasurements –		
Actuarial losses (gains) arising from changes in:		
Financial assumptions	(**26,746,027)**	61,206,343
Experience adjustments	(**1,066,279)**	(20,377,152)
Benefits paid	(**4,787,654)**	(1,115,729)
Balance at end of year	P **851,805,596**	P 714,914,438

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

	2013	2012 [As Restated – see Note 2.2 (a)]
Balance at beginning of year	P **88,793,525**	P 71,833,960
Contributions paid into the plan	**15,200,000**	15,200,000
Benefits paid	(**4,787,654)**	(1,115,728)
Interest income	**5,016,701**	4,486,053
Return on plan assets (excluding amount included in net interest cost)	(**815,509)**	(1,610,760)
Balance at end of year	P **103,407,063**	P 88,793,525

The plan asset is composed of cash and cash equivalents and investment in debt securities. The contributions to the retirement plan are made annually by the Group. The amount of contributions to the retirement plan is determined based on the expected benefit payments that the Group will incur within five years.

Actual return on plan assets were P4.2 million, P2.9 million and P4.9 million in 2013, 2012 and 2011, respectively.

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

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

	Notes	2013	2012 [As Restated – see Note 2.2 (a)]	2011 [As Restated – see Note 2.2 (a)]
Reported in consolidated statements of income:				
Post-employment defined benefit:				
Current service cost		P **116,785,988**	P 83,502,086	P 46,854,617
Past service cost		**10,719,804**	–	–
	21.1	**127,505,792**	83,502,086	46,854,617
Net interest cost	20	**36,968,625**	29,841,199	20,490,392
		P **164,474,417**	P 113,343,285	P 67,345,009
Reported in consolidated statements of comprehensive income				
Actuarial gains (losses) arising from changes in:				
Financial assumptions		P **26,746,027**	(P 61,206,343)	(P 126,274,941)
Experience adjustments		**1,066,279**	20,377,152	(33,710,572)
Return on plan assets (excluding amounts included in net interest expense)		(**815,509)**	(1,610,760)	516,220
		26,996,797	(42,439,951)	(159,469,293)
Tax income (expense)	22	(**8,099,039)**	12,731,985	47,840,788
		P **18,897,758**	(P 29,707,966)	(P 111,628,505)

Current service cost is allocated and presented as part of Operating Expenses in the consolidated statements of income. The net interest cost is included in Finance Costs under Interest and Other Charges - net account in the consolidated statements of income (see Note 20).

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

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2013	2012	2011
Discount rates	**4.68% - 5.65%**	5.64% - 6.7%	6.25% - 8.07%
Expected rate of salary increases	**6.00% - 10.00%**	5.00% - 10 %	6.00% - 9.00%

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Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 23 for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

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

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents and debt securities. Due to the long-term nature of the plan obligation, a level of continuing debt investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

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

(d) Other Information

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

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as at December 31, 2013:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 0.50%	(34,281,128)	32,821,809
Salary increase rate	+/- 1.00%	52,772,869	(34,860,141)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

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

(ii) Asset-liability Matching Strategies

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

(iii) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P748.4 million based on the Group's latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the under funding may pose a cash flow risk in about 23 years' time when a significant number of employees is expected to retire.

The maturity profile of undiscounted expected benefit payments from the plan as at December 31, 2013 are as follows:

Within one year	P 6,997,235
More than one year to 5 years	55,418,233
More than five years to 10 years	383,839,570
More than ten years to 15 years	440,623,950
More than 15 years to 20 years	629,882,797
More than 20 years	11,668,387,930
	P 13,185,149,715

The weighted average duration of the defined benefit obligation at the end of the reporting period is 23 years.

22. TAXES

The components of tax expense as reported in the consolidated statements of income and consolidated statements of comprehensive income are as follows:

	2013	2012 [As Restated – see Note 2.2 (a)]	2011 [As Restated – see Note 2.2 (a)]
Reported in consolidated statements of income:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% and 10%	**P 1,449,871,581**	P 1,319,257,201	P 1,054,538,463
Final tax at 20% and 7.5%	**115,764,691**	171,404,904	181,904,031
Preferential tax rates at 5%	**23,604,978**	21,986,256	18,802,816
Capital gains tax at 5%	**16,294,686**		-
Minimum corporate income tax (MCIT) at 2%	**1,717,051**	318,062	1,029,759
	1,607,252,987	1,512,966,423	1,256,275,069
Deferred tax expense relating to origination and reversal of temporary differences	**964,199,025**	739,756,998	739,332,472
	P 2,571,452,012	P 2,252,723,421	P 1,995,607,541
Reported in consolidated statements of comprehensive income –			
Deferred tax expense (income) relating to origination and reversal of temporary differences	**P 23,370,891**	(P 83,527,053)	(P 51,683,424)

A reconciliation of tax on pretax profit computed at the applicable statutory rates to income tax expense reported in the consolidated statements of income is as follows:

	2013	2012 [As Restated – see Note 2.2 (a)]	2011 [As Restated – see Note 2.2 (a)]
Tax on pretax profit at 30%	**P 3,481,930,725**	P 2,899,364,159	P 3,045,973,530
Adjustment for income subjected to lower income tax rates	**(612,457,778)**	(528,127,818)	(310,945,790)
Tax effects of:			
Non-taxable income	**(707,071,397)**	(526,514,475)	(1,215,511,134)
Non-deductible expenses	**345,821,159**	386,501,240	461,399,042
Unrecognized deferred tax asset on net operating loss carry over (NOLCO)	**42,418,066**	5,058,368	10,266,270
Unrecognized deferred tax assets on temporary difference	**18,316,487**	6,666,883	2,789,101
Dividend income	**(16,607,736)**	(11,445)	(1,858,980)
Non-deductible interest expense	**12,454,397**	18,208,891	5,576,527
Reversal of expired MCIT and NOLCO	**6,417,208**	-	-
Excess of optional standard deduction over itemized deductions	**(3,524,039)**	(11,665,340)	(4,906,889)
Miscellaneous	**3,754,920**	3,242,958	2,825,864
	P 2,571,452,012	P 2,252,723,421	P 1,995,607,541

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The deferred tax assets and liabilities relate to the following as of December 31:

	2013	2012 [As Restated – see Note 2.2 (a)]
Deferred tax assets – net:		
Retirement benefit obligation	P 23,106,502	P 6,782,000
Allowance for impairment of receivables	9,087,303	9,176,972
Accrued rental expense	6,979,763	15,703,397
NOLCO	2,659,649	–
MCIT	773,818	651,213
Others	1,008,303	9,136,351
	P 43,615,338	P 41,449,933
Deferred tax liabilities – net:		
Uncollected gross profit	P 5,923,286,327	P 4,745,139,010
Capitalized interest	1,109,989,877	967,478,399
Unrealized foreign currency loss	(294,955,326)	–
Retirement benefit obligation	(218,775,911)	(188,131,868)
Difference between the tax reporting base and financial reporting base of:		
Investment property	217,811,123	219,416,534
Property and equipment	(18,998,485)	(19,249,915)
Translation adjustments	(87,005,067)	(102,276,919)
Uncollected rental income	83,911,976	126,978,198
Bond issuance cost	34,010,072	20,754,688
Share options	(9,114,636)	–
Others	(7,064,569)	(26,748,067)
	P 6,733,095,381	P 5,743,360,060

The components of deferred tax expense (income) are as follows:

	Consolidated Statements of Income			Consolidated Statements of Comprehensive Income		
	2013	2012 [As Restated – see Note 2.2 (a)]	2011 [As Restated – see Note 2.2 (a)]	2013	2012 [As Restated – see Note 2.2 (a)]	2011 [As Restated – see Note 2.2 (a)]
Changes in deferred tax assets:						
Retirement benefit obligation	(P 16,324,502)	(P 3,803,359)	(P 666,218)	P –	P –	P –
Allowance for impairment of receivables	89,669	(9,176,972)	–	–	–	–
Accrued rental expense	8,723,634	(15,667,568)	32,588	–	–	–
NOLCO	(2,659,649)	2,881,547	1,260,059	–	–	–
MCIT	(122,605)	(651,213)	–	–	–	–
Others	8,128,048	(8,538,935)	(133,459)	–	–	–
Changes in deferred tax liabilities:						
Uncollected gross profit	1,178,147,317	560,670,959	1,487,033,750	–	–	–
Capitalized interest	142,511,478	181,883,005	341,878,304	–	–	–
Unrealized foreign currency loss	(294,955,326)	–	–	–	–	–
Retirement benefit obligation	(38,743,082)	(59,377,352)	(11,887,392)	8,099,039	(12,731,985)	(47,840,788)
Difference between tax reporting base and financial reporting base of:						
Investment property	(1,605,411)	56,368,504	(38,648,833)	–	–	–
Property and equipment	251,430	270,230	270,771	–	–	–
Translation adjustments	–	–	–	15,271,852	(70,795,068)	(3,842,636)
Uncollected rental income	(43,066,222)	50,137,713	76,840,485	–	–	–
Bond issuance cost	13,255,384	(3,153,760)	23,908,448	–	–	–
Share options	(9,114,636)	–	–			
Others	19,683,498	(12,085,801)	(11,171,037)	–	–	–
	964,199,025	739,756,998	1,868,717,466	23,370,891	(83,527,053)	(51,683,424)
Effect of consolidation of EELHI, SPI and GPMAI	–	–	(1,129,384,994)	–	–	–
Deferred Tax Expense (Income)	P 964,199,025	P 739,756,998	P 739,332,472	P 23,370,891	(P 83,527,053)	(P 51,683,424)

No deferred tax liability has been recognized on the accumulated equity in net earnings of associates. The Group has no liability for tax should the amounts be declared as dividends since dividend income received from domestic corporation is not subject to income tax.

Majority of the entities within the Group are subject to the MCIT which is computed at 2% of gross income, as defined under the tax regulations. The details of MCIT paid by certain subsidiaries, which can be applied as deduction from their respective future RCIT payable within three years from the year the MCIT was incurred, are shown below.

Subsidiaries	Year incurred	Amount	Valid Until
MLI	2013	P 272,525	2016
	2012	312,872	2015
	2011	308,076	2014
MNPHI	2011	187,256	2014
OPI	2013	246,256	2016
	2012	168,093	2015
	2011	120,805	2014
WGPI	2013	112,883	2016
	2012	124,216	2015
	2011	124,272	2014
PIPI	2013	2,744	2016
	2012	2,744	2015
	2011	2,744	2014
GPMAI	2013	40,728	2016
	2012	1,773	2015
	2011	1,114	2014
MCPI	2013	1,403,798	2016
	2012	1,376,223	2015
	2011	519,955	2014

The details of NOLCO incurred by certain subsidiaries, which can be claimed as deduction from their respective future taxable income within three years from the year the loss was incurred, are shown below.

Subsidiaries	Year incurred	Amount	Valid Until
MCPI	2011	P 11,471,042	2014
WGPI	2013	21,382,586	2016
	2012	18,450,002	2015
	2011	12,854,154	2014
GPMAI	2013	1,670,920	2016
	2012	2,347,098	2015
	2011	4,847,477	2014
LGHLI	2013	886,544	2016
LCCI	2013	9,870	2016
	2012	3,947,707	2015

Certain subsidiaries within the Group did not recognize the deferred tax assets on their MCIT and NOLCO as realization of such amounts is uncertain.

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The aggregated amounts of assets, retained earnings (deficit), revenues and net profit (loss) of the subsidiaries which incurred NOLCO are as follows:

	Assets	Retained Earnings (Deficit)	Revenues	Net Profit (Loss)
2013				
WGPI	P 91,551,376	(P 52,900,053)	P 7,142,418	(P 21,490,342)
MCPI	201,160,599	(118,893,484)	117,088,798	15,479,698
GPMAI	606,925,270	279,435,260	6,100,708	(10,390,560)
LGHLI	625,000	(886,544)	-	(886,544)
LCCI	54,625,726	(3,717,192)	70,787,071	151,607
	P 954,887,971	**P 103,037,987**	**P 201,118,995**	**(P 17,136,141)**
2012				
WGPI	P 85,055,102	(P 21,409,711)	P 7,024,800	(P 50,454,500)
MCPI	148,594,849	(134,373,182)	116,741,133	13,341,848
GPMAI	617,315,052	318,325,820	13,240,559	(93,998,746)
LCCI	43,567,420	(3,868,799)	45,398,766	(3,868,799)
	P 894,532,423	P 158,674,128	P 182,405,258	(P 134,980,197)

Except for certain subsidiaries, management has assessed that the net losses incurred, as well as the related NOLCO, can be recovered through future operations and are not significant to the overall financial condition and financial performance of the Group.

In 2013, 2012 and 2011, the Group opted to continue claiming itemized deductions, except for MDC which opted to use OSD in those years, in computing for its income tax due.

ECOC and SEDI are registered with Philippine Economic Zone Authority (PEZA) pursuant to Presidential Proclamation No. 191 dated October 6, 1999. As PEZA-registered entities, ECOC and SEDI are entitled to a preferential tax rate of 5% on gross income earned from registered activities, in lieu of all local and national taxes, and to other tax privileges.

In November 2011, the Board of Investments approved SPI's application for registration on a certain project. SPI shall be entitled to income tax holiday for three years from November 2011 or actual start of commercial operations/selling, whichever is earlier but in no case earlier than the date of registration, with certain terms.

23. RELATED PARTY TRANSACTIONS

The Group's related parties include the parent company, associates, the Group's key management and other related parties under common ownership as described below. Transactions with related parties are also discussed below and in the succeeding pages.

The summary of the Group's transactions with its related parties as of and for the years ended December 31, 2013 and 2012 are as follows:

Related Party Category	Notes	2013 Amount of Transaction	2013 Outstanding Balance	2012 Amount of Transaction	2012 Outstanding Balance
Parent Company:					
Issuance of shares	24.2	**P 10,725,000,000**	**P -**	P -	P -
Dividend income	19	**55,359,121**	**-**	53,549,026	-
Dividends paid	24.4	**(412,228,484)**	**-**	(299,741,330)	-
Exercise of share warrants	24.2	**-**	**-**	2,585,362,642	-
Investments in equity securities:					
FVTPL	23.5	**90,400,000**	**258,000,000**	64,200,000	167,600,000
AFS	23.5	**671,968,472**	**3,739,513,754**	665,038,941	3,067,545,282
Associates:					
Sale of land (collection)	23.1	**(592,037,899)**	**576,701,882**	2,100,814,973	1,168,739,781
Dividend income	10	**743,991,000**	**129,921,000**	-	-
Rendering of services	23.1	**33,623,683**	**30,866,479**	28,655,442	1,991,972
Granting of advances	23.3	**31,042,122**	**1,091,482,696**	37,288,275	1,060,440,574
Availment (payment) of advances	23.4	**(21,126,007)**	**29,373,408**	47,509,568	50,559,415
Redemption of preferred shares	10	**-**	**-**	428,410,000	-
Related Parties Under Common Ownership:					
Granting (collection) of advances	23.3	**883,189,056**	**1,716,733,924**	(703,479,269)	833,544,868
Availment (payment) of advances	23.4	**(550,930,714)**	**91,114,421**	434,852,539	642,045,135
Lease of property		**9,223,864**	**148,175**	21,283,194	1,123,111
Availment of services	23.2	**-**	**-**	141,474,682	96,390,635

The Group's outstanding receivables from and payables to related parties arising from the above transactions are unsecured and noninterest-bearing.

None of the companies under the Group is a joint venture. The Company is not subject to joint control and none of its related parties exercise significant influence over it.

23.1 Sale of Land and Rendering of Services to Related Parties

	Amount of Transactions 2013	2012	2011
Associates	**P 33,623,683**	P 2,129,470,415	P 1,626,503,151
Other related parties under common ownership	**9,223,864**	21,283,194	14,085,487
	P 42,847,547	P 2,150,753,609	P 1,640,588,638

Sale of Land and Rendering of Services to Related Parties are usually on a cost-plus basis, allowing a certain margin agreed upon by the parties.

In 2012, the Company sold to an associate parcels of land with a total contract price of P2.2 billion collectible in installments. Outstanding balance related to these transactions amounted to P0.6 billion and P1.2 billion as at December 31, 2013 and 2012.

In 2010, the same associate entered into a Management Agreement with the Company, who will provide management services for the overall administration of the associate's leasing operations for a fee, which is based on certain rates of collection plus commission. Total payments received from the associate amount to P4.8 million in 2013 and P42.0 million in 2012.

There were no impairment losses recognized on the resulting from the above transactions.

23.2 Obtaining Services from Related Parties

	Amount of Transactions 2013	2012	2011	Outstanding Balances 2013	2012
Other related parties under common ownership	**P -**	P 141,474,682	P 109,239,723	P -	P 96,390,635

Services obtained are usually on a cost-plus basis, allowing a margin ranging from 10% to 20%. There are no outstanding payables for services obtained from the associates as at December 31, 2013 and 2012. The outstanding balances of payable to other related parties under common ownership pertain to unpaid commissions presented as part of Advances from Other Related Parties in the consolidated statements of financial position (see Note 23.4).

23.3 Advances to Associates and Other Related Parties

Associates and other related parties under common ownership are granted noninterest-bearing and unsecured advances by the Company and other entities in the Group with no repayment terms for working capital purposes. These are generally collectible in cash on demand, or through offsetting arrangements with the related parties.

The outstanding balances of Advances to Associates and Other Related Parties shown as part of Investments in and Advances to Associates and Other Related Parties in consolidated statements of financial position (see Note 10) are as follows:

	2013	2012
Advances to associates:		
PTHDC	**P 1,004,507,999**	P 1,004,534,615
GERI	**86,768,037**	-
TLC	**206,660**	37,415,119
SHDI	**-**	18,490,840
	1,091,482,696	1,060,440,574

December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

	2013	2012
Advances to other related parties:		
Landmark Seaside	1,089,237,459	-
Asia's Finest Cuisine, Inc.	123,037,638	117,080,720
Citylink Coach Services, Inc.	46,307,892	26,285,973
GERI	-	6,449,325
Other related parties under common ownership	458,150,935	683,728,850
	1,716,733,924	833,544,868
	P 2,808,216,620	P 1,893,985,442

The movements in advances to associates and other related parties are as follows:

	2013	2012
Balance at beginning of year	P 1,893,985,442	P 2,560,176,436
Additions	1,259,535,008	26,969,408
Repayments	(345,303,830)	(693,160,402)
Balance at end of year	P 2,808,216,620	P 1,893,985,442

Advances to other related parties pertain to advances granted to entities under common ownership of the parent company. No impairment losses on the advances to associates and other related parties were recognized in 2013, 2012 and 2011 based on management's assessment.

23.4 Advances from Associates and Other Related Parties

Certain expenses of the entities within the Group are paid by other related parties on behalf of the former. The advances are noninterest-bearing, unsecured and with no repayment terms and are generally payable in cash on demand, or through offsetting arrangements with the related parties. The outstanding balances from these transactions are presented as Advances from Other Related Parties account in the consolidated statements of financial position and are broken down as follows:

	2013	2012
TIHGI	P 12,498,408	P 50,559,415
MGEI	16,875,000	-
Other related parties under common ownership	91,114,421	642,045,135
	P 120,487,829	P 692,604,550

The movements in advances from other related parties are as follows:

	2013	2012
Balance at beginning of year	P 692,604,550	P 210,242,443
Additions	18,194,551	482,362,107
Repayments	(590,311,272)	-
Balance at end of year	P 120,487,829	P 692,604,550

23.5 Investments in Equity Securities

The Group's equity securities mainly consist of investment in shares of Parent Company. The fair value of these securities has been determined directly by reference to published prices in active market. Movements and the related fair value gains or losses on these investments are shown and discussed in Notes 7 and 8.

23.6 Key Management Personnel Compensation

The Group's key management personnel compensation includes the following:

	2013	2012	2011
Short-term benefits	P 130,245,735	P 93,436,092	P 78,370,241
Post-employment benefits	18,949,576	14,893,828	9,974,137
Share option expense	30,382,120	-	-
	P 179,577,431	P 108,329,920	P 88,344,378

23.7 Post-employment Plan

The Group has a formal retirement plan established separately for the Company and each significant subsidiary, particularly EELHI, SPI and PHRI. The Group's retirement fund for its defined benefit post-employment plan is administered and managed by a trustee bank. The fair value and the composition of the plan assets as of December 31, 2013 and 2012 are presented in Note 21.3.

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

The details of the contributions of the Company to the plan are also presented in Note 21.3.

24. EQUITY

Capital stock consists of:

	Shares			Amount		
	2013	2012	2011	2013	2012	2011
Preferred shares Series A – P0.01 par value						
Authorized	6,000,000,000	6,000,000,000	6,000,000,000	P 60,000,000	P 60,000,000	P 60,000,000
Issued and outstanding	6,000,000,000	6,000,000,000	6,000,000,000	P 60,000,000	P 60,000,000	P 60,000,000
Common shares – P1 par value						
Authorized	40,140,000,000	30,140,000,000	30,140,000,000	P 40,140,000,000	P 30,140,000,000	P 30,140,000,000
Issued and outstanding:						
Balance at beginning of year	28,878,862,985	25,769,203,626	25,769,203,626	P 28,878,862,985	P 25,769,203,626	P 25,769,203,626
Issuance during the year	3,221,812,120	3,109,659,359	-	3,221,812,120	3,109,659,359	-
Balance at end of year	32,100,675,105	28,878,862,985	25,769,203,626	P 32,100,675,105	P 28,878,862,985	P 25,769,203,626

On June 15, 1994, the PSE approved the listing of the Company's common shares totaling 140,333,333. The shares were initially issued at an offer price of P4.8 per common share. As at December 31, 2013 there are 2,690 holders of the listed shares, which closed at P3.24 per share as of that date.

The following also illustrates the additional listings made by the Company: May 23, 1996 – 1.6 billion; January 8, 1997 – 2.1 billion; November 23, 1998 – 2.0 billion; August 19, 1999 – 3.0 billion; October 12, 2005 – 7.0 billion; November 21, 2006 – 10.0 billion; July 17, 2007 – 3.9 billion. The Company also listed a total of 3.1 billion shares in 2012 and 0.7 billion shares in 2013.

24.1 Preferred Shares Series "A"

The preferred shares are voting, cumulative, non-participating, non-convertible and non-redeemable with a par value of P0.01 per share. The shares earn dividends at 1% of per annum cumulative from date od issue. Dividends paid on cumulative preferred shares amounted to P600,000 in 2013 and 2012.

24.2 Common Shares

On May 23, 2013, the Company's BOD approved a P10.0 billion increase in authorized capital stock (ACS) consisting of 10 billion shares with par value of P1.0 per share. On November 20, 2013 the SEC approved the P10.0 billion increase in ACS, of which 2.5 billion shares were subscribed and paid by AGI at the price of P4.29 per share for a total subscription price of P10.73 billion.

On April 28, 2009, the Company offered 5,127,556,725 common shares, by way of pre-emptive share rights offering, to eligible existing common shareholders at the rate of one right for every four common shares held as of May 4, 2009 at an exercise price of P1 per share. Moreover, shareholders were given four additional share warrants for every five share rights subscribed. For every share warrant, shareholders can avail of one common share at P1 per share.

As a result of the share rights offering, 5,127,556,725 common shares were subscribed and issued on June 1, 2009. Of the total exercise price, 50% was paid as of May 31, 2009 and the remaining 50% was paid by the subscribers in 2010. Relative to the share subscription, 4,102,045,380 share warrants were issued and these will be exercisable beginning on the second year until the fifth year from issue date.

Out of the Company's 4,102,045,380 share warrants, 721,812,120 and 3,109,659,359 warrants were exercised at P1 per share in 2013 and 2012, respectively. The remaining warrants are exercisable until 2015.

24.3 Additional Paid-in Capital

The APIC pertains to the excess of the total proceeds received from the Company's shareholders over the total par value of the common shares. APIC amounting to P8.2 billion was recognized during the year arising from the subscription of AGI (see Note 24.2). There were no movements in the Company's APIC accounts in 2012 and 2011.

24.4 Cash Dividends

The details of the Company's cash dividend declarations, both for preferred and common shares, are as follows:

	2013	2012	2011
Declaration date/date of approval by BOD	**July 3, 2013**	June 14, 2012	June 16, 2011
Date of record	**July 17, 2013**	June 29, 2012	July 6, 2011
Date paid	**August 12, 2013**	July 25, 2012	July 29, 2011
Amounts declared and paid	**P 1,030,083,639**	P 839,193,763	P 599,265,803

24.5 Treasury Shares

In 2008, the Company's BOD approved the buy-back of shares of up to P2.0 billion worth of common shares in the open market at prevailing market prices. The share buy-back program is made through the trading facilities of the PSE and the funds used for the buy-back were taken from internally-generated funds. As at December 31, 2013, the Company reacquired 131.4 million shares at a total cost of P118.6 million.

This account also includes the Company's common shares held and acquired by RHGI and GPMAI. The number of treasury common shares aggregated to 537.4 million as of December 31, 2013. The changes in market values of these shares, recognized as fair value gains or losses, were eliminated in full and not recognized in the consolidated financial statements.

In 2011, after being held as an associate in 2010, GPMAI was consolidated back through EELHI and, accordingly, the cost of the treasury shares held by GPMAI as of December 31, 2011 amounting to P555.1 million was included back to Treasury Shares. In 2012, GPMAI was deconsolidated by EELHI and, thus, became an associate of both the Company and EELHI in that year; hence, the same cost of the treasury shares held by GPMAI was deducted from the balance of Treasury Share account. In 2013, however, GPMAI became a subsidiary again of the Company through increase in ownership in EELHI. As at December 31, 2013, the treasury shares held by GPMAI were already sold to third party.

A portion of the Company's retained earnings is restricted for dividend declaration up to the cost of treasury shares as of the end of the reporting period.

24.6 ESOP

On April 26, 2012, the Company's BOD approved an ESOP for the Company's key executive officers, and on June 15, 2012, the shareholders adopted it.

The options shall generally vest on the 60th birthday of the option holder and may be exercised until the date of his/her retirement from the Group. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Company's shares for nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2012, the Company granted share options to certain key executives to subscribe to 245.0 million common shares of the Company, at an exercise price of P1.77 per share.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

Average option life	15.52 years
Average share price at grant date	P 2.71
Average exercise price at grant date	P 1.86
Average standard deviation of share price returns	9.60%
Average dividend yield	0.48%
Average risk-free investment rate	3.60%

The underlying expected volatility was determined by reference to historical date of the Company's shares over a period of time consistent with the option life.

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A total of P30.4 million share option benefits expense is recognized and presented as part of Salaries and Employee Benefits in the 2013 consolidated statement of comprehensive income with a corresponding credit to Retained Earnings account (see Note 21).

25. EARNINGS PER SHARE

Earnings per share (EPS) amounts were computed as follows:

	2013	2012 [As Restated – see Note 2.2 (a)]	2011 [As Restated – see Note 2.2 (a)]
Net profit attributable to Company's shareholders	**P 8,970,664,010**	P 7,298,865,167	P 8,033,925,719
Dividends on cumulative preferred shares series "A"	**(600,000)**	(600,000)	(600,000)
Profit available to Company's common shareholders	**P 8,970,064,010**	P 7,298,265,167	P 8,033,325,719
Divided by weighted average number of outstanding common shares	**29,131,044,450**	25,970,748,295	25,149,519,186
Basic EPS	**P 0.308**	P 0.281	P 0.319
Divided by weighted average number of outstanding common shares and potential dilutive shares	**29,440,788,285**	26,519,609,839	25,149,519,186
Diluted EPS	**P 0.305**	P 0.275	P 0.319

There were no outstanding convertible preferred shares and bonds or other shares equivalents that may be considered as potential dilutive common shares as of December 31, 2011. The potential dilutive common shares as of December 31, 2013 and 2012 relating to the unexercised shares warrants were considered in the computation of diluted EPS totaling 270,573,885 and 992,386,005, respectively (see Note 24.2). In 2013, the potentially dilutive share options of 245,000,000 shares were also considered in the computation (see Note 24.6).

26. COMMITMENTS AND CONTINGENCIES

26.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several non-cancellable operating leases covering real estate properties for commercial use (see Note 11). The leases have terms ranging from 3 to 20 years, with renewal options, and include annual escalation rates of 5% to 10%. The average annual rental covering these agreements amounts to about P7.0 billion for the consolidated balances. Future minimum lease payments receivable under these agreements are as follows:

	2013	2012	2011
Within one year	**P 5,709,494,083**	P 5,043,673,839	P 4,144,019,854
After one year but not more than five years	**29,646,014,378**	25,817,849,759	21,253,587,459
More than five years	**9,365,860,586**	8,144,777,814	6,704,886,317
	P 44,721,369,047	P 39,006,301,412	P 32,102,493,630

26.2 *Operating Lease Commitments – Group as Lessee*

The Group is a lessee under several non-cancellable operating leases covering condominium units for administrative use. The leases have terms ranging from 1 to 11 years, with renewal options, and include a 5% to 10% annual escalation rate. The average annual rental covering these agreements amounts to about P28.0 million for the consolidated balances. The future minimum rental payables under these non-cancelable leases as at December 31, are as follows:

	2013	2012	2011
Within one year	P 61,865,533	P 35,901,531	P 19,395,713
After one year but not more than five years	99,110,534	58,183,558	41,710,168
More than five years	3,697,674	7,395,348	11,093,022
	P 164,673,741	P 101,480,437	P 72,198,903

26.3 *Others*

As at December 31, 2013, EELHI has unused lines of credit amounting to P670.0 million. There are other commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements.

27. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at FVTPL, AFS securities, interest-bearing loans and borrowings, bonds payable, trade receivables and payables which arise directly from the Group's business operations. The financial liabilities were issued to raise funds for the Group's capital expenditures.

The Group does not actively engage in the trading of financial assets for speculative purposes.

27.1 *Foreign Currency Sensitivity*

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise mainly from the Group's U.S. dollar-denominated cash and cash equivalents and bonds payable which have been used to fund new projects and to refinance certain indebtedness for general corporate purposes.

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

	2013		2012	
	U.S. Dollars	Pesos	U.S. Dollars	Pesos
Financial assets	$ 250,877,944	P 11,142,493,014	$ 172,024,451	P 7,086,031,183
Financial liabilities	(446,406,588)	(19,826,702,190)	(207,848,467)	(8,561,694,049)
	($ 195,528,644)	(P 8,684,206,176)	($ 35,824,016)	(P 1,475,662,866)

The following table illustrates the sensitivity of the consolidated net results for the year with regards to the Group's financial assets and financial liabilities as shown previously and the U.S. dollar – Philippine peso exchange rate:

Increase (decrease) in exchange rate	Effect on consolidated profit before tax 2013	2012
P1	(P 195,528,644)	(P 35,824,016)
(P1)	195,528,644	35,824,016

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions and mainly affect consolidated profit or loss of the Group. There are no material exposures on foreign exchange rate that affect the Group's other comprehensive income (loss). Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

27.2 *Interest Rate Sensitivity*

The Group interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. The Group maintains a debt portfolio unit of both fixed and floating interest rates. These long-term borrowings and other financial assets and liabilities are subject to variable interest rates.

The Group's ratio of fixed to floating rate debt stood at 33.46:1.00, 16.24:1.00, and 12.85:1.00 as of December 31, 2013, 2012 and 2011, respectively.

The following table illustrates the sensitivity of the consolidated net result for the year and consolidated equity to a reasonably possible change in floating interest rates of +1% and -1% in 2013 and 2012. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant.

	2013		2012	
	+1%	-1%	+1%	-1%
Consolidated net results for the year	(P 10,143,192)	P 10,143,192	(P 9,438,380)	P 9,438,380
Consolidated equity	(7,100,234)	7,100,234	(6,606,866)	6,606,866

27.3 *Credit Risk*

Generally, the Group's credit risk is attributable to trade receivables, rental receivables and other financial assets. The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

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

	Notes	2013	2012
Cash and cash equivalents	5	P 31,751,905,645	P 26,826,715,439
Trade and other receivables	6	41,376,845,105	37,862,563,504
Advances to associates and other related parties	10, 23.3	2,808,216,620	1,893,985,442
AFS debt securities	8	-	552,317,041
Guarantee and other deposits	13	435,979,746	295,356,231
		P 76,372,947,116	P 67,430,937,657

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

(a) Cash and Cash Equivalents

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

(b) Trade and Other Receivables

All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regard to Trade and Other Receivables as the amounts recognized resemble a large number of receivables from various customers. Certain receivables from trade customers are covered by post-dated checks. Certain past due accounts are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer. The title to the real estate properties remains with the Group until the receivables are fully collected.

Some of the unimpaired trade receivables are past due as at the end of the reporting period. The trade receivables that are past due but not impaired are as follows:

	2013	2012
Not more than 3 months	P 834,613,327	P 841,118,917
More than 3 months but not more than 6 months	336,909,454	670,846,015
More than 6 months but not more than one year	213,183,360	207,286,843
More than one year	103,451,337	45,793,567
	P 1,488,157,478	P 1,765,045,342

27.4 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week, as well as on the basis of a rolling 30-day projection. Long-term needs for a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2013 and 2012, the Group's financial liabilities have contractual maturities which are presented below.

	2013			
	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later 5 Years
Interest-bearing loans and borrowings	P 715,571,483	P 849,151,835	P 2,235,181,916	P -
Trade and other payables	2,798,996,863	4,399,376,243	-	-
Bonds payable	-	-	13,782,856,018	11,043,846,172
Advances from associates and other related parties	-	-	120,487,829	-
	P 3,514,568,346	P 5,248,528,078	P 16,138,525,763	P 11,043,846,172

	2012			
	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later 5 Years
Interest-bearing loans and borrowings	P 793,797,200	P 793,797,200	P 4,910,569,540	P -
Trade and other payables	2,662,082,166	5,237,935,146	-	-
Bonds payable	-	-	5,000,000,000	8,556,628,075
Advances from associates and other related parties	-	-	692,604,550	-
	P 3,455,879,366	P 6,031,732,346	P 10,603,174,090	P 8,556,628,075

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the reporting dates.

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27.5 Other Price Risk Sensitivity

The Group's market price risk arises from its investments carried at fair value (financial assets classified as FVTPL and AFS). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, the observed volatility rates of the fair values of the Group's investments held at fair value is determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. Their impact on the Group's consolidated net profit and consolidated equity as at December 31, 2013 and 2012 are summarized as follows:

	Observed Volatility Rates		Impact of Increase		Impact on Decrease	
	Increase	Decrease	Net Profit	Equity	Net Profit	Equity
2013						
Investment in equity securities in a holding company	+73.12%	-73.12%	P 188,649,600	P 2,734,332,457	(P 188,649,600)	(P 2,734,332,457)
2012						
Investment in equity securities in a holding company	+49.09%	-49.09%	P 82,274,840	P 1,234,725,543	(P 82,274,840)	(P 1,234,725,543)

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

28. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

28.1 Carrying Amounts and Fair Values by Category

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

	Notes	2013 Carrying Values	2013 Fair Values	2012 Carrying Values	2012 Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	5	P 31,751,905,645	P 31,751,905,645	P 26,826,715,439	P 26,826,715,439
Trade and other receivables - net	6	41,376,845,105	41,376,845,105	37,862,563,504	37,862,563,504
Advances to associates and other related parties	10	2,808,216,620	2,808,216,620	1,893,985,442	1,893,985,442
Guarantee and other deposits	13	435,979,746	435,979,746	295,356,231	295,356,231
		P 76,372,947,116	P 76,372,947,116	P 66,878,620,616	P 66,878,620,616
Financial assets at FVTPL	7	P 258,000,000	P 258,000,000	P 167,600,000	P 167,600,000
AFS securities:	8				
Equity securities		P 3,928,755,091	P 3,928,755,091	P 2,704,469,578	P 2,704,469,578
Debt securities		-	-	552,317,041	552,317,041
		P 3,928,755,091	P 3,928,755,091	P 3,256,786,619	P 3,256,786,619

	Notes	2013 Carrying Values	2013 Fair Values	2012 Carrying Values	2012 Fair Values
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	14	**P 3,799,905,234**	**P 3,799,905,234**	P 6,498,163,850	P 6,498,163,850
Bonds payable	15	**24,826,702,190**	**24,826,702,190**	13,556,628,075	13,556,628,075
Trade and other payables	16	**7,198,373,106**	**7,198,373,106**	7,900,017,312	7,900,017,312
Advances from other related parties	23.4	**120,487,829**	**120,487,829**	692,604,550	692,604,550
		P 35,945,468,359	**P 35,945,468,359**	P 28,647,413,787	P 28,647,413,787

See Notes 2.5 and 2.10 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 27.

28.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments in 2013 and 2012 and does not have relevant offsetting arrangements, except as disclosed in Notes 23.3 and 23.4. Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and shareholders. As such, the Group's outstanding receivables from and payables to the same related parties can be potentially offset to the extent of their corresponding outstanding balances.

29. FAIR VALUE MEASUREMENT AND DISCLOSURES

29.1 Fair Value Hierarchy

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

a.) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

b.) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices); and,

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

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

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

29.2 Financial Instruments Measurement at Fair Value

The table below shows the fair value hierarchy of the Group's investments in financial assets at FVTPL and AFS Securities measured at fair value in the statements of financial position on a recurring basis as at December 31, 2013 and 2012 (see Note 7 and 8).

	Level 1	Level 2	Level 3	Total
2013				
Equity securities:				
Financial assets at FVTPL	P 258,000,000	P -	P -	P 258,000,000
AFS securities	3,739,513,754	-	189,241,337	3,928,755,091
	P 3,997,513,754	**P -**	**P 189,241,337**	**P 4,186,755,091**
2012				
Equity securities:				
Financial assets at FVTPL	P 167,600,000	P -	P -	P 167,600,000
AFS securities	2,515,228,241	-	189,241,337	2,704,469,578
Debt securities - AFS securities	552,317,041	-	-	552,317,041
	P 3,235,145,282	P -	P 189,241,337	P 3,424,386,619

Notes to Consolidated Financial Statements
December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

The Company has no financial liabilities measured at fair value as at December 31, 2013 and 2012.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

Described below are the information about how the fair values of the Company's classes of financial assets are determined.

a) Equity securities

As at December 31, 2013 and 2012, instruments included in Level 1 comprise equity securities classified as financial assets at FVTPL and AFS financial assets. These securities were valued based on their market prices quoted in the Philippines Stock Exchange at the end of each reporting period.

Moreover, equity security held in certain investee companies are included in Level 3 since its market value is not quoted in an active market, hence, measured by reference to the fair value of a comparable instrument adjusted for inputs internally developed by management to consider the differences in corporate profile and historical performance of the entity.

b) Debt securities

The fair value of the Company's debt securities which consist of corporate bonds is estimated by reference to quoted bid price in active market (i.e., Frankfurt Exchange) at the end of the reporting period and is categorized within Level 1.

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

The Company's financial assets which are not measured at fair value in the 2013 statement of financial position but for which fair value is disclosed include cash and cash equivalents, which are categorized as Level 1, and trade and other receivables, advances to associates and other related parties and guarantee deposits which are categorized as Level 3 Financial liabilities which are not measured at fair value but for which fair value is disclosed pertain to interest-bearing loans and borrowings, bonds payable, trade and other payables and advances from associates and other related parties which are categorized under Level 3.

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

29.4 Fair Value Investment Property Measured at Cost for which Fair Value is Disclosed

The fair value of the Group's investment property except for investment properties of WGPI (see Note 11) was determined by calculating the present value of the cash inflows anticipated until the life of the investment property using a discount rate of 10%. On the other hand, the fair value of WGPI was determined by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's investment property is their current use.

As at December 31, 2013, the fair value of the Group's investment property is classified within Level 3 of the fair value hierarchy. The Level 3 fair value of the investment property was determined using the income approach which is performed with values derived using a discounted cash flow model. The income approach uses future free cash flow projections and discounts them to arrive at a present value. The discount rate is based on the level of risk of the business opportunity and costs of capital. The most significant inputs into this valuation approach are the estimated annual cash inflow and outgoing expenses, anticipated increase in market rental, discount rate and terminal capitalization rate.

Also, there were no transfers into or out of Level 3 fair value hierarchy in 2013.

30. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using the debt-to-equity ratio.

December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

	2013	2012
Interest-bearing loans and borrowings	P **3,799,905,234**	P 6,498,163,850
Bonds payable	**24,826,702,190**	13,556,628,075
	P **28,626,607,424**	P 20,054,791,925
Total equity	P **101,953,021,825**	P 81,225,926,606
Debt-to-equity ratio	**0.28 : 1.00**	0.25 : 1:00

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for the years presented above.

31. OTHER MATTERS

31.1 Registration with PEZA

ECOC and SEDI are registered with the PEZA. As PEZA registered entities, they are entitled to a preferential tax rate of 5% on gross income earned from their PEZA registered activities, in lieu of all local and national taxes, and to other tax privileges.

31.2 International Organization for Standardization (ISO) Certification

The Company was awarded a Certificate of Registration ISO 9001:1994 effective November 26, 1999 by Certification International Philippines, Inc. effective November 21, 2002, the Company has upgraded its Certification to ISO 9001:2000 series. The scope of the certification covers all areas of the Company's operations, which include planning, design, project management and customer service for its real estate business. Among others, the Company is required to undergo surveillance audits every six months.

31.3 Awards

The Company was recognized by various award-giving bodies in 2013 and 2012 as follows:

2013

- 2013 Corporate Governance Asia's 3rd Asian Excellence Awards – Asia's Best CEO
- 2013 Corporate Governance Asia's 3rd Asian Excellence Awards – Best Investor Relations
- 2013 Corporate Governance Asia's 3rd Asian Excellence Awards – Best CSR
- 2013 Corporate Governance Asia's 9th Corporate Governance Asia Recognition Awards – Asia's Icon on Corporate Governance
- 2013 Alpha Southeast Asia 3rd Annual Southeast Asia's Institutional Investor Corporate Poll
  - Most Organized Investor Relations
  - Best Senior Management IR Support
  - Strong Adherence to Corporate Governance
- 2013 The Asset Excellence in Management and Corporate Governance Awards – Gold award for Investor Relations, Corporation Governance and Financial Performance

2012

- Finance Asia's Best Managed Philippine Company, Best in Investor Relations and Best Mid-Cap Company;
- Corporate Governance Asia's 2nd Asian Excellence Awards- Best Investor Relations;
- Corporate Governance Asia's 8th Corporate Governance Asia Recognition Awards;
- Alpha Southeast Asia 2nd Annual Southeast Asia's Institutional Investor Corporate Poll- Most Organized Investor Relations and Strong Adherence to Corporate Governance.

Corporate Information

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SUBSIDIARIES
Megaworld Land, Inc.
Prestige Hotels and Resorts, Inc.
Mactan Oceanview Properties and Holdings, Inc.
Megaworld Cayman Islands, Inc.
Richmonde Hotel Group International Ltd.
Eastwood Cyber One Corporation
Empire East Land Holdings, Inc. and Subsidiaries
Megaworld Cebu Properties, Inc. (formerly Forbes Town Properties and Holdings, Inc.)
Megaworld Newport Property Holdings, Inc.
Oceantown Properties, Inc.
Piedmont Property Ventures, Inc.
Stonehaven Land, Inc.
Streamwood Property, Inc.
Megaworld-Daewoo Corporation
Megaworld Central Properties, Inc.
Megaworld Resort Estates, Inc.
Megaworld Globus Asia, Inc.
Philippine International Properties, Inc.
Townsquare Development, Inc.
Manila Bayshore Property Holdings, Inc.
Suntrust Properties, Inc.
Lucky Chinatown Cinemas, Inc.
Eastwood Cinema 2000, Inc.
Luxury Global Hotels and Leisure, Inc.
Suntrust Ecotown Developers, Inc.
Woodside Greentown Properties, Inc. (formerly Union Ajinomoto Realty Corporation)
Gilmore Property Marketing Associates, Inc.

ASSOCIATES
Suntrust Home Developers, Inc.
Twin Lakes Corporation
Palm Tree Holdings and Development Corporation
Travellers International Hotel Group, Inc.
Megaworld Global-Estate, Inc.
La Fuerza, Inc.
Global Estate Resorts, Inc.
Resorts World Bayshore City, Inc.

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BANKERS
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Bank of the Philippine Islands
Hong Kong and Shanghai Banking Corporation
Chinatrust Commercial Bank Corporation
Metropolitan Bank & Trust Company
Philippine National Bank
Planters Development Bank
Rizal Commercial Banking Corporation
Standard Chartered Bank
UnionBank of the Philippines

AUDITORS
Punongbayan & Araullo
Grant Thornton International

DATE OF INCORPORATION
August 24, 1989

DATE OF CONVERSION TO A PUBLIC COMPANY
June 15, 1994

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