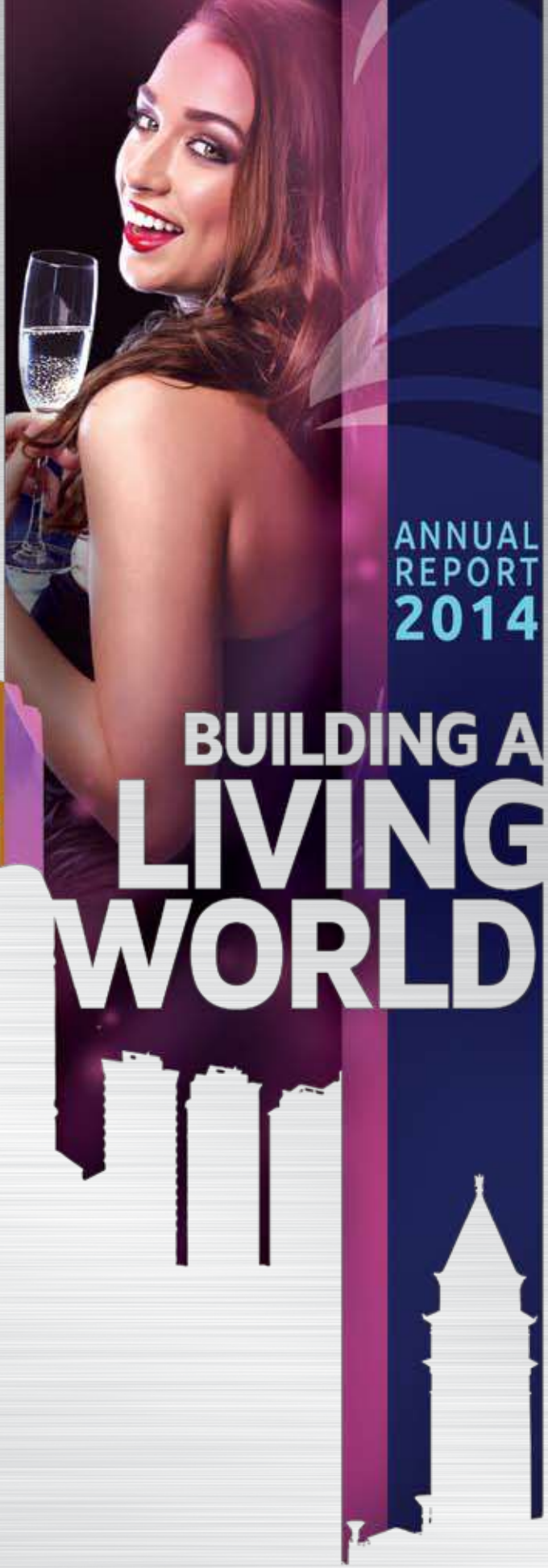

ANNUAL REPORT 2014

BUILDING A LIVING WORLD

MEGAWORLD
BUILDING VISIONS
25 YEARS

...when I think how much
in the past 25 years,
by your

Megaworld has transformed I cannot help but be astonished performance.

His Excellency Benigno S. Aquino III
President of the Philippines
at the Silver Tie Gala celebrating the
25th anniversary of Megaworld,
Pasay City, June 25, 2014

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MEGAWORLD 25 YEARS
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Financial Highlights

Net Income *(in Philippine Pesos)*

9.40B

Rental Income *(in Philippine Pesos)*

7.07B

Consolidated Net Income Growth

13.63%

Woodside City

12.4 HECTARES

Davao Park District

11 HECTARES

Suntrust Ecotown

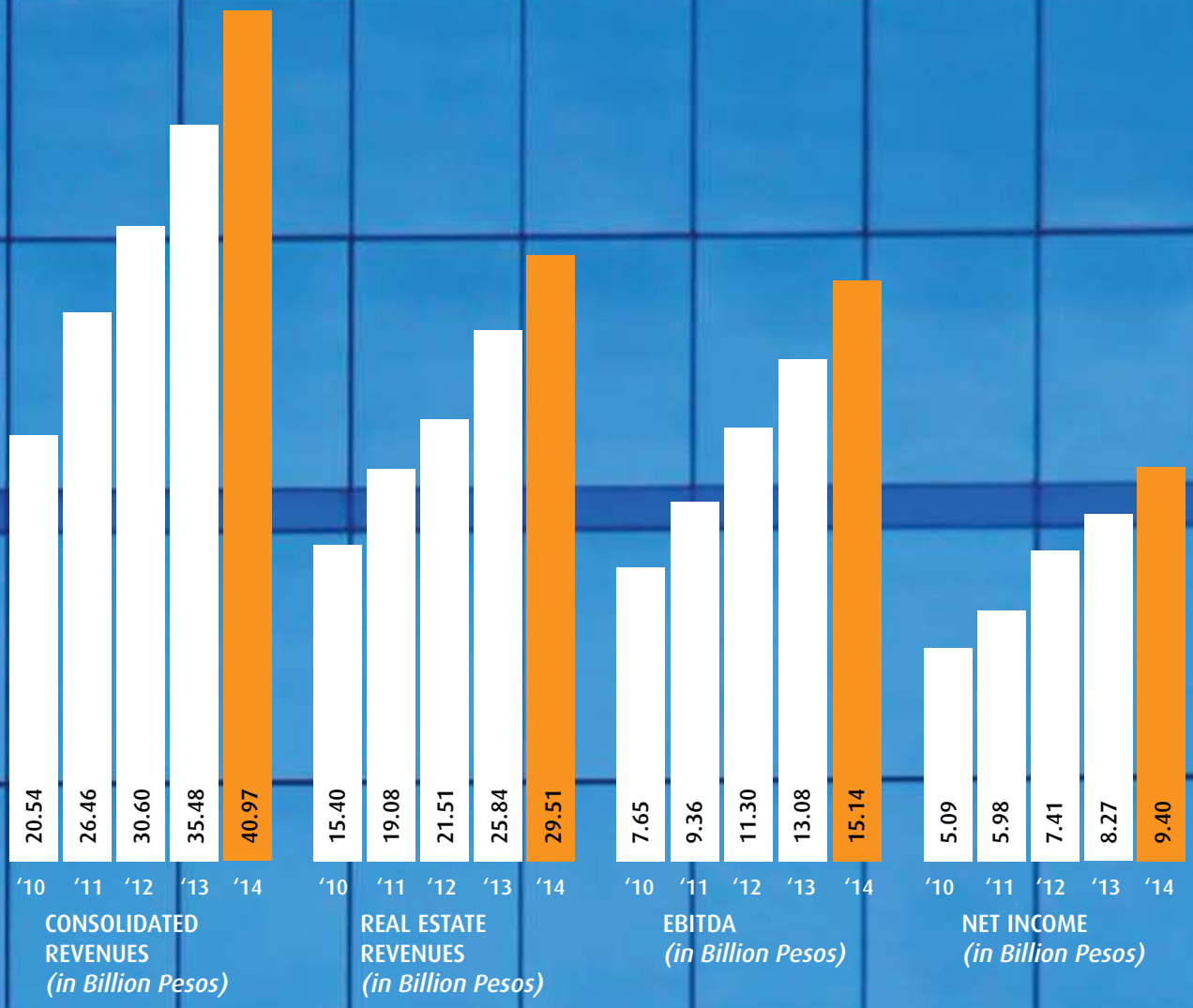
350 HECTARES

Alabang West

62 HECTARES

Southwoods City

561 HECTARES



	2010	2011	2012	2013	2014
Consolidated Revenues	20.54	26.46*	30.60	35.48*	40.97*
Real Estate Revenues	15.40	19.08	21.51	25.84	29.51
EBITDA	7.65	9.36*	11.30	13.08*	15.14*
Net Income	5.09	5.98*	7.41	8.27*	9.40*

All figures are exclusive of non-recurring gains

Chairman's Message

Last year was a milestone year for Megaworld as we marked our 25th year as a company. Our business is thriving on many fronts. It is a testament to the unprecedented expansion of our reach as a brand, and our continued commitment to bring the very best real estate value to people all over the Philippines, which has always been our vision from the very beginning.

Megaworld raked in record earnings, ending 2014 on firm financial footing. Our net income soared 139 percent from the previous year to P21.6 billion, inclusive of a P12.1-billion non-recurring gain. Without the non-recurring gain, our net income grew by 14 percent to P9.4 billion, reflecting an 18 percent annual growth since 2009—when our net income was P4 billion—more than double in a span of only five years.

Our consolidated revenues, excluding the non-recurring gain, grew by 15 percent to P41 billion in 2014. Our real estate sales rose to P24.6 billion, a 16 percent increase year on year, while our rental income reached P7 billion, up by 17 percent.

Meanwhile, our rental income is flourishing in line with our expectations. Sustained growth in Megaworld's office and mall leasable space inventory will provide the momentum needed for us to exceed P10 billion in rental income in 2016.

Last year saw the consolidation of Global-Estate Resorts Inc., Empire East Land Holdings Inc. and Suntrust Properties Inc. under Megaworld. The consolidation has enabled us to fortify our land bank throughout the country. Our current land bank now stands at 4,000 hectares, 80 percent of which has been dedicated to township development.

The aggressive demand for Megaworld's townships has been at the forefront of our remarkable performance, bolstering the company's leadership position in the industry. In fact, we expect to achieve double-digit net income growth every year on the back of a bigger and stronger township portfolio.

To ride this wave of demand, we launched five townships in 2014 alone. These are the 12.4-hectare Woodside City in Pasig City, the 561-hectare Southwoods City along the boundaries of Cavite and Laguna, the 11-hectare Davao Park District in Lanang, Davao City, the 62-hectare Alabang West in Las Piñas City, and the 350-hectare Suntrust Ecotown in Tanza, Cavite.

The company is set to unveil in 2015 five more developments, encompassing a total of about 400 hectares, in the township category. Two are located in Negros Occidental in Western Visayas: The Upper East, which offers 34 hectares, and Northill Gateway, which is 50 hectares in size. The other two townships will rise in Luzon, and the third, in Mindanao. These developments will raise our current township count from 15 to 20 by the end of the year.

Like Megaworld's already-successful counterparts, our new townships are set to offer a diversified real estate portfolio that addresses a similarly diversified market, allowing us to strategically tap into various growth opportunities in the residential, BPO office, retail and commercial segments.

Since the company's establishment in 1989, our rallying cry for growth has continued year after year. In June 1994, after the successful IPO of Megaworld, the market capitalization of the company reached about P2.7 billion. As we celebrated our 25th year anniversary and our 20th year of listing in the Philippine Stock Exchange in 2014, we had already grown by more than 55 times to around P150 billion in terms of market capitalization.

Our milestones in growth have also been evident in the increasing numbers of our workforce, as well as those who have supported us in our journey as a company.

From only five employees when we first started, we currently have 5,500 people employed in the Megaworld group. Meanwhile, over a hundred thousand homebuyers have chosen the Megaworld brand over the past 25 years. Today, there are 126 BPO companies holding offices in our buildings, and more than 1,500 retail partners operating in our different lifestyle malls.

We would like to thank all our shareholders, business partners, employees and customers for sharing in our vision through the years. As Megaworld continues to break old records and set new trends in the Philippine property market, we are motivated to work even harder to maintain our edge as the pioneering township developer, as well as the No.1 residential condominium developer and BPO office developer and landlord in the country.

We are confident that the company will continue to accomplish even greater things through constant innovation, and that everything we have done has laid the foundation to ensure our sustained growth going forward.

Andrew L. Tan
Chairman and President

Milestones

1989

Megaworld Properties & Holdings Inc. was founded by Dr. Andrew L. Tan

1994

Megaworld became a publicly listed company

Megaworld subsidiary Empire East Land Holdings Inc. was formed

1996

Eastwood City was launched as the first Philippine Economic Zone Authority-accredited IT park in the country

2004

McKinley Hill in Fort Bonifacio was launched, becoming Megaworld's largest township in Metro Manila

2005

Newport City was introduced as the country's first integrated leisure and entertainment township

2010

McKinley West was launched in Fort Bonifacio with its high-end residential village breaking records in sales takeup

2011

Uptown Bonifacio was launched as the company's fourth township in Fort Bonifacio

MEGAWORLD 25 YEARS
BUILDING VISIONS

1998

Megaworld became the first property company in the country to set up a global sales network through Megaworld International

MEGAWORLD INTERNATIONAL

1999

Megaworld became the first Philippine property company to be ISO-9001 certified

The company was renamed to Megaworld Corporation

MEGAWORLD CORPORATION

2006

Cityplace was launched as the largest and most modern real estate development in Binondo, Manila

Manhattan Garden City became the country's first transit-oriented community with direct links to MRT-3 and LRT-2

2009

Resorts World Manila opened in Newport City

2012

The Mactan Newtown and Iloilo Business Park were launched, becoming the company's first townships outside Metro Manila

2014

Megaworld acquired majority stake of Global-Estate Resorts Inc., completing the consolidation of all Alliance Global group's real estate companies under Megaworld Corporation

Megaworld entered Mindanao with the launch of Davao Park District

The company's integrated urban townships grew to 15 across the country

GLOBAL-ESTATE

Building Visions for 25 Years through Exceptional Real Estate

Megaworld has a young yet storied history of achievement and innovation. Formed in 1989, the company went head to head with industry giants of the time, carving out its own niche in the market. Twenty-five years later, and as a property giant in its own right, Megaworld is still raising its own bar in delivering real estate excellence and value to its clients, while keeping its trendsetting spirit.

Today, Megaworld continues to lead the industry as the Philippines' No. 1 residential condominium developer, the No. 1 BPO office developer and landlord, and the pioneering developer of townships. Since 1994, the company has already completed more than 340 residential buildings, office towers, commercial centers and world-class hotels with a total floor area of around 6.5 million square meters. It aims to have 20 townships in its portfolio by end-2015.

Among Megaworld's many accomplishments, it is its townships that have truly pushed the envelope. These townships are renowned as master-planned developments that bring together live-work-play-learn components in a single integrated, large-scale setting. It is this complete and value-oriented live-work-play-learn lifestyle that continues to buoy the popularity of the township, making every Megaworld real estate offering a highly covetable investment.

Eastwood City in Quezon City was where Megaworld's footprint as a township developer was first established. Eastwood City became a landmark accomplishment for the company, serving as a model for more township projects through the years. The choice locations of all Megaworld's townships are by no means coincidental. They are factored into the company's astute development strategy, as such locations drive the most growth because of the concentration of business, financial, commercial and cultural activity.

Megaworld may have initially undertaken township development in Metro Manila and the South, but it has since expanded its reach, bringing the benefits of the live-work-play-learn lifestyle to Visayas and Mindanao. In the next few years, residents of Mactan Island in Cebu, Iloilo, Bacolod and Davao can look forward to enjoying Megaworld's very own brand of customized, personalized experiences in the townships in their respective regions.

Dr. Andrew L. Tan's vision of offering Filipinos the very best real estate value continues to be at the core of Megaworld's business after 25 years. It is this vision that constantly encourages the people who live, work, play and learn in the company's townships to pursue their own visions—right in the very communities that have reshaped the country's landscape.


MAXIMS

Eastwood City

LIVE

Eastwood City has 20 existing luxury condominium towers that are home to over 25,000 residents. The two-tower One Eastwood Avenue is the township's latest residential project.

WORK

Megaworld has completed 10 office towers in Eastwood City, now hosting a 60,000-strong workforce in nearly 60 companies. As the first cyber park in the Philippines, Eastwood City has contributed to the unprecedented growth of the country's BPO and IT sectors.

PLAY

The township brings high-end boutiques, specialty shops, restaurants and cinemas together at the four-level Eastwood Mall, which is easily accessible from anywhere in the community. The other two lifestyle malls in the development are City Walk 1 and 2, and the Cyber and Fashion Mall, each offering a different concept.

Launched in 1999, Eastwood City has grown from its initial 15 hectares to the 18.5-hectare development it is today. As Megaworld's pioneering township, it is recognized as the first development to offer Megaworld's signature live-work-play-learn lifestyle concept.

The Eastwood City CyberPark, the township's very own BPO and IT park, is the first of its kind in the country, and the first project to be declared as a special economic zone by PEZA. In the Philippines, the Cyber Park has emerged as the top employer as well as the top dollar earner among over 70 IT special economic zones that cater to BPO firms, IT-based companies and other corporate institutions.

Aside from topnotch offices, Eastwood City hosts the multi-awarded four-level Eastwood Mall. Hailed as the "Best Shopping Center" by the Philippine Retailers Association for the years 2010 and 2012, it offers unique diversions from shopping and dining to recreation.

Upon completion, Eastwood City is envisioned to offer more than 21 high-rise residential towers, with a total of 9,136 condominium units. Over 270,000 square meters are dedicated to office buildings, while 60,000 square meters are allotted for entertainment, commercial and retail spaces.

In the pipeline for Eastwood City are three office towers, all with leasable commercial spaces at the ground level. One tower also showcases residences, aside from offices and retail offerings.

What started as a textile mill plant has now evolved into a township that has set the benchmark in the industry in large-scale, integrated, master-planned development.

TOWNSHIP HIGHLIGHTS

- The Philippines' first-ever township development
- The first cyber park accredited by the Philippine Economic Zone Authority, or PEZA, in the country
- 18.5 hectares
- 20 residential buildings, 10 office towers, three lifestyle malls, over 500 commercial and retail shops

McKinley Hill

LIVE

McKinley Hill offers single-detached homes, townhouses, mid-rise condominiums and high-rise luxury condominiums, all strategically located near offices, commercial establishments and international schools. The township's residential developments include McKinley Hill Village, McKinley Hill Garden Villas, Stamford Executive Residences, Tuscany Private Estate, Woodridge Residences, Morgan Suites Executive Residences, Viceroy, The Venice Luxury Residences and The Florence.

WORK

Composed mainly of international corporate headquarters from the BPO and IT sector, the cyber park can accommodate up to 90 companies. It is currently home to 60 companies with approximately 55,000 employees.

PLAY

Two world-class Venetian-inspired commercial destinations serve as the focal points of McKinley Hill's leisure scene. The fully operational Venice Piazza replicates some of Italy's most iconic landmarks, with flocks of pigeons heightening its European mood. Set to open in 2015 is the 76,000-square-meter Venice Grand Canal Mall, an upscale retail center featuring a man-made canal and a bridgeway. The township offers over 90 restaurants and retail establishments.

LEARN

Topnotch education is made accessible at McKinley Hill with various learning institutions located in the township. The Chinese International School Manila and Korean International School Philippines offer world-class kindergarten, primary and secondary education. Enderun Colleges offers courses such as Hospitality Management and Business, Technology and Entrepreneurship. Meanwhile, business, arts and technology programs are available at the Meridian International College.

Megaworld's biggest township in Metro Manila to date, the 50-hectare McKinley Hill features a Spanish and Italian aesthetic and offers a live-work-play-learn-shop lifestyle concept as it brings together residential, office, learning and commercial components in a single setting.

McKinley Hill is set to complete 36 residential condominium towers with more than 6,600 units. The community also features a 10-hectare upscale village offering 470 premium lots. Around 11,000 residents are set to occupy the residential block.

The McKinley Hill Cyber Park, like the Eastwood City CyberPark, is an economic zone accredited by the Philippine Economic Zone Authority. It offers about 300,000 square meters of office space in 17 buildings. One of these buildings, 8 Campus Place, is recognized as the country's first LEED Gold-certified building for BPO companies.

For the "play" component of the township, McKinley Hill offers Venetian-inspired commercial centers such as the Venice Piazza and the upcoming Venice Grand Canal Mall, bringing residents, employees and other patrons closer to upscale dining and shopping experiences.

International academic institutions at McKinley Hill such as the Chinese International School Manila, Enderun Colleges and the South Korean International School Philippines are located within the township, as are the embassies of Great Britain, South Korea and the United Arab Emirates.

TOWNSHIP HIGHLIGHTS

- 50 hectares
- 36 residential buildings, 10-hectare residential village, 17 office towers, two malls, over 90 commercial and retail shops
- Features three foreign embassies and three international schools
- Home to McKinley Hill Stadium, the country's first world-class football field

Forbes Town Center

LIVE

The condominium projects of Forbes Town Center include the three Bellagio towers, the six towers of Forbeswood Heights, the two Forbeswood Parklane towers and the 53-storey Eight Forbes Town Road Golf View Residences.

WORK

A strategic location brings the residents of Forbes Town Center close to the headquarters of the largest local and multinational companies.

PLAY

Forbes Town Center's vibrant leisure heart is found at Forbes Town Road and Burgos Circle. The township's commercial destinations feature restaurants that offer an option for alfresco dining along tree-lined sidewalks. There are also specialty shops that target enthusiasts and hobbyists.

Forbes Town Center, located in the emerging central business district of Fort Bonifacio, is a P15-billion, 5-hectare township development catering to today's urban professionals. It is one of Megaworld's first townships to rise in the area.

Serving as the township's centerpiece is Forbes Town Road, a retail strip hosting 37 restaurants and shops. Burgos Circle, one of the latest leisure centers to rise at Forbes Town Center, features a small park and commercial and dining establishments that address the diverse lifestyle needs of Forbes Town Center residents as well as employees working in the nearby areas.

Forbes Town Center has 12 high-rise residential condominium buildings to date. With its location next to the Manila Golf and Country Club, the township affords homeowners a panoramic half-kilometer-long view of the golf course.

The green is not the only prestigious destination close to the community. Surrounding it are upscale villages and landmarks such as Forbes Park, Dasmariñas Village and the Manila Polo Club.

TOWNSHIP HIGHLIGHTS

- 5 hectares
- 12 residential buildings, 37 retail establishments
- Offers a prized view of the Manila golf course

McKinley West

LIVE

The township offers private residential estates, beginning with the two-cluster St. Moritz Private Estate. UK-based architectural design consultant Broadway Malyan and various award-winning home innovators are set to pre-furnish each unit of St. Moritz to the highest standards.

WORK

McKinley West features office environments in select locations, with buildings that are modern and sustainable in design.

PLAY

Outdoor recreational areas and restaurant strips at McKinley West offer new gastronomic experiences for diners. A high-end commercial center showcases international brands and an event space designed for the most stylish celebrations.

The 34.5-hectare McKinley West is Megaworld's latest township offering at Fort Bonifacio. Set near Forbes Park and the Manila Polo Club, it offers an upscale lifestyle that rivals its neighbors.

The township's first residential offering is the McKinley West Village. Its prime lots have appreciated in value by as much as 110 percent since the village's launch in 2010. In the pipeline are two luxury residential estates that pay homage to European luxury. Megaworld has partnered with the world's leading European architects, designers as well as the best home innovators to provide these residential estates with the finest interior furnishings, top-of-the-line security features and first-class amenities.

Modern and sustainable office buildings and a chic commercial center, complemented by wide, open spaces and lush greenery, are also part of the township's mixed-use character.

With the expansion of Lawton Avenue into six lanes, residents based in McKinley West enjoy that much more convenience to the metro's key destinations.

TOWNSHIP HIGHLIGHTS

- 34.5 hectares
- Over P45-billion investment; to be developed over the next 10 years
- Inspired by modern and traditional Europe
- Features an upscale residential village, two private estates and world-class office environments

Uptown Bonifacio

LIVE

Uptown Bonifacio's residential condominiums include the 45-storey One Uptown Residences, the two-tower Uptown Parksuites rising 50 and 46 storeys, and the 45-storey, "all-suites" Uptown Ritz.

WORK

The township's business district features state-of-the-art office towers in a defining architectural landscape. The Alliance Global tower, among the first office buildings to rise here, is set to be the future office address of Alliance Global Group, Megaworld's mother company.

PLAY

The Palace, dubbed as the ultimate nightlife destination in the country, is currently the centerpiece of Uptown Bonifacio's play scene. Meanwhile, the Uptown Place mall is slated for completion in 2015. It features world-class cinemas, retail attractions, a glass viewing deck, VIP lounge, chapel and sky deck.

Uptown Bonifacio, a 15.4-hectare master-planned township located in the northern part of Fort Bonifacio, is a joint venture of Megaworld and the Bases Conversion Development Authority.

Inspired by progressive cities around the world including Paris, London, Milan, New York and Tokyo, Uptown Bonifacio elevates Megaworld's signature live-work-play lifestyle to a new level of luxury.

Construction of the township is divided into phases. A total of 500,000 square meters of the development is allotted for residential spaces and 400,000 for offices. Super club The Palace and Uptown Place Mall, along with other leisure offerings, find a home on 90,000 square meters of space at Uptown Bonifacio.

TOWNSHIP HIGHLIGHTS

- 15.4 hectares
- P65-billion investment; to be developed over the next 10 to 20 years
- Inspired by the best cosmopolitan cities of the world
- 500,000 square meters of residential space, 400,000 square meters of office space, 90,000 square meters of commercial and retail space

Newport City

LIVE

Luxury mid-rise condominiums make up Newport City's residential block. These include the 16 buildings of The Residential Resort, set on a sprawling 140,000-square-meter property, The Palmtree Villas and 101 Newport Boulevard with four clusters each, the six-cluster Eighty One Newport Boulevard, the three-cluster The Palmtree Villas Two, and the seven-cluster The Parkside Villas.

WORK

The Newport City Cyber Park is a hub for multinational companies and BPO offices. Its anchor development is Star Cruises Centre, the headquarters of Megaworld affiliate Travellers International and Genting Hong Kong in Manila.

PLAY

Resorts World Manila offers family-friendly, Las Vegas-style recreations. It is home to the four-level Newport Mall, the 1,500-seat Newport Performing Arts Theater, and a casino complex. Newport City also hosts three hotels: the six-star Maxims Hotel, the five-star Manila Marriott Hotel and the budget-friendly Remington Hotel.

LEARN

The Genting-Star Tourism Academy is located at the Star Cruises Centre. It offers hospitality courses and professional training programs.

Nearly a decade after its establishment, Newport City has sealed its reputation as a world-class tourist destination. Its appeal to local and international tourists may be its main draw, but it is comprised of residential enclaves, a cyber park and a globally competitive academic institution that make it every bit a master-planned township.

Upon completion, Newport City is set to offer over 6,260 condominium units. Meanwhile, the Newport City Cyber Park continues to be one of the choicest business addresses for BPO offices, cargo logistics services and other airline-related enterprises due to its proximity to the international airport.

Newport City is known for its entertainment scene, largely anchored on Resorts World Manila. The 25-hectare integrated tourism estate is a joint project of Alliance Global Group Inc. subsidiary Travellers International Hotel Group Inc. and Genting Hong Kong. An upscale shopping mall, a state-of-the-art performing arts theater and a first-class gaming center are all components of Resorts World Manila.

TOWNSHIP HIGHLIGHTS

- 25 hectares
- Home of Resorts World Manila, the country's first integrated tourism estate
- Across from Terminal 3 of the Ninoy Aquino International Airport

The Mactan Newtown

LIVE

The Mactan Newtown features 10 luxury condominium towers. These are the four-tower Eight Newtown Boulevard, the three-tower One Pacific Residences and the three-tower One Manchester Place.

WORK

Results Manila Inc. and EnfraUSA Solutions Inc. currently hold offices at the township's office block. Among the BPO buildings recently completed here are the five-level One World Center with 6,000 square meters of office space, and the six-level Two World Center with 7,000 square meters of office space. Together, these two buildings can accommodate up to 4,000 employees. Eight Newtown Boulevard also offers an office component. Future projects include Pacific Garden Tower and Pacific World Tower.

PLAY

Aside from the Mactan Alfresco, a lifestyle mall and a luxury hotel are among the township's upcoming developments.

LEARN

The Newtown School of Excellence rises on a 7,700-square meter property, showcasing first-rate facilities, open and covered courts, as well as lush greenery.

The Mactan Newtown is Megaworld's first township venture outside Metro Manila, marking the beginning of the company's expansion to urban areas outside Luzon. From an initial 16 hectares, The Mactan Newtown is now 30 hectares in size. Set near the Mactan-Cebu International Airport, the township offers an ideal location suited to businessmen and leisure travelers.

Megaworld's partnership with the Philippine Retirement Authority in 2011 afforded foreign retirees more convenient retirement in the Philippines through the issuance of the Special Resident Retiree's Visa. This led to the takeup of the township's residential offerings, 8 Newtown Boulevard and One Pacific Residence, by mainly Japanese retirees.

In 2012, the township was declared a special economic zone by PEZA. The community is projected to be the next BPO and IT hub in Cebu in the next three to five years. The Mactan Newtown's Cyber Park has 150,000 square meters dedicated to BPO office space.

The core of the township's leisure scene is the Mactan Alfresco. Slated to be fully operational by 2015, the covered food strip features Cebu's delicacies sold in Singapore-inspired hawker-type stalls.

For the community's learning component, The Newtown School of Excellence is set to provide premium education as a joint venture with the Lasallian Schools Supervision Office.

Contributing to The Mactan Newtown's tourism theme are the luxury resorts surrounding it. The township is less than a kilometer away from the former Portofino Beach Resort, an 11.5-hectare beachfront property to be developed by Megaworld. Shangri-La's Mactan Resort & Spa, meanwhile, is less than 2 kilometers away.

TOWNSHIP HIGHLIGHTS

- 30 hectares
- Special economic zone accredited by the Philippine Economic Zone Authority for information technology, tourism and retirement
- 10 residential buildings, 150,000 square meters of office space, new leisure offerings, a school

Iloilo Business Park

LIVE

Launched in 2013, the three-tower One Madison Place offers 417 pre-furnished units. The European-inspired Lafayette Park Square is Megaworld's first themed residential offering in Iloilo Business Park. In the pipeline is the 22-storey The Palladium, which offers 482 pre-furnished units. It is the first residential project in the region to offer sky gardens.

WORK

Around 100,000 square meters of leasable floor space have been set aside for BPO and IT offices at the Iloilo Business Park. In three to five years, it is set to become one of the biggest cyber parks in the country.

PLAY

Among the project's most anticipated attractions is the four-level Festive Walk Mall, Iloilo's first luxury shopping mall. The open-air Festive Walk hosts a mix of restaurants and designer shops.

Following the launch of The Mactan Newtown, Megaworld strategically unveiled its second township in Visayas, this time, in the western region: the 72-hectare Iloilo Business Park. The development is located at the old site of the Iloilo Airport in Mandurriao.

Anchoring the township is the Iloilo Convention Center, a joint venture between Megaworld and the local government. Situated on a 1.7-hectare property, the center aims to transform the region into a tourism, conventions, trade fairs and events venue upon its completion in 2015. The P700-million project can accommodate more than 3,700 people.

Construction of Richmonde Tower, home of Richmonde Hotel Iloilo and a number of BPO offices, is in full swing. On the heels of the four-star, 149-room Richmonde Hotel is the second business hotel to rise in the township, the 15-storey Courtyard by Marriott, which offers 314 rooms and suites.

The Iloilo Business Park has launched three residential condominium developments to date: the three-tower, 10-storey One Madison Place Luxury Residence, the 14-storey Lafayette Park Square, and The Palladium, set to become the tallest building in the region at 22 storeys high.

With the ongoing construction of the Festive Walk Mall, Megaworld is set to offer the first upscale mall in Iloilo. The company is also developing The Street of Festive Walk, a 1.1-kilometer-long retail strip inspired by outlet shops in America. The strip is envisioned to be the longest shop-and-dine street outside of Metro Manila.

TOWNSHIP HIGHLIGHTS

- 72 hectares
- 100,000 square meters of office space
- Home of the Iloilo Convention Center, two luxury business hotels and Iloilo's very first upscale mall

Boracay Newcoast

LIVE

Work is ongoing for residential projects such as Oceanway Residences, a mid-rise, four-cluster, Modern Spanish-style condominium, and The Newcoast Village, an exclusive Mediterranean-inspired community.

PLAY

Tourists and residents are introduced to a myriad of recreational options at Boracay Newcoast. The township's beach and golf course offerings are complemented by the Town Center.

Megaworld, through its subsidiary Global-Estate Resorts Inc., or GERI, has grown its project portfolio by developing integrated, master-planned tourism estates. Among these estates is the 150-hectare Boracay Newcoast in Boracay. It is considered the single largest piece of property in the island, occupying 15 percent of its total land area.

The project's chief attractions are the kilometer-long coastline with three beach coves, a grand plaza called Newcoast Station, and the 18-hole Graham Marsh championship golf course of Fairways & Bluewater.

Initial residential developments include Oceanway Residences and The Newcoast Village. Among its leisure-driven offerings are the Shophouse District and the Boutique Hotel District, inspired by key tourist destinations around the world.

Hotel constructions are underway, with work on Savoy Hotel Boracay Newcoast and Boracay Belmont Hotel proceeding on schedule. This year, Phase 2 of the Boracay Belmont Hotel was launched.

TOWNSHIP HIGHLIGHTS

- 150-hectare integrated tourism estate
- P15-billion investment
- Slated to bring in 350,000 visitors to the island every year
- Exclusive kilometer-long white sand beach and upgraded 18-hole Fairways & Bluewater golf course

Twin Lakes

LIVE

The Vineyard Residences at Twin Lakes is composed of three low-rise residential condominiums named Merlot, Chardonnay and Shiraz. The project is located beside the first and only chateau and vineyard in the CALABARZON region. Domaine Le Jardin, on the other hand, offers premium subdivision lots to residents, with an option for terrace lots.

PLAY

Twin Lakes' The Vineyard features the Shopping Village, a cluster of commercial developments. It is also home to a six-level hotel on a three-hectare lot, complete with 91 first-class rooms overlooking Taal Lake.

Another of Global-Estate Resorts Inc.'s flagship projects is the Twin Lakes community in Laurel, Batangas. A subsidiary of Megaworld, GERI is investing an initial P5 billion in developing the 1,200-hectare tourism estate, dubbed as the first and only vineyard resort community in the country.

Among Twin Lake's foremost developments is The Vineyard, a 69-hectare mixed-use phase that hosts the Shopping Village, the Vineyard Residences, a chateau and winery, and a hotel overlooking the famous Taal Lake. Scheduled for launch this year is the third and final phase of Vineyard Residences, named Shiraz.

Another residential component within the township is the 33.79-hectare Domaine Le Jardin, a garden-themed subdivision with a total of 3,400 square meters allotted for amenities.

TOWNSHIP HIGHLIGHTS

- 1,200 hectares
- Home of the first and only chateau and vineyard in the CALABARZON
- Positioned as a premier medical and educational tourism destination in the country

Woodside City

WORK

Set to rise are two office towers to be designed by world-renowned architectural firm Skidmore, Owings and Merrill. These towers are located along the township's C-5 entrance. The first tower is slated for launch by early-2016.

LIVE

Sustainable living in Woodside City is bolstered by features such as a rainwater catchment facility that utilizes rainwater and grey water for flushing and landscape irrigation, a network of bicycle lanes inside the township, and wide tree-lined sidewalks—all a major draw for residents.

PLAY

Woodside City offers diverse recreational experiences in its lifestyle mall, commercial and retail strips, and open parks. These destinations are all serviced by the township's very own transport hub.

MEGAWORLD 25 YEARS
BUILDING VISIONS

Woodside City, Megaworld's latest township development in Metro Manila, is a P35-billion project located along the C-5 Road in Pasig City.

The 12.4-hectare environment-friendly township features mixed-use developments in a landscape with around 1,000 trees planted throughout the property. In response to clients' increasing demand for sustainable office buildings, Megaworld is set to employ LEED (Leadership in Energy and Environmental Design) technology for Woodside City's registered office developments.

Davao Park District

LIVE

Davao Park District features a themed residential condominium to be built by Suntrust Properties Inc., a wholly owned subsidiary of Megaworld.

PLAY

The township features its very own mall and commercial and retail strips.

Megaworld's Davao Park District, envisioned to be a premier central business district in the region, is situated in Davao City's 11-hectare property along the S.P. Dakudao Loop in Lanang. About P15 billion has been allocated to transform the township into a center for BPO and IT over the next seven years.

Suntrust Ecotown

LIVE

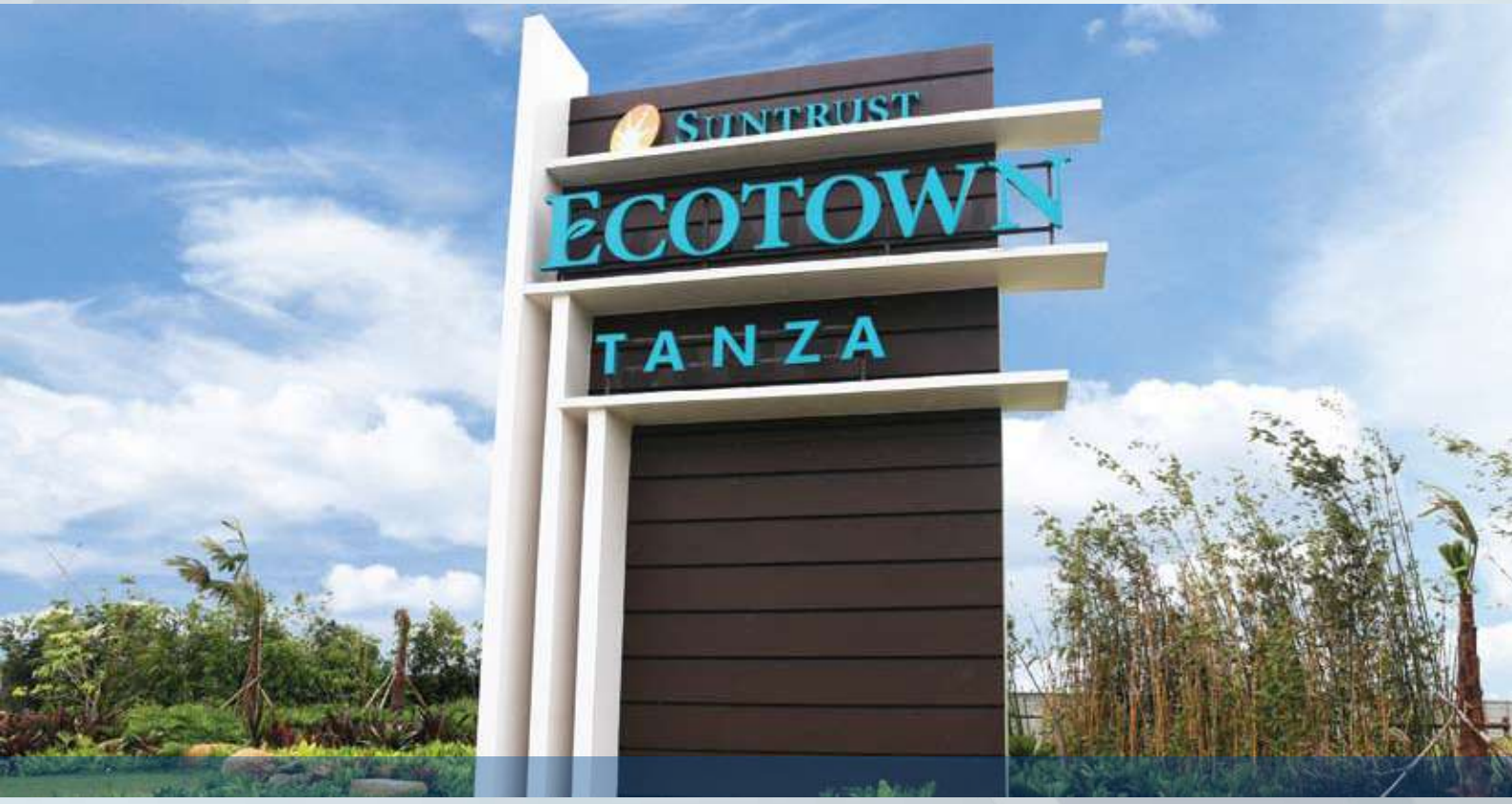
Suntrust Ecotown offers residential developments that are suited to the character of the township.

WORK

The development is set to host the offices of the Philippine Economic Zone Authority and Bureau of Customs, making it more convenient for locator-partners to fast-track the processing of their business permits. An administration office, a fire station, parking for container vans, a guardhouse, and a transport terminal offering e-shuttle services are all part of the community.

PLAY

Among the lifestyle amenities in the community are a hotel, commercial and retail hubs, a driving range, mini golf course, putting greens, a swimming pool, jogging path and a basketball and badminton court.

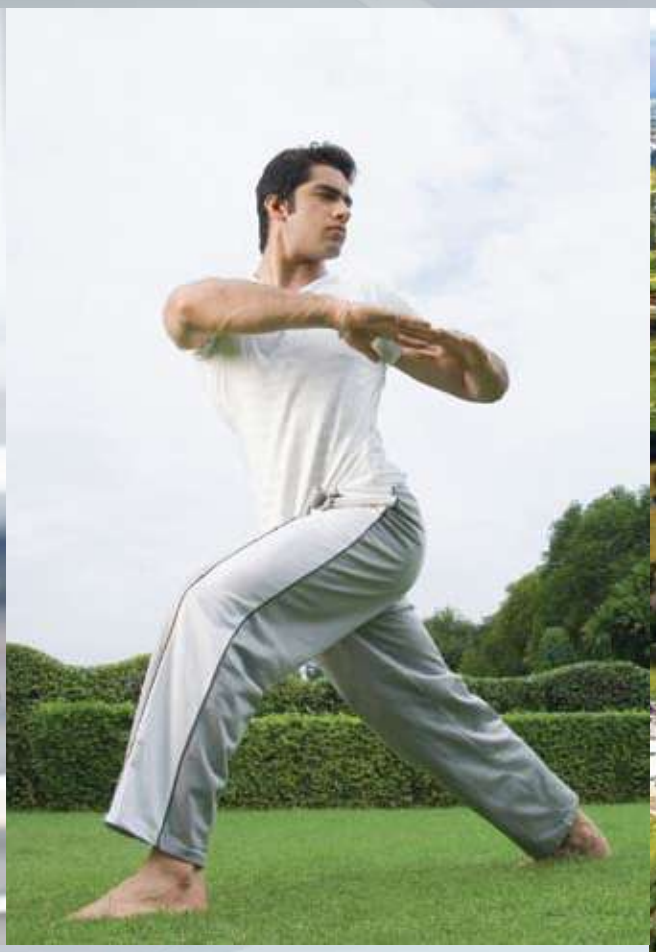


Megaworld, through Suntrust Properties, is developing Suntrust Ecotown, an industrial park in Tanza, Cavite, programmed to be the next major business hub for world-class light to medium export-oriented industries.

A 350-hectare property with a strategic location that brings it close to major airports, seaports and business districts, Suntrust Ecotown is billed as a fresh alternative for multinational locators.

Suntrust Ecotown follows eco-friendly practices by focusing on the effective use of land, sustainable use of renewable resources and proper management of the environment. The township showcases its own sewerage treatment plant and water tank pump station reservoir to maximize water usage. Target locator-partners are those from the non-polluting light to medium industries that have their own waste management facilities.

Southwoods City



LIVE

Southwoods City currently has two residential developments, Holland Park and Pahara. Holland Park, a mid-rise, two-cluster residential condominium inspired by the architecture and design of Copenhagen in Denmark, is the first development of its kind in the area. The project features 161 one- to three-bedroom units. Pahara, now sold out, is a 26-hectare upscale residential village.

WORK and PLAY

A cyber park, mall, open parks, leisure facilities and a weekend market also comprise the master plan of Southwoods City.

Eyed as the next central business district south of Metro Manila, the 561-hectare Southwoods City is reached easily via the South Luzon Expressway, and offers cosmopolitan living in a sprawling, master-planned setting set in a vibrant suburban location. Megaworld subsidiary Global-Estate Resorts Inc. is set to develop a lifestyle hub that features a planned shopping center and offices to go with residences.

Alabang West

LIVE

Alabang West Village features 788 prime lots, and recreational amenities that include a clubhouse complex with basketball and badminton courts, function rooms, cabanas, a café and alfresco dining areas, a fitness center, pocket gardens, open parks and an infinity pool.

PLAY

The township is home to a 1.3-kilometer-long retail row inspired by Hollywood's Rodeo Drive, complete with commercial and retail establishments.

Alabang West is Global-Estate Resorts Inc.'s P10-billion, 62-hectare development poised to be the next big development in the Alabang area. The township is strategically located at the heart of the city's high-end community, with access points such as the South Luzon Expressway and the upcoming Daang Hari Exit.

Upcoming Townships

Megaworld and its subsidiaries plan to launch five more townships in 2015 to add to the 15 townships unveiled in 2014. The springboard of this undertaking is the consolidation of Global-Estate Resorts Inc. under the Megaworld group in June 2014.

Two of the five townships were launched earlier in 2015, expanding Megaworld's presence in key areas in Negros Occidental. The Upper East and Northill Gateway span a total of 84 hectares in Bacolod, contributing 34 and 50 hectares respectively.

The three remaining townships in the pipeline include two in Luzon and one in Mindanao, encompassing about 316 hectares in total.

The launch of these new townships aims to utilize the entire group's 4,000-hectare land bank. By end-2015, the Megaworld group will have added 400 hectares to its current township land area, amassing over 3,000 hectares solely for its signature live-work-play-learn communities.

Projects Launched

Whether it is to fulfill its commitments on construction deliverables or spark new interest in the market, Megaworld continues to refresh its real estate inventory by launching new projects in its townships or in the country's foremost business district.

In 2014, the company put on stream a number of standalone residential towers, buildings that comprise residential cluster developments, a hotel as well as an ultra high-end residential estate.

New condominium addresses, each with their own theme and aesthetic, were unveiled in the Iloilo Business Park and the Makati central business district.

In the townships of McKinley Hill and Uptown Bonifacio, three unique high-rise towers, each part of a thoughtfully designed cluster development, have been made available to homebuyers.

McKinley West, meanwhile, is offering the first cluster of its upscale private estate, which showcases the collaborative efforts of the world's leading European architects, designers and home innovators.

A hotel at The Mactan Newtown rounds up Megaworld's launch activities in 2014.

Projects Launched

Lafayette Park Square
Iloilo Business Park

Lafayette Park Square, a 14-storey residential address in Iloilo Business Park, is inspired by French and Spanish architecture and an elegant "chateau" design made popular by Megaworld townships Eastwood City, McKinley Hill and Newport City.

Homeowners have a choice of 289 residential units with floor areas up to 103 square meters in size.

Located at the ground level of the project are commercial and retail shops, while a third-level amenity deck hosts pools, a gym, social hall, children's play area, reading nook and garden.

Salcedo SkySuites
Makati CBD

The 31-storey Salcedo SkySuites is set along H.V. dela Costa Street in Salcedo Village in the Makati central business district. It features only 11 units per floor and offers studios, executive studios and one- to two-bedroom units, with a maid's room provided in units with one or more bedrooms.

At the roof deck is an array of leisure amenities such as a heated outdoor infinity pool, children's pool, sun deck, wooden deck, sitting areas, a bi-level fitness gym with spa and sauna, a function room and pre-function hall, a business center and game room.

Projects Launched

Viceroy East Tower
McKinley Hill

Rising 22 storeys in McKinley Hill, the fourth Viceroy tower offers studios and one-bedroom units tailor-made for urban professionals. Its podium-level amenity deck features a swimming pool complex with an in-pool lounge and wooden sun deck, a gym and outdoor fitness station, a children's playground and day care center, a clubhouse, courtyard gardens, laundromat and function rooms.

Venice Luxury Residences, Fiorenzo Tower

McKinley Hill

The Fiorenzo Tower of Venice Luxury Residences at McKinley Hill features executive studios to one- to three-bedroom units. Its Venetian-inspired architecture is the result of the guidance of Rome-based architectural firm Paolo Marioni Architetto.

Outside, the Venice Piazza and the upcoming Venice Grand Canal Mall offer unique diversions and replicas of Italy's St. Mark's Tower, Piazza Grande and the Rialto Bridge across McKinley Hill's Grand Canal, where gondolas are the main attraction.

Projects Launched

Mactan Belmont Hotel

The Mactan Newtown

Megaworld's The Mactan Newtown is the site of the new Mactan Belmont Hotel. It is a 18 storey building, offers a total of 550 Twin, Queen, Executive and Junior Suites, as well as specially-abled rooms. The hotel offers amenities such as a swimming pool, gym and male and female locker area, as well as retail spaces along the upper ground and second levels.

St. Moritz Private Estate, Cluster 1

McKinley West

The first cluster of St. Moritz Private Estate, Megaworld's most luxurious project to date, is a nine-storey residential address set in the exclusive township of McKinley West.

Inspired by a modern European theme, its design was conceived under the guidance of UK-based architectural design consultant Broadway Malyan.

St. Moritz offers spacious two- to four-bedroom suites with balconies, ranging from 78 to 219 square meters. Among its highlights are private pools for the four-bedroom, two-level residences, key card access to units and elevators, a two-level amenity deck that features a children's pool and an infinity-edge swimming pool with fiber-optic lighting. A gym, yoga room, game room, function rooms and children's play room are located indoors.

Projects Launched

Greenbelt Hamilton, Tower 2
Makati CBD

Megaworld's newest CBD address, the Greenbelt Hamilton, rises along Legaspi Village's Legaspi and Sotto Streets in Makati. The 32-storey Tower 2 features pre-furnished executive studio and one-to two-bedroom layouts, available as regular, lanai and penthouse units. At its sixth-level play deck are spa facilities including a massage area, cold and heated Jacuzzi, outdoor shower and sauna. Outdoors are a lap pool, pool lounge, pool deck, wooden deck, wading/children's pool and male/female changing and shower rooms. These are complemented by a gym, day care center and two function rooms, which are all indoor amenities.

The Palladium, North Wing

Iloilo Business Park

Iloilo Business Park's 22-storey The Palladium is set to be the tallest residential tower in Western Visayas. Its North Wing is currently available to people looking for a luxury condominium lifestyle in the township. The Palladium offers 482 units ranging from studios and executive studios to one- and two-bedroom units, and features sky gardens and an infinity pool. Residents enjoy additional recreational amenities including a children's pool, an outdoor and indoor fitness center, a day care center, lawn area for events and a function hall. Meanwhile, the first two levels host commercial and retail shops.

Projects Launched

Uptown Parksuites, Tower 2

Uptown Bonifacio

Located along Bonifacio Drive in Uptown Bonifacio, Uptown Parksuites Tower 2 is a 46-storey luxury project with one-bedroom and executive one-bedroom units, one-bedroom suites and lofts, two-bedroom suites, three-bedroom suites and units and three-bedroom loft units. Recreational amenities include a lap pool, Jacuzzi beds, a pool lounge, composite wood deck, an outdoor shower area, a clubhouse, day care center, business center and meeting rooms at the mezzanine area. The tower also offers exclusive sky lounges at the 14th and 26th levels.

Anniversary Highlights

Megaworld, in marking 25 years of bringing life to Dr. Andrew L. Tan's vision, launched its "Building Visions" campaign in June 2014, adding to a growing list of milestones that have become testament to the company's growth and longevity.

Ceremonial Bell Ringing.
On June 16, Megaworld kicked off its Silver Anniversary celebration with a ceremonial bell ringing for its 20th listing anniversary at the Philippine Stock Exchange. It was announced at the event, held at the PSE in Makati City, that Megaworld's market capitalization grew from P2.7 billion in June 1994 to P150 billion as of 2014.

Joining Megaworld Chairman and CEO Dr. Andrew L. Tan (fourth from left) and Department of Finance Secretary Cesar Purisima (fifth) during PSE's ceremonial ringing of the bell were (L to R) Megaworld Chief Operating Officer Lourdes Gutierrez-Alfonso, Megaworld Director Katherine L. Tan, Megaworld First Vice President and Head for Commercial Division Kevin L. Tan, PSE Chairman Jose Pardo, SEC Chairman Teresita Herbosa, and PSE President and CEO Hans B. Sicat.

#building.visions:A Musicale.
The company dedicated a night of entertainment to its employees on June 19, showcasing an original musical produced exclusively for Megaworld's 25th anniversary. Entitled "#building.visions: A Musicale," it centered around the stories of different interconnected characters as they realized their dreams in Megaworld's townships—a nod to the company's "Building Visions" theme.

Headlining the cast were Christian Bautista and Karylle, supported by an ensemble of veteran stage performers, with the special participation of West End Theatre actress Joanna Ampil, and Megaworld's very own in-house talents.

The musical went to stage at the Newport Performing Arts Theater at Resorts World Manila in Newport City, Pasay City.

#building.visions: A Musicale" features as its finale the song "Building Visions," penned exclusively for Megaworld's 25th anniversary.

Anniversary Highlights

Megaworld recognizes 25 exemplary individuals as "visionaries" in their own right.

Silver Tie Gala.

The crowning moment of Megaworld's Building Visions campaign was its Silver Tie Gala, held at Manila Marriott Hotel in Newport City on June 25. The grand affair was graced by President Benigno S. Aquino III, and attended by some 400 guests that have shown support for Megaworld's vision.

During the gala, Megaworld recognized the patronage of its customers, as well as the strategic partnerships that opened unique growth opportunities for the company.

As a highlight of the event, 25 "visionaries" were lauded onstage, exceptional individuals and industry leaders that made their own personal visions a reality. Among them were British Ambassador to the Philippines Asif Anwar Ahmad, Bench Executive Creative Director Ben Chan, Stores Specialist Inc. Executive VP Anton Huang, UCC Ueshima Coffee Philippines Inc. President and CEO Hubert Young, as well as Marvin Agustin, Ricky Laudico and Raymund Magdaluyo, leading restaurateurs behind SumoSam, Red Crab and several other popular dining establishments.

Superclub innovator Erik Cua, pioneer in aesthetic technology Dr. Aivee Teo, top fashion designer JC Buendia, Rizal Commercial Banking Corporation President and CEO Lorenzo Tan and empowerment expert Olen Juarez-Lim were also recognized, along with Chinese International School Manila President Fely Atienza, Accenture Philippines Country Managing Director Manolito Tayag, Holcim Philippines President and CEO Eduardo Sahagun, Hewlett Packard Director for Global Delivery Services for the Philippines and

President Benigno S. Aquino III received the first copy of the commemorative coffee table book from Chairman and CEO Dr. Andrew L. Tan during the company's 25th anniversary held at Manila Marriott Hotel in Newport City.

Entertainment at the gala is distinctly world-class, featuring talents such as Tony and Olivier award-winning musical theater actress Lea Salonga.

South Pacific Emmanuel Mendoza, Thomson Reuters Senior Site Officer and Head of Human Resources Peter Buenaseda, FactSet Managing Director Anna Claudine David and Airgurus President and CEO Capt. Harry Lero.

Similarly cited as visionaries were young professionals such as Concentrix Senior Director for Philippine Operations Roma Villarama, Tristan Diao of Bayer Business Services, Emmy Lopez of Artesyn-Emerson and Kathryn Cruz of The Results Companies, alongside Megaworld's cream of the crop, from Architecture and Planning Department VP Arch. Hermelyn Cullano and Treasury Department Head Maria Rosario Rosales to Newport City Site Electrical Engineer Benjie Capistrano and System and Network Administrator Raymond Angelo.

The gala also served as a venue to unveil "Chronicles of Visions," the commemorative 25th anniversary coffee table book of Megaworld. The book featured the company's success story as well as those of its visionaries. Megaworld Chairman and CEO Dr. Andrew L. Tan handed the first copy of the book to President Aquino.

Chronicles of Visions Photo Exhibit.

Megaworld's 25th anniversary coffee table book was further put in the spotlight through a photo exhibit tour that brought its unique stories to a wider audience at Megaworld's various lifestyle malls all over Metro Manila.

The tour's first stop was Newport Mall in Newport City from July 23 to 27. Succeeding exhibits were held at the Venice Piazza at McKinley Hill, Fort Bonifacio, from July 28 to August 3, the Eastwood Mall at Eastwood City from August 4 to 10, Lucky Chinatown in Binondo, Manila, from August 11 to 17, and Burgos Circle at Forbes Town Center from August 18 to 24.

The visionaries take a bow once again at the Chronicles of Visions photo exhibit at Newport Mall.

Results of Operations

Review of December 31, 2014 versus December 31, 2013

The Group posted an increase of 138.57% in consolidated net profit amounting to Php21.55 billion (inclusive of Php12.16 billion non-recurring gains) for the year 2014. Excluding the one-time gains, net income went up by 13.63%, from Php8.27 billion last year to Php9.40 billion this year. Consolidated revenues composed of real estate sales, rental income, hotel operations and other revenues posted an increase of 46.60% from Php36.24 billion to Php53.13 billion. Core revenues amounted to Php40.97 billion, resulting from strong property sales and sustained growth in leasing and hotel income, 15.49% higher than the Php35.48 billion revenues of the same period.

Development

Among product portfolios, the bulk of consolidated revenues came from the sale of condominium units and residential lots, comprising 46.31% of total revenues. Real estate sales posted a 15.79% increase, with an aggregate amount of Php24.61 billion in 2014 versus Php21.25 billion last year. The Group's registered sales mostly came from the following projects: Three Central, Savoy Hotel – Newport City, The Venice Luxury Residences, Greenbelt Hamilton, Uptown Ritz Residences, McKinley West Village, One Eastwood Avenue Towers 1 & 2, Uptown Parksuites, One Uptown Residences, Paseo Heights, Viceroy Tower 3, The Florence, Iloilo Boutique Hotel, One Central, One Pacific Residence, Lafayette Park Square, Golfhill Gardens, One Madison Place Towers 2 & 3, Noble Place and Savoy Hotel at The Mactan Newtown.

Leasing

Rental income contributed 13.31% to the consolidated revenues and amounted to Php7.07 billion compared to Php6.04 billion reflected last year, a 17.11% increase. Contributing to the growth are the escalation of rental rates and increase in demand for office space from BPO Companies.

Hotel Operations

With the consolidation of a new subsidiary, the Group's revenues attributable to hotel operations grew by 60.29% posting an amount of Php.72 billion in 2014 from Php.45 billion in 2013. In general, the increase in costs and expenses by 15.78% from Php27.21 billion in 2013 to Php31.51 billion in 2014 was mainly due to the increase in recognized real estate sales and increase in other administrative and corporate overhead expenses. Income tax expense in 2014 amounted to Php3.12 billion resulting to a 21.35% increase from 2013 reported amount of Php2.57 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 Condition

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, 2014 amounted to Php221.04 billion, posting an increase of 27.12% compared to Php173.88 billion as of December 31, 2013.

The Group shows steady liquid position as of December 31, 2014 by having its current assets at Php122.09 billion as against its current obligations at Php38.88 billion. Current assets posted an increase of 24.00% from December 31, 2013 balance of Php98.46 billion. Current obligations reflected an increase of 50.13% from Php25.90 billion balance last year.

Cash and cash equivalents decreased by 20.81% from Php31.75 billion in 2013 to Php25.14 billion in 2014 due to capital expenditure and operating activities for business expansion. An increase of 22.40% from its current and non-current trade and other receivables – Php52.63 billion as of December 31, 2014 compared to Php43.00 billion as of December 31, 2013, was due to additional sales for the period and contribution of a new subsidiary. Residential and condominium units for sale further increased by 62.09% from Php35.11 billion last year to Php56.91 billion in 2014 mainly due to the consolidation of a new subsidiary. Property development costs increased to Php12.39 billion, 27.64% higher than Php9.71 billion last year. The Group's investments in available-for-sale securities increased by 56.44%, from Php3.93 billion in 2013 to Php6.15 billion in 2014 due to reclassification of investment in associate as available-for-sale securities resulting from decrease in ownership. Investment Property increased by 43.35% amounting to Php35.76 billion in December 31, 2014 from Php24.95 billion in December 31, 2013 due to completion of properties for lease and consolidation of newly acquired subsidiaries.

Trade and other payables amounted to Php10.62 billion and Php7.20 billion as of December 31, 2014 and December 31, 2013, respectively. The increase of 47.54% was due to the consolidation of new subsidiaries. Total current and non-current customers' deposits as of December 31, 2014 amounted to Php7.24 billion compared to Php5.12 billion as of December 31, 2013 with 41.63% increase, driven by aggressive marketing, pre-selling and contribution of newly-acquired subsidiaries. The combined effect of current and non-current deferred income on real estate sales increased by 32.01% which amounted to Php9.86 billion as of December 31, 2014 compared to Php7.47 billion as of December 31, 2013.

The interest-bearing loans and borrowings current and non-current amounted to Php8.75 billion resulted in a 130.34% increase from previous year-end's Php3.80 billion mainly due to new loan availed. Total other liabilities amounted to Php4.09 billion from Php3.59 billion as of December 31, 2014 and December 31, 2013, respectively translating to a 14.05% increase.

Total Equity (including non-controlling interest) increased by 26.33% from Php101.95 billion as of December 31, 2013 to Php128.80 billion as of December 31, 2014 due to the Group's continuous profitability including the non-recurring gains from the acquisition and sale of subsidiary and associate.

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

	December 31, 2014	December 31, 2013
Current Ratio *1	**3.14:1.00**	3.80:1.00
Quick Ratio *2	**0.65:1.00**	1.23:1.00
Debt to Equity Ratio *3	**0.26:1.00**	0.28:1.00
Return on Assets *4	**10.92%**	5.71%
Return on Equity *5	**20.93%**	10.99%

**1s– Current Assets / Current Liabilities*
**2s– Cash and Cash Equivalents / Current Liabilities*
**3s– Interest Bearing Loans and Borrowings and Bonds Payable / Equity*
**4s– Net Income / Average Total Assets*
**5s– Net Income / Average Equity (Computed using figures attributable only to parent company 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 oversight 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 2014, the directors of the Company were required to take a Corporate Governance Orientation course and are encouraged to undergo further training in corporate governance. Some directors have attended the Professional Directors Program of the Institute of Corporate Governance and participated in Corporate Governance roundtable conferences.

The Company complies with its Manual on Corporate Governance requirement that it rotate its external auditor or change the handling partner every five (5) years or earlier. The Company likewise increased the number of independent directors in its Audit Committee, from one independent director to two independent directors, and appointed an independent director to head the Audit Committee, in accordance with SEC Memorandum Circular No. 6.

Evaluation System

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

Deviations from Manual and Sanctions Imposed

In 2014, 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 of 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 and as further amended by SEC Memorandum Circular No.9, Series of 2014, 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 BPObased 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 p rojects 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.

Risks 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 Bonifacio Uptown 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 leads the biggest Earth Hour switch off in the Philippines

Megaworld, in partnership with the Philippine chapter of World Wildlife Fund for Nature, or WWF, led the country's biggest power switch-off in two of its townships, Eastwood City and McKinley Hill, on March 29, 2014.

Megaworld First Vice President and Head of Commercial Division Kevin L. Tan and other Megaworld executives, together with WWF-Philippines Vice Chairman and CEO Jose Ma. Lorenzo Tan presided over the switch-off at Eastwood City. The switch-off in McKinley Hill occurred simultaneously. Residents of the condominiums, employees of the BPO and IT offices and commercial and retail locator-partners in both townships participated in the worldwide environmental campaign.

The Earth Hour initiative is in line with Megaworld's vision of creating communities that promote environmental sustainability. Its participation in the campaign showed its continuous commitment to energy conservation, the maximum, most efficient use of land, and the reduction of its carbon footprint through its walkable, pedestrian-friendly township developments.

For the 2014 Earth Hour event, various activities were held in Eastwood City, including a video presentation of Hollywood actor Andrew Garfield, who reprised his role as Spider-Man in *The Amazing Spider-Man 2* film. Spider-Man was the official celebrity character endorser of the Earth Hour 60+ campaign in 2014.

2014 EARTH HOUR HIGHLIGHTS

- Energy consumption in Eastwood City and McKinley Hill was reduced to 85 percent for one hour
- 100 percent participation of mall and commercial and retail locator-partners
- 85 percent participation of office locator-partners
- Eastwood City successfully staged the single biggest Earth Hour switch-off in the Philippines, with about 4,500 people attending the event

Megaworld joins efforts to save La Mesa Nature Reserve

Megaworld, through its CSR arm, Megaworld Foundation, spearheaded a green campaign aptly dubbed as "Green Thumbs-Up! Planting the Change We Envision," held at the La Mesa Nature Reserve in Caloocan City. Around 50 volunteers from Megaworld joined the event led by project supervisor, Jose Pascual Jr. of ABS-CBN -Bantay Kalikasan's Protect-a-Hectare program. During the event, the company was able to plant 750 seedlings. Megaworld Foundation was able to plant a total of around 2,250 seedlings in La Mesa Nature Reserve last year.

Building visions for a better world

Megaworld also joined hands with WWF-Philippines and various local government units and non-government organizations to lead the planting of mangrove seedlings in the Visayas.

In Iloilo City, around 100 volunteers from Megaworld, as well as local residents and students from the University of San Agustin, planted mangrove seedlings in 2,500 square meters of coastal area in Brgy. Sooc, Villa de Arevalo. The company initiated this activity to show solidarity for the community and support the local government's drive to preserve and protect the Iloilo River, which is the gateway to Megaworld's Iloilo Business Park township.

Another mangrove planting activity was held at Brgy. Kalawisan, Lapu-Lapu City in Cebu. Around 150 volunteers from WWF-Philippines, Megaworld and The Results Companies, local residents and local media planted 5,000 mangrove seedlings.

People Development

Human Resources Division Roadmap in Achieving Success in People

Twenty-five years of upholding the values of integrity, hard work and excellence has paved the way for Megaworld's success. For the next 25 years and beyond, the company expects to enter uncharted areas of growth, which presents new challenges as well as opportunities to win new victories. As it involves itself in a new chapter of industry leadership, its most valuable asset, its employees, will continue to play a vital role in the actualization of a bigger and stronger Megaworld.

The year 2014 may have presented challenges in the context of people development, yet these also provided insight in the creation of a roadmap in achieving success in people. In Megaworld's journey forward, this roadmap became a useful tool in navigating a clear path to its destination. The roadmap's focus was three-pronged: people empowerment, employee program innovation and leadership development.


Megaworld Lifestyle: An Induction Program


Media Training

Job Fair Participation


Teambuilding Program


Effective Business Writing Workshop


Competency-Based HR Orientation

People Empowerment

Megaworld believes in empowering its people, as empowered people are creative people. The company consistently evaluates the potential of its employees and seizes every opportunity to add value to their lives. This ensures that the company hires and develops people based on a set of identified competencies that are needed in the performance of their duties and responsibilities.

Guided by the principle of competency-based human resources, Megaworld hired 561 employees in 2014, each equipped with the competencies required for their respective job, as well as the character needed to succeed in their careers.

The competencies of employees are consistently honed through different learning programs provided by the Megaworld Learning Academy, or MLA. Last year alone, 54 learning programs were conducted, where a total of 1,786 employees received training.

Encapsulating the learning experiences offered by MLA are Orientation Programs, Megaworld Institutionalized Programs, Career Development Programs, Management Development Programs and Leadership Programs. These learning sessions provide an avenue for employees to improve their competencies and be empowered to perform better in their respective functions.

Employee Program Innovation

Megaworld's company culture inspires people to build fulfilling long-term careers. The company is committed to provide innovative employee engagement programs that address employee needs and concerns from a holistic and long-term perspective.


#building.visions A Musicale


In-Focus: 25 Years of Live-Work-Play-Learn Photo Exhibit


Spiritual Development Program


Values-Driven Leadership Program


Immaculate Conception Mass


Leaders' Conference 2014


Family Fun Day


Merry, Merry Masquerade Christmas Party 2014


Family Fun Day

On top of the compensation and benefits package that Megaworld offers to its employees, the Human Resources Division, with the support of Management, offered 12 employee engagement programs in 2014 that catered to people's physical wellness, family life, balance, rest and relaxation and spiritual development.

Leadership Development

The company strongly advocates the development of future leaders. Megaworld sees the need to pass on the right competencies and values to the next generation of leaders tasked to bring the business to even greater heights. Leadership success is determined by the successors that will carry on the Megaworld tradition and help it evolve with the changing times.

Values-based and competency-based leadership are the two key elements in ensuring a lasting generation of leadership excellence. With this in mind, MLA hosted leadership development programs for the company's people, from its supervisors all the way to its executives. These programs included the Values-Driven Leadership Program, Breakthrough Supervision and Leaders' Conference 2014. These programs address various leadership core competencies and reiterate the company's core values of integrity, hard work and excellence.

This roadmap for people development exemplifies Megaworld's commitment to continuously building people and creating partners.

Corporate Social Responsibility

Megaworld Christmas Get-together

Megaworld Foundation gave its graduating scholars an opportunity to share in Megaworld Corporation's familial celebration of Christmas during its festivities on December 15, 2014.

The scholars joined the company's workforce for the affair, which was held at the Newport Performing Arts Theater in Newport City, Pasay City. The scholars also met the officers of Megaworld Foundation, including Chairman Dr. Andrew Tan, President Francisco Canuto, Treasurer Kevin Tan and Executive Director Danilo Madlansacay.

13th Philippine Quill Awards

On March 9, 2015, Megaworld Foundation's Breaking Ground & Thriving coffee table book received a merit award under the Publications category from the Philippine Quill Awards, held at the Crowne Plaza Galleria Manila in Ortigas Center, Pasig City. The Philippine Quill Awards is the country's most prestigious awards event in the field of business communication organized annually by the International Association of Business Communicators Philippines.

Megaworld Foundation Coffee Table Book Launch

In marking its 15th anniversary, Megaworld Foundation launched a coffee table book titled Breaking Ground & Thriving, a chronicle of humble beginnings and achievements as a still-young foundation. The foundation, under the leadership of Mr. Francisco Canuto, spearheaded the event. Megaworld officers and employees were present for the unveiling of the 147-page book in May 2014. The Sisters of Mary School Boystown Choir, one of the foundation's beneficiaries, provided entertainment for the occasion.

Assembly of 2015 Graduating Scholars

"CAP TOSS," a special annual gathering of Megaworld Foundation's graduating scholars, serves as an avenue where the students interact, share their career plans and discuss how they will be able to pay forward the privilege of being part of the Megaworld's scholarship program.

The 2015 event, held on February 7 and 14, was attended by former scholars that have become part of the Megaworld workforce.

They shared their experiences to motivate students to transition effectively to corporate life.

Megaworld not only supports its scholars' education but also provides them with exceptional career opportunities. At every CAP TOSS assembly, graduating scholars are introduced to the businesses of Alliance Global Group, Inc., Megaworld's parent company, to prepare them for potential employment within the group of companies.

MEGAWORLD 25 YEARS
BUILDING VISIONS

Megaworld Foundation Scholars' Tour

Megaworld Foundation regularly brings its scholars to Megaworld's different project sites, allowing them to appreciate the company's day-to-day operations
and to see for themselves the hard work that allows the company to fund the foundation's scholarship program. Such tours are designed to inspire the scholars and lend them real-life, real-time insights into the world of business.

During the tour held on September 23, 2014, Megaworld Chair and CEO Dr. Andrew Tan made time to personally welcome the scholars, who were all very enthusiastic to meet the man behind the country's leading real estate company.

Corporate Social Responsibility

Donation

Megaworld Foundation is dedicated to fulfilling its role in the country's social and economic development. It continuously supports institutions that share its vision, as such partnerships enable it to reach out to different sectors of society—from the youth, women and the elderly to people with disabilities and victims of calamities. The foundation's contributions are anchored on strengthening the country's educational system, providing shelter and affordable housing, supporting welfare projects, improving the delivery of health care, and responding promptly to environmental concerns and calamities.

Relief Operations

When typhoons Mario and Ruby struck the Philippines, more than a hundred thousand families were forced to evacuate. On September 20, 2014, Megaworld Foundation staff personally handed relief goods to over 600 families that were evacuated to H. Bautista Elementary School in Marikina during typhoon Mario. The foundation also extended financial aid to victims of typhoon Ruby through its tie-ups with institutions such as Philippine Red Cross, Caritas Manila and Operation Blessing Foundation Philippines.

Medical Mission

Megaworld Foundation conducts annual medical missions all over Metro Manila. Its alliances with other like-minded foundations allows it to address the health care of various communities.

On September 6, 2014, the foundation, in partnership with the Philippine Army's Civil Military Operations Group, conducted a Medical-Ophthal mission at ERDA Tech Foundation in Pandacan, Manila. The foundation, together with Megaworld employee volunteers, helped see to the needs of 300 patients.

The foundation sponsored free checkups, medicines, vitamins and eyeglasses for the patients, as well as free haircuts for young boys.

Shoe Drive

Megaworld Foundation conducted its first shoe donation drive for ERDA Tech Foundation on August 14, 2014. At the end of the drive, more than 400 students and faculty members received a new pair of shoes.

Board of Directors

Andrew L. Tan
Chairman and President

Miguel B. Varela
Independent Director/Vice Chairman

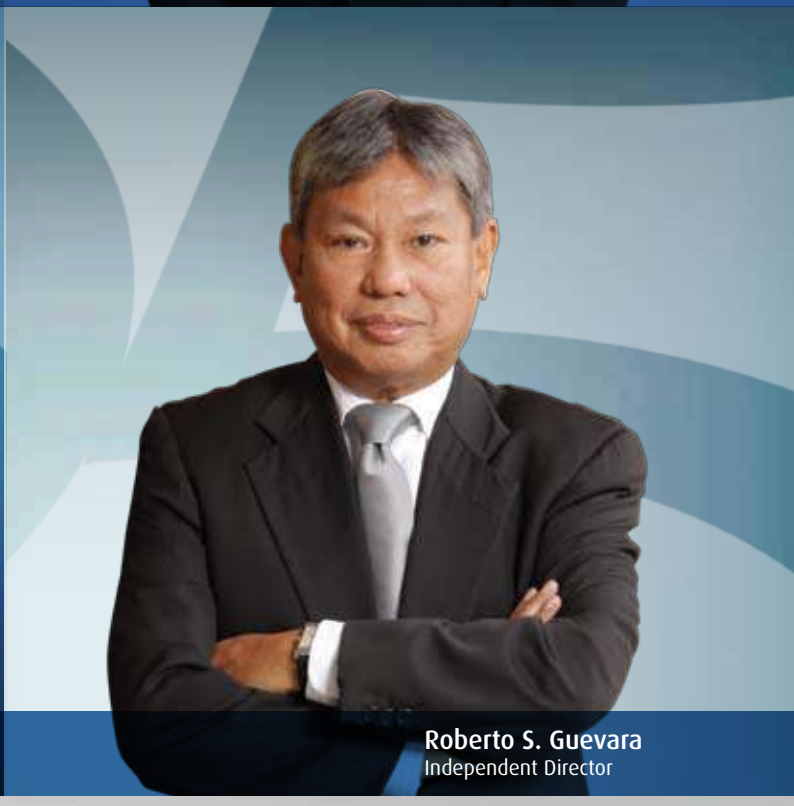
Enrique Santos L. Sy
Director

MEGAWORLD 25 YEARS
BUILDING VISIONS

Kingson U. Sian
Executive Director

Katherine L. Tan
Director

Gerardo C. Garcia
Independent Director



Roberto S. Guevara
Independent Director

Board of Directors Profile

Andrew L. Tan
Chairman of the Board/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, fueling the growth of the business process outsourcing (BPO) industry. He embarked on the development of integrated tourism estates through Alliance Global Group, Inc. and Global-Estate Resorts, Inc., which he both chairs, while continuing to focus on consumer-friendly food and beverage and quick service restaurants. Mr. Tan serves as Chairman of the Board of Empire East Land Holdings, Inc., a publicly-listed subsidiary of the Company, and Suntrust Properties, Inc., a subsidiary engaged in the development and marketing of affordable housing projects. 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. He is also the Chairman of Emperador, Inc., a public-listed company which owns Emperador Distillers, Inc., the leading brandy manufacturer and distributor in the Philippines. 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. He is a director of Travellers International Hotel Group, Inc., a publicly listed company, which owns Resorts World Manila, and the food and beverage companies, Emperador Distillers, Inc. Alliance Global Brands, Inc. and Golden Arches Development Corporation. Mr. Tan is a Director and President and CEO of Twin Lakes Corporation.

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), Chairman, Torche Global Marketing, Inc., Chairman, MVV Synergy, Incorporated and presently Director of Global Ferronickel Holdings, Inc. Also 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. President of the Philippine Association of Voluntary Arbitration Foundation (PAVAF), and 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

MEGAWORLD 25 YEARS
BUILDING VISIONS

Francisco C. Canuto
Senior Vice President
Treasurer

Philipps C. Cando
Senior Vice President
Operations

Carmen C. Fernando
Managing Director
Hotels

Giovanni C. Ng
Senior Vice President
Finance Director

Jericho P. Go
Senior Vice President
Business Development & Leasing

Kevin L. Tan
First Vice President
Commercial Division

Garry V. de Guzman
First Vice President
Legal Affairs

Noli D. Hernandez
Senior Vice President
Sales and Marketing

Kimberly Hazel A. Sta. Maria
Head, Corporate Communications
and Advertising

Monica T. Salomon
First Vice President
Corporate Management

Maria Victoria M. Acosta
Senior Vice President
International Marketing

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, 2014 and 2013, 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, 2014
d. Schedule of Financial Indicators for December 31, 2014 and 2013
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 20th day of March 2015

SUBSCRIBED AND SWORN to before me on this 23rd day of March 2015 at City of Makati.
Philippines affiants exhibiting to me their Community Tax Certificate Nos. as follows:

Andrew L. Tan	00076725	January 6, 2015	Quezon City
Francisco C. Canuto	02410075	January 22, 2015	Makati City

Doc. No.438;
Page No. 89;
Book No. 16;
Series of 2015

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2015
IBP No. 656175-Lifetime Member
MCLE Compliance No. III-0014282
Appointment No. M-199-(2015-2016)
PTR No. 4748512 Jan. 5, 2015
Makati City Roll No. 40091
101 Urban Ave., Campos Rueda Bldg.
Brgy. Pio del Pilar, 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, 2014 and 2013, 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, 2014, 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, 2014 and 2013, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: Nelson J. Dinio
Partner
CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 4748313, January 5, 2015, Makati Ciy
SEC Group A Accreditation
Partner – No. 1036-AR-1 (until Aug. 21, 2016)
Firm – No. 0002 – FR – 3 (until Mar. 31, 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 20, 2015

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013 (Amounts in Philippine Pesos)

	Notes	2014	2013
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	P 25,142,949,887	P 31,751,905,645
Trade and other receivables - net	6	23,718,900,311	19,557,352,589
Financial assets at fair value through profit or loss	8	225,500,000	258,000,000
Residential, condominium units, golf and resort shares for sale	7	56,908,140,889	35,109,686,003
Property development costs	3	12,390,474,097	9,707,715,117
Prepayments and other current assets - net	2	3,704,538,987	2,073,710,855
Total Current Assets		122,090,504,171	98,458,370,209
NON-CURRENT ASSETS			
Trade and other receivables - net	6	28,911,089,037	23,439,510,637
Advances to landowners and joint ventures	10	4,823,705,981	3,737,052,253
Land for future development	3	13,212,623,684	5,049,384,978
Investments in available-for-sale securities	9	6,146,267,429	3,928,755,091
Investments in and advances to associates and other related parties	11	6,083,083,483	12,774,499,537
Investment properties - net	12	35,762,629,818	24,946,939,119
Property and equipment - net	13	1,867,373,139	701,673,742
Deferred tax assets - net	26	77,267,099	43,615,338
Other non-current assets	14	2,065,297,752	802,304,443
Total Non-current Assets		98,949,337,422	75,423,735,138
TOTAL ASSETS		P 221,039,841,593	P 173,882,105,347
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	P 2,625,737,935	P 1,564,723,318
Bonds payable	16	5,000,000,000	-
Trade and other payables	17	10,620,187,419	7,198,373,106
Customers' deposits	2	5,847,731,277	4,112,696,679
Reserve for property development	2	7,063,089,278	6,879,581,659
Deferred income on real estate sales	2	5,340,188,412	4,118,886,956
Income tax payable		146,218,656	66,465,589
Other current liabilities	19	2,234,881,908	1,955,789,301
Total Current Liabilities		38,878,034,885	25,896,516,608
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	6,126,996,683	2,235,181,916
Bonds payable	16	19,784,913,748	24,826,702,190
Customers' deposits	2	1,396,448,740	1,002,304,707
Redeemable preferred shares	18	1,257,987,900	-
Reserve for property development	2	8,302,500,433	5,385,667,481
Deferred income on real estate sales	2	4,518,013,829	3,349,019,264
Deferred tax liabilities - net	26	8,138,764,944	6,733,095,381
Advances from associates and other related parties	27	903,152,243	120,487,829
Retirement benefit obligation	25	1,077,540,365	748,398,533
Other non-current liabilities	19	1,856,694,602	1,631,709,613
Total Non-current Liabilities		53,363,013,487	46,032,566,914
Total Liabilities		92,241,048,372	71,929,083,522
EQUITY	28		
Total equity attributable to the company's shareholders		110,802,948,163	91,927,391,376
Non-controlling interests		17,995,845,058	10,025,630,449
Total Equity		128,798,793,221	101,953,021,825
TOTAL LIABILITIES AND EQUITY		P 221,039,841,593	P 173,882,105,347

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME
DECEMBER 31, 2014, 2013 AND 2012 (Amounts in Philippine Pesos)

	Notes	2014	2013	2012
REVENUES AND INCOME				
Real estate sales	20	**24,606,554,437**	21,250,984,220	18,173,071,093
Interest income on real estate sales	6	**1,671,138,097**	1,537,113,091	1,327,541,711
Realized gross profit on prior years' sales	20	**3,229,266,841**	3,055,810,351	2,007,159,684
Rental income	12	**7,070,911,439**	6,037,779,873	4,994,769,197
Hotel operations	2	**722,971,143**	451,040,792	462,313,446
Equity in net earnings of associates	11	**328,707,760**	311,681,755	794,347,508
Interest and other income - net	23	**15,501,208,246**	3,597,154,420	2,845,187,238
		53,130,757,963	36,241,564,502	30,604,389,877
COSTS AND EXPENSES				
Real estate sales	21	**14,363,869,187**	12,644,982,372	11,491,174,383
Deferred gross profit	2	**4,538,218,791**	4,239,120,916	3,188,317,305
Hotel operations	2	**368,443,782**	233,322,382	235,441,633
Operating expenses	22	**7,491,693,766**	5,664,364,910	4,897,715,525
Interest and other charges - net	24	**1,624,478,535**	1,859,653,882	1,127,193,834
Tax expense	26	**3,120,330,226**	2,571,452,012	2,252,723,421
		31,507,034,287	27,212,896,474	23,192,566,101
PROFIT FOR THE YEAR BEFORE PREACQUISITION INCOME		**21,623,723,676**	9,028,668,028	7,411,823,776
PREACQUISITION LOSS (INCOME) OF SUBSIDIARIES	1	**(69,008,162)**	6,315,710	-
NET PROFIT FOR THE YEAR		**P 21,554,715,514**	P 9,034,983,738	P 7,411,823,776
Net profit attributable to:				
Company's shareholders		**P 21,219,577,584**	P 8,970,664,010	P 7,298,865,167
Non-controlling interests		**335,137,930**	64,319,728	112,958,609
		P 21,554,715,514	P 9,034,983,738	P 7,411,823,776
Earnings per Share:	29			
Basic		**P 0.670**	P 0.308	P 0.281
Diluted		**P 0.667**	P 0.305	P 0.275

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
DECEMBER 31, 2014, 2013 AND 2012 (Amounts in Philippine Pesos)

	Notes	2014	2013	2012
NET PROFIT FOR THE YEAR		P 21,554,715,514	P 9,034,983,738	P 7,411,823,776
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss -				
Actuarial gains (losses) on retirement benefit obligations	25	(165,532,030)	26,996,797	(42,439,951)
Tax income (expense)	25, 26	49,659,609	(8,099,039)	12,731,985
		(115,872,421)	18,897,758	(29,707,966)
Items that will be reclassified subsequently to profit or loss:				
Fair valuation of available-for-sale securities:				
Fair value gains (losses) during the year	9	(416,644,686)	1,202,548,494	592,528,177
Fair value gains on disposal reclassified to profit or loss	23	(796,867,188)	(115,258,400)	-
		(1,213,511,874)	1,087,290,094	592,528,177
Share in other comprehensive income of associates	11	-	4,714,128	1,092,535
Exchange difference on translating foreign operations	2	(102,295,326)	50,906,173	(235,983,560)
Tax income (expense)	26	30,688,598	(15,271,852)	70,795,068
		(71,606,728)	35,634,321	(165,188,492)
		(1,285,118,602)	1,127,638,543	428,432,220
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		P 20,153,724,491	P 10,181,520,039	P 7,810,548,030
Total comprehensive income attributable to:				
Company's shareholders		P 19,826,358,307	P 10,129,718,148	P 7,698,143,935
Non-controlling interests		327,366,184	51,801,891	112,404,095
		P 20,153,724,491	P 10,181,520,039	P 7,810,548,030

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
DECEMBER 31, 2014, 2013 AND 2012 (Amounts in Philippine Pesos)

	Notes	2014	2013	2012
CAPITAL STOCK	28			
Balance at beginning of year		P 32,160,675,105	P 28,938,862,985	P 25,829,203,626
Additional issuances during the year		262,202,843	3,221,812,120	3,109,659,359
Balance at end of year		32,422,877,948	32,160,675,105	28,938,862,985
ADDITIONAL PAID-IN CAPITAL	28			
Balance at beginning of year		16,657,990,413	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	16,657,990,413	8,432,990,413
TREASURY SHARES - At Cost	28			
Balance at beginning of year		(633,721,630)	(633,721,630)	(1,188,836,744)
Reduction representing the shares held by a deconsolidated subsidiary		-	-	555,115,114
Balance at end of year		(633,721,630)	(633,721,630)	(633,721,630)
NET ACTUARIAL GAINS (LOSSES) ON RETIREMENT BENEFIT PLAN				
Balance at beginning of year		(130,946,119)	(162,361,714)	(133,208,262)
Other comprehensive income (loss) for the year, net of tax		(108,100,675)	31,415,595	(29,153,452)
Balance at end of year		(239,046,794)	(130,946,119)	(162,361,714)
NET UNREALIZED GAINS ON AVAILABLE-FOR-SALE SECURITIES	9			
Balance at beginning of year		1,800,669,516	713,379,422	120,851,245
Other comprehensive income (loss) for the year		(1,213,511,874)	1,087,290,094	592,528,177
Balance at end of year		587,157,642	1,800,669,516	713,379,422
Balance carried forward		P 48,795,257,579	P 49,854,667,285	P 37,289,149,476

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
DECEMBER 31, 2014, 2013 AND 2012 (Amounts in Philippine Pesos)

	Notes	2014	2013	2012
Balance brought forward		P 48,795,257,579	P 49,854,667,285	P 37,289,149,476
SHARE IN OTHER COMPREHENSIVE INCOME OF ASSOCIATES	11			
Balance at beginning of year		6,159,298	1,445,170	352,635
Derecognition of other comprehensive income of associates		(6,159,298)	-	-
Other comprehensive income (loss) for the year		-	4,714,128	1,092,535
Balance at end of year		-	6,159,298	1,445,170
ACCUMULATED TRANSLATION ADJUSTMENTS				
Balance at beginning of year		(390,855,591)	(426,489,912)	(261,301,420)
Other comprehensive income (loss) for the year, net of tax		(71,606,728)	35,634,321	(165,188,492)
Balance at end of year		(462,462,319)	(390,855,591)	(426,489,912)
RETAINED EARNINGS				
Balance at beginning of year		42,457,420,384	34,486,457,893	28,026,786,489
Net profit attributable to the company's shareholders		21,219,577,584	8,970,664,010	7,298,865,167
Share-based compensation	25, 28	40,096,554	30,382,120	-
Cash dividends	28	(1,246,941,619)	(1,030,083,639)	(839,193,763)
Balance at end of year		62,470,152,903	42,457,420,384	34,486,457,893
Total Equity Attributable to the Company's Shareholders		110,802,948,163	91,927,391,376	71,350,562,627
NON-CONTROLLING INTERESTS				
Balance at beginning of year		10,025,630,449	9,875,363,979	11,806,657,790
Additions (deductions)		7,642,848,425	98,464,579	(2,043,697,906)
Total comprehensive income attributable to non-controlling interests, net of tax		327,366,184	51,801,891	112,404,095
Balance at end of year		17,995,845,058	10,025,630,449	9,875,363,979
TOTAL EQUITY		P 128,798,793,221	P 101,953,021,825	P 81,225,926,606

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012 (Amounts in Philippine Pesos)

	Notes	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 24,675,045,740	P 11,606,435,750	P 9,664,547,197
Adjustments for:				
Gain on sale of investments in an associate	23	(9,384,719,202)	-	-
Fair value gain on remeasurement of investments	23	(2,251,067,460)	-	-
Interest expense	24	1,416,888,598	1,317,523,303	917,317,657
Depreciation and amortization	22	1,300,385,226	956,774,624	752,578,923
Interest income	23	(1,056,924,854)	(1,566,850,939)	(1,840,964,871)
Realized fair value gains on AFS securities	23	(796,867,188)	(115,258,400)	-
Gain on deconsolidation of subsidiary	23	(377,473,088)	-	-
Equity in net earnings of associates	11	(328,707,760)	(311,681,755)	(794,347,508)
Gain on acquisition of subsidiaries	23	(142,695,054)	(763,834,597)	-
Foreign currency losses - net	24	105,046,866	491,259,799	52,961,596
Gain on sale of land	23	(98,461,571)	-	-
Dividend income	23	(46,595,425)	(55,359,121)	(53,887,430)
Employee share options	25	40,096,554	30,382,120	-
Fair value losses (gains) on FVPTL	23, 24	32,500,000	(90,400,000)	(64,200,000)
Loss on disposal of property and equipment		6,549,810	-	-
Gain on sale of AFS securities	23	-	(32,993,081)	-
Donation expense		-	-	95,491,514
Operating profit before working capital changes		13,093,001,192	11,465,997,703	8,729,497,078
Increase in trade and other receivables		(1,090,405,548)	(3,494,261,992)	(1,957,705,213)
Increase in residential, condominium and golf and resort shares for sale		(12,295,625,597)	(4,758,341,291)	(9,372,972,184)
Decrease (increase) in property development costs		(1,950,203,880)	(1,201,786,932)	725,377,207
Increase in prepayments and other current assets		(510,957,376)	(189,254,598)	(77,529,292)
Decrease (increase) in advances to landowners and joint ventures		(36,293,127)	45,729,027	105,564,033
Increase (decrease) in trade and other payables		1,216,809,513	(691,719,974)	624,802,137
Increase (decrease) in customers' deposits		659,947,347	(820,197,797)	1,868,983,034
Increase in reserve for property development		2,328,050,242	1,939,375,575	1,499,066,031
Increase in deferred income on real estate sales		1,490,855,451	1,030,441,263	1,181,324,244
Increase in other liabilities		571,084,034	95,447,544	424,697,744
Cash generated from operations		3,476,262,251	3,421,428,528	3,751,104,819
Cash paid for income taxes		(1,743,573,374)	(1,575,900,684)	(1,773,286,565)
Net Cash From Operating Activities		1,732,688,877	1,845,527,844	1,977,818,254
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of shares of stock of subsidiaries and associates		(13,107,646,794)	(8,309,882,171)	(1,248,571,429)
Proceeds from sale of investment in an associate	23	10,431,650,000	-	-
Additions to:				
Investment property	12	(8,727,663,262)	(3,494,295,658)	(4,871,545,620)
Land for future development		(4,097,181,884)	(1,762,592,832)	(53,602,987)
Property and equipment	13	(191,245,753)	(206,947,857)	(201,938,395)
Proceeds from sale of AFS securities		1,850,390,166	350,735,590	
Acquisition of AFS securities	9	(1,351,199,338)	-	(71,418,229)
Increase in other non-current assets		(1,348,512,492)	(207,331,955)	(1,620,376,400)
Interest received		980,473,281	1,326,107,392	1,768,082,480
Proceeds from sale of investment property		446,428,572	-	-
Decrease (increase) in advances to associates and other related parties	27	(347,149,753)	(914,231,178)	666,190,994
Increase (decrease) in advances from associates and other related parties	27	267,852,356	(572,116,721)	482,362,107
Dividends received		176,516,425	669,429,121	53,887,430
Proceeds from sale of property and equipment		7,334,460	3,167,769	-
Proceeds from redemption of preferred shares held	11	-	-	428,410,000
Net Cash Used in Investing Activities		(15,009,954,016)	(13,117,958,500)	(4,668,520,049)
Balance carried forward		(P 13,277,265,139)	(P 11,272,430,656)	(P 2,690,701,795)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012 (Amounts in Philippine Pesos)

	Notes	2014	2013	2012
Balance brought forward		(P 13,277,265,139)	(P 11,272,430,656)	(P 2,690,701,795)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availments of long-term liabilities	15, 16	6,453,950,594	10,259,227,640	330,000,000
Payments of long-term liabilities		(1,634,629,882)	(2,698,258,616)	(1,889,072,723)
Interest paid		(1,664,874,571)	(1,896,694,645)	(1,518,454,819)
Cash dividends paid	28	(1,246,941,619)	(1,030,083,639)	(839,193,763)
Proceeds from exercise of share warrants	28	262,202,843	721,812,120	3,109,659,359
Proceeds from additional issuance of shares	28	-	10,725,000,000	-
Net Cash From (Used in) Financing Activities		2,169,707,365	16,081,002,860	(807,061,946)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(11,107,557,774)	4,808,572,204	(3,497,763,741)
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES		4,682,627,857	117,016,208	-
PREACQUISITION CHANGES IN CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES		(184,025,841)	(398,206)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		31,751,905,645	26,826,715,439	30,324,479,180
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 25,142,949,887	P 31,751,905,645	P 26,826,715,439

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 purchases 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 Properties 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 10 and 12).

See Notes to Consolidated Financial Statements.

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 the 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.

1.1 Composition of the Group

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

Subsidaries/Associates	Explanatory Notes	Percentage of Ownership		
		2014	2013	2012
Subsidiaries:				
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 Ltd. (RHGI)		100%	100%	100%
Eastwood Cyber One Corporation (ECOC)		100%	100%	100%
Megaworld Cebu Properties Inc. (MCP)		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%
Lucky Chinatown Cinemas, Inc. (LCCI)	(b)	100%	100%	-
Luxury Global Hotels and Leisure, Inc. (LGHLI)	(b)	100%	100%	-
Woodside Greentown Properties, Inc. (WGPI, formerly Union Ajinomoto Realty Corporation)	(b)	100%	100%	-
Global One Integrated Business Services, Inc. (GOIBSI)	(c)	100%	-	-
Luxury Global Malls, Inc. (LGMI)	(c)	100%	-	-
Davao Park District Holdings Inc. (DPDHI)	(c)	100%	-	-
Megaworld Central Properties, Inc. (MCPI)	(d)	76.54%	76.50%	75.90%
La Fuerza, Inc. (LFI)	(e)	66.67%	-	-
Megaworld-Daewoo Corporation (MDC)		60%	60%	60%
Eastwood Cinema 2000, Inc. (EC2000)	(b)	55%	55%	-
Gilmore Property Marketing Associates, Inc. (GPMAI)	(f)	52.13%	52.04%	-
Manila Bayshore Property Holdings, Inc. (MBPHI)	(g)	50.92%	54.50%	55%
Megaworld Globus Asia, Inc. (MGAI)		50%	50%	50%
Philippine International Properties, Inc. (PIPI)	(h)	50%	50%	50%
Megaworld Land, Inc. (MLI)		100%	100%	100%
City Walk Building Administration, Inc. (CBAI)	(i)	100%	-	-
Forbestown Commercial Center Administration, Inc. (FCCAI)	(i)	100%	-	-
Paseo Center Building Administration, Inc. (PCBAI)	(i)	100%	-	-
Uptown Commercial Center Administration, Inc. (UCCAI)	(i)	100%	-	-

Subsidaries/Associates	Explanatory Notes	Percentage of Ownership 2014	2013	2012
Subsidiaries:				
Suntrust Properties, Inc. (SPI)	(j)	100%	100%	88.20%
Suntrust Ecotown Developers, Inc. (SEDI)	(b)	100%	100%	-
Governor's Hills Science School, Inc. (GSSI)	(k)	100%	-	-
Sunrays Property Management, Inc. (SPMI)	(k)	100%	-	-
Suntrust One Shanata, Inc. (SOSI, formerly Greengate Holdings Corporation)	(k)	100%	-	-
Suntrust Two Shanata, Inc. (STSI, formerly Regalia Properties Corporation)	(k)	100%	-	-
Empire East Land Holdings, Inc. and Subsidiaries (EELHI)	(l)	81.72%	81.53%	78.59%
Eastwood Property Holdings, Inc. (EPHI)	(m)	81.72%	81.53%	78.59%
Valle Verde Properties, Inc. (VVPI)	(m)	81.72%	81.53%	78.59%
Sherman Oak Holdings, Inc. (SOHI)	(m)	81.72%	81.53%	78.59%
Empire East Communities, Inc. (EECI)	(m)	81.72%	81.53%	78.59%
Laguna BelAir School, Inc. (LBASI)	(m)	59.66%	59.51%	57.37%
Sonoma Premier Land, Inc. (SPLI)	(m)	49.03%	48.92%	47.15%
Global-Estate Resorts, Inc. and Subsidiaries (GERI)	(n)	80.41%	-	-
Fil-Estate Properties, Inc. (FEPI)	(o)	80.41%	-	-
Aklan Holdings, Inc. (AHI)	(o)	80.41%	-	-
Blu Sky Airways, Inc. (BSAI)	(o)	80.41%	-	-
Fil-Estate Subic Development Corp. (FESDC)	(o)	80.41%	-	-
Fil-Power Construction Equipment Leasing Corp. (EPCELC)	(o)	80.41%	-	-
Golden Sun Airways, Inc. (GSAI)	(o)	80.41%	-	-
La Compaña De Sta. Barbara, Inc. (LCSBI)	(o)	80.41%	-	-
MCX Corporation (MCX)	(o)	80.41%	-	-
Pioneer L-5 Realty Corp. (PLRC)	(o)	80.41%	-	-
Prime Airways, Inc. (PAI)	(o)	80.41%	-	-
Sto Domingo Place Development Corp. (SDPDC)	(o)	80.41%	-	-
Fil-Power Concrete Blocks Corp. (FPCBC)	(o)	80.41%	-	-
Fil-Estate Industrial Park, Inc. (FEIPI)	(o)	63.52%	-	-
Sherwood Hills Development Inc. (SHDI)	(o)	44.22%	-	-
Fil-Estate Golf and Development, Inc.(FEGDI)	(o)	80.41%	-	-
Golforce, Inc. (Golforce)	(o)	80.41%	-	-
Fil-Estate Ecocentrum Corp. (FEEC)	(o)	45.03%	-	-
Philippine Acquatic Leisure Corp. (PALC)	(o)	45.03%	-	-
Fil-Estate Urban Development Corp. (FEUDC)	(o)	80.41%	-	-
Novo Sierra Holdings Corp. (NSHC)	(o)	80.41%	-	-
Megaworld Global-Estate, Inc. (MGEI)	(p)	88.25%	-	-
Twin Lakes Corporation (TLC)	(q)	67.18%	-	-
Oceanfront Properties, Inc. (OFPI)	(o)	40.20%	-	-
Megaworld Resort Estates, Inc. (MREI)	(r)	51%	51%	51%
Townsquare Development, Inc. (TDI)	(r)	30.60%	30.60%	30.60%
Golden Panda-ATI Realty Corporation (GPARC)	(s)	30.60%	-	-
Associates:				
Bonifacio West Development Corporation (BWDC)	(u)	46.11%	-	-
Palm Tree Holdings and Development Corporation (PTHDC)		40%	40%	40%
LFI	(e)	-	50%	-
Resorts World Bayshore City, Inc. (RWBCI)	(x)	-	10%	-
Travellers International Hotel Group, Inc. (TIHGI)	(y)	-	9%	10%
GPMAI	(f)	-	-	37.23%

Subsidaries/Associates	Explanatory Notes	Percentage of Ownership 2014	2013	2012
Associates:				
Suntrust Home Developers, Inc. and Subsidiaries (SHDI)		**42.48%**	42.48%	42.48%
First Oceanic Property Management (FOPMI)	(v)	**42.48%**	42.48%	42.48%
Citylink Coach Services, Inc. (CCSI)	(v)	**42.48%**	42.48%	42.48%
GERI	(n)	**-**	24.70%	-
Boracay Newcoast Hotel Group, Inc. (BNHGI)	(t)	**48.25%**	-	-
Fil-Estate Network, Inc. (FENI)	(w)	**16.08%**	-	-
Fil-Estate Sales, Inc. (FESI)	(w)	**16.08%**	-	-
Fil-Estate Realty and Sales Associates Inc. (FERSAI)	(w)	**16.08%**	-	-
Fil-Estate Realty Corp. (FERC)	(w)	**16.08%**	-	-
Nasugbu Properties Inc. (NPI)	(w)	**11.23%**	-	-
MGEI	(p)	**-**	54.82%	40.00%
TLC	(q)	**-**	31.35%	19%
RHGI				
Alliance Global Properties Ltd (AGPL)	(z)	**-**	-	39.44%

Explanatory Notes:

(a) These were acquired subsidiaries in 2008 but have not yet started commercial operations as at December 31, 2014.

(b) 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 in 2013 and will engage in hotel operations. SEDI became a subsidiary of the Company through SPI, its immediate parent company. The acquisition of WGPI resulted in a gain on acquisition (negative goodwill) of P763.8 million in 2013 (see Note 23). Also, pre-acquisition loss of P6.3 million was recognized in the 2013 consolidated statement of income.

(c) These are newly incorporated subsidiaries of the Company in 2014. GOIBSI and LGMI are engaged in business process outsourcing. DPDHI, which is engaged in the same line of business as the Company was acquired from a third party in 2014. The acquisition of DPDHI resulted in a gain on acquisition (negative goodwill) of P65.1 million (see Note 23). Also a pre-acquisition loss of P3.5 million was reported in the 2014 consolidated statement of income.

(d) As at December 31, 2014, the Company owns 76.54% of MCPI consisting of 51% direct ownership, 18.96% indirect ownership through EELHI and 6.58% indirect ownership through MREI.

(e) On November 4, 2013, the Company acquired 50% ownership interest over LFI which is engaged in leasing of real estate properties. As at December 31, 2013, the Company has not established control over LFI; hence, the latter was only classified as an associate. On January 21, 2014, the Company acquired additional 16.67% interest resulting in the increase in ownership to 66.67% gaining the power to govern the financial and operating policies over LFI. Gain on acquisition (negative goodwill) of P77.6 million was realized from the business combination (see Note 23). The pre-acquisition income of P2.6 million arising from the transaction was recognized in the 2014 consolidated statement of income.

(f) In 2013, as a result of the Company's increase in ownership interest in EELHI, the Company's ownership interest in GPMAI also increased to 52.04%, since 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. In 2014, due to additional shares owned in EELHI, the Company's ownership in GPMAI has increased to 52.13% as at December 31, 2014, which consists of 38.71% and 13.42% indirect ownership from EELHI and MREI, respectively.

(g) MBPHI was incorporated in October 2011 and started its commercial operations on January 1, 2012. As at December 31, 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%. In 2013, the Company's ownership in MBPHI was reduced to 54.50% resulting from the dilution of the Company's ownership in TIHGI. In 2014, as a result of the Company's sale of majority of its TIHGI shares to AGI, the Company's effective ownership interest simultaneously decreased to 50.92%. Also in 2014, the Company and TIHGI subscribed to additional shares of MBPHI amounting to P0.8 billion each. The additional subscription on MBPHI does not affect the ownership interest of both TIHGI and the Company.

(h) PIPI was incorporated in 2002 and acquired by the Company in 2006 but has not yet started commercial operations as at December 31, 2014.

(i) These were incorporated to engage in operation, maintenance, and administration of Citywalk and Cyber Mall, Forbestown Commercial Center, Paseo Center Building and Uptown Center. These companies became subsidiaries of the Company through MLI, their immediate parent company.

(j) 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%.

(k) These are newly acquired subsidiaries of the Group through SPI during the year. GSSI is an educational institution; SPMI is a facilities provider while SOSI and STSI are engaged in the same line of business as the Company.

(l) In 2014, 2013 and 2012, the Company subscribed to additional shares of EELHI resulting in the increase in ownership interest to 81.72%, 81.53% and 78.59%, respectively.

(m) Subsidiaries of EELHI.

(n) In 2013, the Company acquired 24.70% ownership interest in GERI. GERI is considered as an associate of the Company as at December 31, 2013. In 2014, as a result of the various acquisitions of shares, the Company's ownership interest increased to 80.41% making GERI a subsidiary. Goodwill amounting to P947.1 million was recognized from the business combination (see Note 14) and a pre-acquisition income of P78.1 million was reflected in the Group's 2014 consolidated statement of income.

(o) Subsidiaries of GERI.

(p) MGEI was incorporated on March 14, 2011 and started its commercial operations in January 2014. As at December 31, 2013, the ownership is composed of 40% direct ownership and 14.82% indirect ownership through GERI. In 2014, as a result of the Company's increased ownership in GERI, the indirect ownership in MGEI increased to 48.25%; thus, increasing the Company's total interest in MGEI to 88.25% as at December 31, 2014.

(q) As at December 31, 2013, the Company's interest in TLC is 31.35% consisting of 19% direct ownership and 12.35% indirect ownership through GERI. Due to additional shares purchase from an existing stockholder of TLC and increased ownership in GERI, the Company's ownership in TLC increased to 67.18% in 2014.

(r) 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.

(s) GPARC is engaged in real estate business acquired by TDI in 2014. The excess of the acquisition cost over the fair value of net assets of GPARC was attributable to an identifiable leasehold right amounting to P139.3 million (see Note 14). Also, a pre-acquisition loss of P8.2 million was recognized in the 2014 consolidated statement of income.

(t) In 2014, FEPI, a subsidiary of GERI, disposed 40% of its ownership interest in BNHGI. As at December 31, 2014, due to the disposal of ownership interest, FEPI lost its control over BNHGI; thereby, BNHGI was reclassified as an associate of the Group. Deconsolidation gain of P377.5 million was recognized from this transaction (see Note 23).

(u) BWDC is considered as an associate of the Company in 2014 due to the presence of significant influence over its financial and operating policies since the Company has 5 out of 11 BOD representations.

(v) Subsidiaries of SHDI.

(w) Associates of GERI.

(x) On September 23, 2014, TIHGI subscribed to 95% of RWBCI outstanding shares; hence, this resulted in the dilution of the Company's interest in RWBCI from 10% to 0.50%. Due to the loss of the Company's significant influence in RWBCI, the shares were reclassified to investment in available-for-sale (AFS) securities.

(y) On June 20, 2014, the Company sold majority of its shares held in TIHGI to AGI; thereby, reducing the Company's ownership from 9% to 1.84%. As a result, the remaining shares held in TIHGI were reclassified to AFS securities due to the loss of the Company's significant influence over TIHGI.

(z) As at December 31, 2012, the Company owns 39.44% indirect ownership, through RHGI, in the shares of AGPL; hence, the Company obtained 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 and have its principal place of business in the 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, 2014, are presently engaged in the real estate business, hotel, cinema, business process outsourcing, educational, facilities provider, maintenance and property management operations and marketing services.

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

1.2 Subsidiaries with Material Non-controlling Interest

In 2014, the Group includes subsidiaries with material NCI, with details shown below.

Name of Subsidiary	Material NCI	Proportion of Ownership Interest and Voting Rights Held by NCI	Profit Allocated to NCI	Accumulated NCI
GERI	Various stockholders	19.59%	P 71,693,725	P 3,594,557,694
EELHI	Various stockholders	18.28%	2,674,812	615,966,627

No dividends were paid by both entities to the NCI in 2014 and 2013.

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

	Assets	Liabilities	Equity	Revenues	Net Profit	Other Comprehensive Loss
December 31, 2014						
GERI	P 33,621,688,809	P 9,139,363,571	P 24,494,159,456	P 3,361,328,461	P 856,580,692	(P 7,632,374)
EELHI	P 35,296,731,408	P 10,454,791,717	P 24,841,939,691	P 4,575,697,311	P 484,520,380	(P 432,534,612)

1.3 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2014 (including the comparative financial statements for the years ended December 31, 2013 and 2012) were authorized for issue by the Company's BOD on March 20, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. 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), and approved by the Philippine Board of Accountancy (BOA).

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

(b) Presentation of Consolidated Financial Statements

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

The Group presents a third consolidated 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 consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the 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 2014 that are Relevant to the Group

In 2014, the Group adopted for the first time the following amendments and interpretation to PFRS that are relevant to the Group and effective for consolidated financial statements for the annual period beginning on or after January 1, 2014:

PAS 32 (Amendment)	:	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
PAS 36 (Amendment)	:	Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets
PAS 39 (Amendment)	:	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accountin
Consolidation Standards		
PFRS 10 (Amendment)	:	Consolidated Financial Statements
PFRS 12 (Amendment)	:	Disclosures of Interests in Other Entities
PAS 27 (Amendment)	:	Separate Financial Statements
Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21	:	Levies

Discussed below and in the succeeding pages are the relevant information about these amended standards and interpretation.

(i) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*. The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that an entity must currently have a right of set-off that is not contingent on a future event, and must 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 that gross settlement mechanisms (such as through a clearing house) with features that both eliminate credit and liquidity risks and process receivables and payables in a single settlement process, will satisfy the criterion for net settlement. The amendment has been applied retrospectively in accordance with its transitional provisions. The Group's existing offsetting and settlement arrangements for its financial instruments with its counterparties are not affected by the amendment; hence, such did not have an impact on the presentation of financial assets and financial liabilities on the Group's consolidated financial statements for any periods presented.

(ii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets*. The amendment clarifies that disclosure of information about the recoverable amount of individual asset (including goodwill) or a cash-generating unit is required only when an impairment loss has been recognized or reversed during the reporting period. If the recoverable amount is determined based on the asset's or cash-generating unit's fair value less cost of disposal, additional disclosures on fair value measurement required under PFRS 13, *Fair Value Measurement*, such as but not limited to the fair value hierarchy, valuation technique used and key assumptions applied should be provided in the financial statements. This amendment did not result in additional disclosures in the consolidated financial statements since the Group does not have any impaired non-financial assets.

(iii) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*. 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 counterparty 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 does it applies hedge accounting, the amendment did not have any impact on the Group's consolidated financial statements.

(iv) PFRS 10, 12 and PAS 27 (Amendments) – *Consolidated Financial Statements, Disclosures of Interests in Other entities and Separate Financial Statements – Exemption from Consolidation for Investment Entities*. The amendments define the term "investment entity" and provide to such an investment entity an exemption from the consolidation of particular subsidiaries and instead require to measure investment in each eligible subsidiary at fair value through profit or loss in accordance with PAS 39 or PFRS 9, *Financial Instruments*, both in its consolidated financial statements or separate financial statements, as the case maybe. The amendments also require additional disclosures about the details of the entity's unconsolidated subsidiaries and the nature of its relationship and certain transactions with those subsidiaries.

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 amendments had no material impact on the amounts recognized in the consolidated financial statements.

(v) Philippine Interpretation IFRIC 21, *Levies*. This interpretation clarifies that the obligating event as one of the criteria under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, for the recognition of a liability for levy imposed by a government is the activity described in the relevant legislation that triggers the payment of the levy. Accordingly, the liability is recognized in the consolidated financial statements progressively if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. This amendment had no significant impact on the Group's consolidated financial statements.

(b) Effective Subsequent to 2014 but not Adopted Early

There are new PFRS, amendments and annual improvements and interpretation to existing standards effective for annual periods subsequent to 2014 which are issued by the FRSC, subject to the approval of the BOA. Management will adopt the following relevant pronouncements in accordance with their transitional provisions, and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions* (effective from July 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.

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

(iii) PAS 16 (Amendment), *Property, Plant and Equipment,* and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iv) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 41 (Amendment) *Agriculture – Bearer Plants* (effective from January 1, 2016). The amendment defines a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendment further clarifies that produce growing on bearer plants remains within the scope of PAS 41.

(v) PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective from January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. This amendment permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(vi) PFRS 11 (Amendment), *Joint Agreements – Accounting for Acquisitions of Interests in Joint Operations* (effective from January 1, 2016). This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in PFRS 3, *Business Combinations*, to apply all accounting principles and disclosure requirements on business combinations under PFRS 3 and other PFRSs, except for those principles that conflict with the guidance in PFRS 11.

(vii) PFRS 10 (Amendment), *Consolidated Financial Statements,* and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective from January 1, 2016). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

(viii) PFRS 10 (Amendment), *Consolidated Financial Statements – Investment Entities: Applying the Consolidation Exception* (effective from January 1, 2016). This amendment confirms that the exemption from preparing consolidated financial statements continues to be available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures its interest in all its subsidiaries at fair value in accordance with PFRS 10. The amendment further clarifies that if an investment entity has a subsidiary that is not itself an investment entity and whose main purpose and activities are to provide services that are related to the investment activities of the investment entity parent, the latter shall consolidate that subsidiary.

(ix) PFRS 11 (Amendment), *Disclosure of Interests in Other Entities – Investment Entities: Applying the Consolidation Exception* (effective from January 1, 2016). The amendment clarifies that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by PFRS 12.

(x) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

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

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

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

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

The Group does not expect to implement and adopt PFRS 9 (2014) until its effective date. In addition, management is currently assessing the impact of PFRS 9 (2014) on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(xi) Annual Improvements to PFRS. Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) effective for annual periods beginning on or after July 1, 2014, and Annual Improvements to PFRS (2012-2014 Cycle) effective for annual periods beginning on or after January 1, 2016, made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Group but management does not expect those to have material impact on the Group's consolidated financial statements:

Annual Improvements to PFRS (2010-2012 Cycle)

- 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, th e gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.
- PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.

- PFRS 2 (Amendment), *Share-based Payment.* The amendment clarifies the definitions of "vesting condition" and "market condition" and defines a "performance condition" and a "service condition."

- PFRS 3 (Amendment), *Business Combinations.* This amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity in accordance with PAS 32. It also clarifies that all non-equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss.

- PFRS 8 (Amendment), *Operating Segments.* This amendment requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. It further clarifies the requirement to disclose for the reconciliations of segment assets to the entity's assets if that amount is regularly provided to the chief operating decision maker.

- PFRS 13 (Amendment), *Fair Value Measurement.* The amendment 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)

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

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

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

Annual Improvements to PFRS (2012-2014 Cycle)

- PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

- PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

- Philippine Interpretation - 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 in anticipation of the implications of IFRS 15, *Revenue from Contract with Customers* which will eventually supersede this interpretation when adopted in the Philippines. 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.

- IFRS 15, *Revenue from Contract with Customers*. This standard will replace PAS 18 and PAS 11, the related Interpretations on revenue recognition: IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, IFRIC 18, *Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*, effective January 1, 2017. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard has not yet been adopted in the Philippines; however, management is currently assessing the impact of this standard on the Group's consolidated financial statements in preparation for the adoption of this standard 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.

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

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the 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. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.12).

(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 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's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of 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 for the Group that are already 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 at the date when control is lost, 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 consolidated 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: FVTPL, loans and receivables, held-to-maturity investments and 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 consolidated 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 FVTPL 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. They are included in current assets, except for those with maturities greater than 12 months after the end of each 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 include 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.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

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

(c) *AFS Securities*

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included 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 from the end of the reporting period. The Group's AFS securities include quoted and unquoted equity securities and quoted dollar-denominated corporate bonds.

All financial assets within this category are subsequently measured at fair value, except for unquoted equity securities which is measured at cost, less impairment, as its fair value cannot be currently be estimated reliably. 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, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

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

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of 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.

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

2.6 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, Condominium Units and Golf and Resort Shares 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, Condominium Units and Golf and Resort Shares 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 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 Properties

Properties held for lease under operating lease agreements, which comprise mainly of land, buildings and condominium units, are classified as Investment Properties, 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 properties, excluding land, is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 25 years.

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

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

Transfers to, or from, investment properties shall be made when and only when there is a change in use or purpose for such property.

Investment properties are 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 investment properties are 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. As no finite useful life for land can be determined, related carrying amount are not depreciated.

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 while expenditures for repairs and maintenance are charged to expenses as incurred.

Depreciation and amortization are 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:

Building	50 years
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 charge 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 Note 2.17).

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

An item of property and equipment, including the related accumulated depreciation, amortization and impairment losses, if any, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated 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 (except tax-related liabilities), Redeemable Preferred Shares and Advances from Associates and Other Related Parties.

Financial liabilities are recognized when the Group becomes a party to the contractual terms of the 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, Bonds Payable and Redeemable Preferred Shares 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.

Preferred shares, which carry a mandatory coupon or are redeemable on specific date or at the option of the shareholder, are classified as financial liabilities and presented as a separate line item in the consolidated statement of financial position as Redeemable Preferred Shares.

Dividend distributions to shareholders, if any, are recognized as financial liabilities when the dividends are approved by the BOD. The dividends on the redeemable preferred shares are recognized in the consolidated statement of income as interest expense on an amortized cost basis using the effective interest method.

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 12 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 consolidated profit or loss.

2.11 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group currently has 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. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.12 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. Impairment losses on goodwill are not reversed (See Note 2.17).

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 consolidated profit or loss or other comprehensive income, as appropriate.

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

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 consolidated 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 properties;
- 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 value added taxes 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 under 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 statement 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, MBPHI, LFI and GERI while MDC reports revenues for tax purposes based also on the percentage-of-completion method.

(b) *Sale of undeveloped land* and *golf and resort shares for sale* – Revenues on sale of undeveloped land and golf and resort shares for sale 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 and golf and resort shares 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 includes rental income, hotel operations, property management and 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 and golf and resort shares sold) are recognized in consolidated 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 and Leasehold Rights (included as part of Other Non-current Assets), Investment Properties, 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 in profit or loss 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. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets 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 Group provides post-employment benefits to employees through a defined benefit plan, defined benefit contribution plans, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

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

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

(b) Post-employment Defined Contribution Plans

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

(c) 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 in 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 Group 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 the consolidated 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 consolidated profit or loss comprises the sum of deferred tax and current tax not recognized in consolidated 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 consolidated 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 profit 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 consolidated profit or loss, except to the extent that it relates to items recognized in consolidated 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 funded 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 reacquiring 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 remeasurements 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 associates represent 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 29).

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 at December 31, 2014 and 2013. Future changes in such information and circumstance might significantly affect the carrying amount of the assets.

(b) Distinction Among Investment properties, 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. Based on management assessment, the Group's lease agreements are classified as operating lease.

(d) 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 30.

3.2 Key Sources of Estimation Uncertainty

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

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

The Group uses the percentage-of-completion method in accounting for its realized 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 2014 would have increased by P447.5 million or would have decreased by P511.1 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, Condominium Units, Golf and Resort Shares for Sale, Property Development Costs and Land for Future Development*

In determining the net realizable value of residential, condominium units and golf and resort shares 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, Condominium Units, Golf and Resort Shares for Sale, Property Development Costs and Land for Future Development within the next reporting period.

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, Condominium Units, Golf and Resort Shares for Sale, Property Development Costs, and Land for Future Development amounted to P56.9 billion, P12.4 billion and P13.2 billion, respectively, as at December 31, 2014 and P35.1 billion, P9.7 billion and P5.0 billion, respectively, as at December 31, 2013.

(c) *Fair Value of Share options*

The Group 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 28.6 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 2014 and 2013 consolidated statements of income amounted to P40.1 million and P30.4 million for the years ended 2014 and 2013, respectively. A corresponding credit to Retained Earnings amounting to P70.5 million and P30.4 million representing the cumulative amount of share options recognized as at December 31, 2014 and 2013 is presented in the equity portion of the consolidated statements of financial position (see Notes 25.2 and 28.6).

(d) *Fair Value Measurement of Investment properties*

Investment properties are measured using the cost model. The fair value disclosed in Note 12 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 properties is also determined by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant areas. For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair values of those properties.

A significant change in these elements may affect prices and the value of the assets. The fair value of investment properties is disclosed in Notes 12 and 33.4.

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

The Group estimates the useful lives of property and equipment and investment properties 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 properties 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 properties are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets.

The carrying amounts of investment properties and property and equipment are disclosed in Notes 12 and 13, respectively. Based on management's assessment as at December 31, 2014 and 2013, 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 affecting the collectability of the accounts, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying value of trade and other receivables and 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 consolidated profit and loss and equity.

The carrying amounts of cash and cash equivalents, financial assets at FVTPL and investment in AFS Securities and the amounts of fair value changes recognized during the years on those assets are disclosed in Notes 5, 8 and 9, 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 recognized as at December 31, 2014 and 2013 will be utilized in the succeeding years.

The carrying amount of the net deferred tax assets as at December 31, 2014 and 2013 is disclosed in Note 26.

(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 on the Group's unimpaired assets required to be recognized in 2014 and 2013 based on management's assessment.

(j) Valuation of Post-employment Defined Benefit

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase, and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses 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 25.3.

(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 the consolidated profit or loss in the subsequent period.

(l) Consolidation of Entities in which the Group Holds 50% or Less

Management considers that the Group has de facto control over TDI, GPARC and OFPI even though it holds less than 50% of the ordinary shares and voting rights in those companies.

The Group is the majority shareholder of TDI and OFPI with 31% and 50% equity interests, respectively, over those companies. Also, the Group has 3 out of 5 BOD representations in TDI while GPARC is a wholly-owned subsidiary of TDI. In making judgment regarding its involvement in TDI, GPARC and OFPI, 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, GPARC and OFPI.

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, business process outsourcing, educational, facilities provider, maintenance and property management 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 and cash equivalents, receivables, real estate inventories, property and equipment, and investment properties, 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. Segment assets and segment liabilities do not include deferred taxes.

4.3 Intersegment Transactions

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

4.4 Analysis of Segment Information

The following tables present revenue and profit information regarding industry segments for the years ended December 31, 2014, 2013 and 2012 and certain asset and liability information regarding segments at December 31, 2014, 2013 and 2012.

2014

	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 29,506,959,375	P 7,070,911,439	P 722,971,143	P 2,241,733,163	P -	P39,542,575,120
Intersegment sales	-	203,861,206	-	784,885,706	(988,746,912)	-
Total revenues	P 29,506,959,375	P 7,274,772,645	P 722,971,143	P 3,026,618,869	(P 988,746,912)	P 39,542,575,120
RESULTS						
Segment results	P 7,226,829,762	P 5,230,800,564	P 187,914,285	P 157,008,139	(P 92,246,227)	P 12,710,306,523
Interest and other income						13,259,475,083
Interest and other charges						(1,554,435,464)
Equity in net earnings of associates						328,707,760
Tax expense						(3,120,330,226)
Preacquisition income of subsidiaries - net						(69,008,162)
Net profit						P 21,554,715,514
ASSETS AND LIABILITIES						
Segment assets	P165,979,243,776	P42,366,078,019	P 1,100,579,967	P 5,510,856,348	P -	P214,956,758,110
Investments in and advances to associates and other related parties - net	-	-	-	6,083,083,483	P -	P 6,083,083,483
Total assets	P165,979,243,776	P42,366,078,019	P 1,100,579,967	P 11,593,939,831	P -	P221,039,841,593
Segment liabilities	P 81,319,354,609	P 7,359,037,541	P 302,003,465	P 3,260,652,757	P -	P 92,241,048,372
OTHER SEGMENT INFORMATION						
Project and capital expenditures						P 39,780,970,914

2013

	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 25,843,907,662	P 6,603,779,873	P 451,040,792	P 1,120,709,762	P -	P 33,453,438,089
Intersegment 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
Interest and other income						2,476,444,657
Interest and other charges						(1,808,783,102)
Equity in net earnings of associates						311,681,755
Tax expense						(2,571,452,012)
Preacquisition loss of a subsidiary						6,315,710
Net profit						P 9,034,983,738
ASSETS AND LIABILITIES						
Segment assets	P124,344,277,458	P 29,874,431,168	P 260,740,026	P 6,628,157,158	P -	P161,107,605,810
Investments in and advances to associates and other related parties - net	-	-	-	12,774,499,537	-	12,774,499,537
Total assets	P124,344,277,458	P29,874,431,168	P 260,740,026	P 19,402,656,695	P -	P173,882,105,347
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

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
Intersegment sales	-	110,085,770	-	166,500,934	(220,470,727)	-
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 elated 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

5. CASH AND CASH EQUIVALENTS

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

	2014	2013
Cash on hand and in banks	P 4,179,080,113	P 4,550,729,220
Short-term placements	20,963,869,774	27,201,176,425
	P 25,142,949,887	P 31,751,905,645

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods between 22 to 91 days and earn effective interest ranging from 1.10% to 4.00% in 2014, 0.80% to 3.00% in 2013 and 0.66% to 4.13% in 2012.

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Note	2014	2013
Current:			
Trade	27.1	P 20,568,484,213	P 17,582,803,332
Allowance for impairment		(517,091,448)	(18,625,105)
		20,051,392,765	17,564,178,227
Advances to contractors and suppliers		3,023,954,443	1,620,018,121
Others	27.1	643,553,103	373,156,241
		23,718,900,311	19,557,352,589
Non-current:			
Trade	27.1	28,917,742,741	23,407,069,973
Allowance for impairment		(12,224,936)	(12,224,936)
		28,905,517,805	23,394,845,037
Others		5,571,232	44,665,600
		28,911,089,037	23,439,510,637
		P 52,629,989,348	P 42,996,863,226

A reconciliation of the allowance for impairment at the beginning and end of 2014 and 2013 is shown below.

	Note	2014	2013
Balance at beginning of year		P 30,850,041	P 30,589,908
Allowance for impairment of receivables of newly-acquired subsidiary		550,522,607	-
Impairment loss during the year	24	-	260,133
Write-off of trade receivables previously provided with allowance		(52,056,264)	-
Balance at end of year		P 529,316,384	P 30,850,041

Impairment losses recognized in 2013 is presented as part of Miscellaneous – net under Interest and Other Charges – net account in the consolidated statement of income (see Note 24).

The installment period of sales contracts averages one 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 P1.7 billion, P1.5 billion and P1.3 billion in 2014, 2013, and 2012, respectively; these amounts are presented as Interest Income on Real Estate Sales account in the consolidated statements of income.

Certain receivables with carrying values of P136.5 million and P219.7 million as at December 31, 2014 and 2013, respectively, were discounted, on a with recourse basis with certain local banks (see Note 15.2). In addition, the Group also has outstanding receivables assigned to the local banks as at December 31, 2014 and 2013 amounting to P1,034.7 million and P779.2 million, respectively (see Note 15.3).

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. (see Note 31.3).

7. RESIDENTIAL, CONDOMINIUM UNITS, GOLF AND RESORTS SHARES FOR SALE

The composition of this account as at December 31 is shown below.

	2014	2013
Residential and condominium units	P 54,689,792,447	P 35,109,686,003
Golf and resort shares	2,306,759,944	-
	56,996,552,391	35,109,686,003
Allowance for impairment	(88,411,502)	-
	P 56,908,140,889	P 35,109,686,003

Residential and condominium units for sale mainly pertain to the accumulated costs incurred in developing the Group's horizontal and condominium projects and certain integrated-tourism projects.

Golf and resort shares for sale pertain to proprietary or membership shares (landowner shares and founders shares) that are of various types and costs. The cost of the landowner resort shares is based on the acquisition and development costs of the land and the project. The cost of the founders shares is based on the par value of the resort shares which is P100 per share.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account consists of investments in equity securities (see Note 27.5) which are presented at their fair values determined directly by reference to published prices quoted in the PSE as at December 31, 2014 and 2013. The changes in fair values of these financial assets are presented as Fair value losses on FVTPL under Interest and Other Charges – net account in the 2014 consolidated statement of income and Fair value gains included as part of Miscellaneous under Interest and Other Income – net account in the 2013 and 2012 consolidated statements of income (see Notes 23 and 24).

9. INVESTMENTS IN AVAILABLE-FOR-SALE SECURITIES

Investments in AFS securities comprise the following as at December 31:

	Note	2014	2013
Equity securities	27.5	P 6,037,664,828	P 3,928,755,091
Debt securities		108,602,601	-
		P 6,146,267,429	P 3,928,755,091

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

	Note	2014	2013
Balance at the beginning of year		P 3,928,755,091	P 3,256,786,619
Reclassifications – net	11	2,353,897,368	-
Acquisitions during the year		1,351,199,338	-
Disposals		(1,073,522,978)	(451,141,706)
Fair value gains (losses) – net		(416,644,686)	1,202,548,494
AFS securities from newly-acquired subsidiary		10,002,122	-
Foreign currency losses - net		(7,418,826)	(79,438,316)
Balance at end of year		P 6,146,267,429	P 3,928,755,091

Equity securities significantly pertain to investments in publicly-listed holding and service companies 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 investments in AFS equity securities amounting to P189.2 million as at December 31, 2013 refers to unquoted equity securities of certain investee companies. These AFS equity securities have no quoted market price; hence, are carried at cost. In 2014, significant portion of these unquoted AFS equity securities amounting to P186.1 million were reclassified to investment in associates resulting from the Company's ability to exercise significant influence over its financial and operating policies during the year (see Notes 1 and 11).

Also, in 2014, as a result of the loss of significant influence, the remaining shares held in TIHGI amounting to P2.7 billion were reclassified to AFS securities. Non-recurring gains totalling to P11.8 billion were recognized as a result of the loss of significant influence over TIHGI (see Notes 1, 11 and 23).

As a result of the change in capital structure of RWBCI, the Company's ownership interest in RWBCI amounting to P27.5 million was diluted during the year.

The aggregate cost of AFS securities as at December 31, 2014 and 2013 amounted to P5.6 billion and P2.1 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 on AFS Securities account under the equity section of the consolidated statements of financial position.

The resulting gain from sale of investments is presented as Gain on sale of AFS securities under Interest and Other Income – net in the 2014 and 2013 consolidated statements of income (see Note 23). No gain or loss from sale of investments in AFS is recognized in 2012.

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

10. ADVANCES TO/ FROM LANDOWNERS AND JOINT VENTURES

10.1 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 Residential, Condominium Units, Golf and Resort Shares for Sale and Property Development Cost accounts 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 the 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 at December 31, 2014 and 2013, there has been no outstanding commitment for cash advances under the joint venture agreements.

The net commitment for construction expenditures amounts to:

	2014	2013
Total commitment for construction expenditures	P 21,523,901,115	P 10,305,951,395
Total expenditures incurred	(15,356,899,341)	(7,711,181,450)
Net commitment	P 6,167,001,774	P 2,594,769,945

The Group's interests in jointly-controlled operations and projects range from 50% to 95% in 2014 and 73% to 95% in 2013. The listing and description of the Group's jointly controlled projects are as follows:

Company:
- McKinley Hill
- McKinley West
- Newport City
- Manhattan Garden City
- The Noble Place
- Uptown Bonifacio

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

SPI:
- Adriatico Gardens
- Capitol Plaza
- Governor's Hills
- Mandara
- Sta. Rosa Heights
- Sta. Rosa Hills
- Sentosa
- Asmara
- Gibraltar
- One Lakeshore
- Riva Bella
- Solana
- Gentri Heights

GERI
- Caliraya Spring
- Forest Hills
- Kingsborough
- Monte Cielo de Peñafrancia
- Mountain Meadows
- Newport Hills
- Alabang West
- Southwoods Peak
- Pahara at Soutwoods
- Sta. Barbara Heights Phase 2 & 3

The aggregate amounts of the current assets, long-term assets, current liabilities, long-term liabilities, income and expenses as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 related to the Group's interests in joint ventures are not presented or disclosed in the consolidated financial statements as the joint ventures in which the Group is involved are not jointly-controlled entities (see Note 2.3).

As at December 31, 2014 and 2013, 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.

10.2 Advances from Joint Ventures

This account represents the share of joint venture partners in the proceeds from the sale of certain projects in accordance with various joint venture agreements entered into by the Group.

The advances from golf share partners and lot owners recognized in 2014 amounts to P324.3 million, net of deferred interest expense of P0.7 million, and is presented as part of Advances from Associates and Other Related Parties account in the 2014 consolidated statement of financial position (see Note 27.4).

The amortization of deferred interest amounting to P19.8 million for the year ended December 31, 2014 is presented as part of Interest expense under the Interest and Other Charges account – net in the 2014 consolidated statement of income (see Note 24).

11. INVESTMENTS IN AND ADVANCES TO ASSOCIATES AND OTHER RELATED PARTIES

11.1 Breakdown of Carrying Values

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

	2014	2013
Acquisition costs:		
SHDI	P 875,445,000	P 875,445,000
BNHGI	775,419,297	-
NPI	734,396,528	-
BWDC	199,212,026	-
PTHDC	64,665,000	64,665,000
FERC	28,000,000	-
FENI	10,000,003	-
FESI	7,808,360	-
FERSAI	4,000,00	-
TIHGI	-	141,590,000
GERI	-	5,932,063,610
LFI	-	1,442,492,819
TLC	-	1,248,571,429
RWBCI	-	27,500,00
MGEI	-	5,000,000
Balance carried forward	P 2,698,946,214	P 9,737,327,858

	2014	2013
Balance brought forward	P 2,698,946,214	P 9,737,327,858
Accumulated equity in net earnings (losses):		
Balance at beginning of year	222,795,761	1,001,616,149
Accumulated equity in net loss of newly-acquired associates	(44,081,651)	-
Equity share in net earnings of associates for the year	328,707,760	311,681,755
Dividends received from an associate	-	(743,991,000)
Reversals resulting from consolidation, disposal and dilution of shares	(1,207,558,650)	(346,511,143)
Balance at end of year	(700,136,780)	222,795,761
Accumulated equity in other comprehensive income:		
Balance at beginning of year	6,159,298	1,445,170
Derecognition of other comprehensive income of associate	(6,159,298)	-
Share in other comprehensive income of associate	-	4,714,128
Balance at end of year	-	6,159,298
	1,998,809,434	9,966,282,917
Advances to associates and other related parties (see Note 27.3)	4,084,274,049	2,808,216,620
	P 6,083,083,483	P 12,774,499,537

The shares of stock of TIHGI, GERI and SHDI are listed in the PSE. The total quoted or market value of SHDI amounted to P1.1 billion and P850.7 million as at December 31, 2014 and 2013. The total market values of GERI and TIHGI as at December 31, 2013 is P3.7 billion and P14.6 billion, respectively. The related book values of the Group's holdings in all of the associates either exceed 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 at December 31, 2014 and 2013.

a. Investment in GERI

In 2013, the Company subscribed to 24.70% ownership interest in GERI making it an associate of the Company. In 2014, as a result of the various additional cash acquisitions of shares from the Parent Company and minority stockholders, the Company acquired additional 55.71% ownership interest in GERI, increasing its total ownership interest to 80.41% thereby obtaining control.

b. Investment in LFI

In the latter part of 2013, the Company acquired 50.00% ownership interest in LFI through direct purchase from the shareholders of the latter at an acquisition price of P1.4 billion. As at December 31, 2013, LFI is only assessed as associate despite of the 50.00% ownership interest since the Company has not yet established control over LFI. On January 21, 2014, the Company acquired additional 16.67% ownership interest for P536.8 million in LFI increasing the Company's total ownership interest to 66.67%; thereby, obtaining control. LFI is presently engaged in leasing of real properties.

c. Investment in MGEI and TLC

Through indirect ownership interest from GERI, the Company has increased its ownership interest in MGEI and TLC; thus, these entities became subsidiaries of the Company in 2014. Throughout the year, the Company has also purchased additional shares of TLC from a third party stockholder; thereby, increasing the Company's direct ownership. In 2013, the Company has only established significant influence, but not control, over MGEI and TLC.

d. Investment in BWDC

In 2014, the Company reclassified its ownership interest in BWDC from investment in AFS securities to investment in an associate after gaining significant influence over the operating and financial policies through 5 out of 11 BOD representations.

e. Investment in TIHGI

In 2012, TIHGI redeemed 428.4 million preferred shares held by the Company at a par value of P1.0 per share. There are no outstanding receivable arising from redemption of preferred shares held by the Company in 2014 and 2013.

In 2013, TIHGI declared cash dividends of P744.0 million (nil in 2014). The amount of dividends received was considered a return of investment and was presented as deduction from the Accumulated equity in net earnings (losses). There is an outstanding receivable of P129.9 million as at December 31, 2013 (nil as at December 31, 2014) arising from TIHGI's dividend declaration. On November 5, 2013, TIHGI had its initial public offering. Despite the 9.00% ownership interest in 2013, the Company considered TIHGI as an associate as it was 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 as of December 31, 2013.

In 2014, the Company sold for cash significant portion of its ownership interest in TIHGI to the Parent Company for P10.4 billion; thereby, reducing the Company's ownership interest. TIHGI ceased to be an associate of the Company as a result of the Company's loss of significant influence over the financial and operating policies of TIHGI. The remaining shares held in TIHGI were therefore reclassified to Investments in AFS securities (see Note 9). Transactions involving the investment of the Company in TIHGI resulted in the recognition of non-recurring gain totaling to P11.8 billion, which is composed of gain on sale of investment in an associate of P9.4 billion and fair value gain on remeasurement of investment of P2.4 billion on the remaining shares, and are presented as part of Interest and Other Income – net in the statement of income (see Note 23). Also, portion of the equity share in net earnings of TIHGI previously recognized in OCI amounting to P6.2 million was reclassified to profit or loss.

f. Investment in RWBCI

In 2013, the Company subscribed to 10% ownership interest in RWBCI which was incorporated during that year. Despite the 10% ownership interest, the Company considers RWBCI as an associate as it is able to exert significant influence over RWBCI through two out of five BOD representations. In 2014, as a result of the change in capital structure of RWBCI, the Company's ownership in RWBCI was diluted; hence, the Company lost its significant influence over RWBCI. The outstanding shares held by the Company over RWBCI were, therefore, reclassified as Investments in AFS securities.

g. Investment in BNHGI

In 2014, FEPI sold 40.00% of its ownership interest in BNHGI to a third party. The decrease in FEPI's ownership interest in BNHGI caused the deconsolidation of BNHGI from the Group as the remaining ownership interest only gives FEPI the ability to exert significant influence over BNHGI.

h. Investment in AGPL

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

i. Investment in GPMAI

In 2013, as a result of the Company's increase in ownership interest in EELHI, the Company's ownership interest in GPMAI also increased to 52.04% while all the BOD of GPMAI were also members of the BOD of the Company; hence, control was re-established and GPMAI became a subsidiary.

The balance of the Accumulated Equity in Net Losses of P700.1 million and Accumulated Equity in Net Earnings of P222.8 million as at December 31, 2014 and 2013, respectively, which is mainly lodged in the Group's Retained Earnings as of those dates, is not available for dividend declaration.

11.2 Summarized Financial Information

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

2014:	Assets	Liabilities	Revenues	Net Profit (Loss)
SHDI	P 484,173,307	P 335,452,498	P 307,264,089	P 30,982,549
BNHGI	1,799,729,964	194,219,520	-	(212,272)
NPI	5,675,694,636	1,317,007,155	-	-
BWDC	3,701,915,777	3,108,438,200	316,442,867	160,290,585
PTHDC	1,136,371,429	1,005,581,220	4,776	(556,703)
FERC	277,874,990	209,508,750	1,493,263	(1,567,845)
FENI	98,510,739	931,113,013	-	-
FESI	126,676,399	31,355,964	20,219,153	(1,295,777)
FERSAI	157,909,404	173,014,080	5,702,987	(2,938,597)
	P 13,458,856,645	P 7,305,690,400	P 651,127,135	P 184,701,940

2013:	Assets	Liabilities	Revenues	Net Profit (Loss)
SHDI	P 400,884,787	P 273,328,959	P 282,887,917	P 19,576,024
PTHDC	1,136,148,867	1,004,801,955	17,848	(451,069)
TIHGI	61,225,735,552	27,797,891,304	30,848,028,933	2,739,516,493
GERI	31,043,545,840	7,415,822,780	1,758,715,249	340,866,950
LFI	519,801,386	81,040,174	194,308,496	(143,822,207)
TLC	5,982,244,755	1,430,021,859	44,421,628	(28,392,989)
RWBCI	964,833,598	688,966,309	2,524,621	867,280
MGEI	12,426,899	55,000	270,982	146,772
	P 101,285,621,684	P 38,691,928,340	P 33,131,175,674	P 2,928,307,254

12. INVESTMENT PROPERTIES

The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2014 and 2013 are shown below.

	Land	Buildings	Total
December 31, 2014			
Cost	P 9,017,340,569	P 31,290,523,670	P 40,307,864,239
Accumulated depreciation	-	(4,545,234,421)	(4,545,234,421)
Net carrying amount	P 9,017,340,569	P 26,745,289,249	P 35,762,629,818
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
January 1, 2013			
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

A reconciliation of the carrying amounts at the beginning and end of 2014 and 2013 of investment properties is shown below.

	Land	Buildings	Total
Balance at January 1, 2014, net of accumulated depreciation	P 6,433,222,583	P 18,513,716,536	P 24,946,939,119
Investment properties of newly-acquired subsidiaries	2,932,084,986	663,739,979	3,595,824,965
Disposals	(347,967,000)	-	(347,967,000)
Additions	-	8,727,663,262	8,727,663,262
Depreciation charges for the year	-	(1,159,830,528)	(1,159,830,528)
Balance at December 31, 2014, net of accumulated depreciation	P 9,017,340,569	P 26,745,289,249	P 35,762,629,818
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 properties of newly-acquired subsidiaries	5,020,588,056	-	5,020,588,056
Additions	-	3,494,295,658	3,494,295,658
Transfers 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

Investment properties with carrying values of P40.4 million as at December 31, 2013 were used as collaterals by the Group for its various loans obtained from local banks (see Note 15). The collaterals on these investment properties were released as at December 31, 2014.

Rental income earned from these properties amounted to P7.1 billion, P6.0 billion and P5.0 billion in 2014, 2013 and 2012, 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 P458.5 million in 2014, P360.9 million in 2013 and P174.3 million in 2012. The operating lease commitments of the Group as a lessor are fully disclosed in Note 30.1.

Depreciation of investment properties is presented as part of Operating Expenses account (see Note 22).

The fair market values of these properties are P156.8 billion and P106.5 billion as at December 31, 2014 and 2013, respectively. These are determined by calculating the present value of the cash inflows anticipated until the end of the useful lives of the investment properties using a discount rate of 8% and 10% in 2014 and 2013, respectively (see Note 33.4).

Other information about the fair value measurement and disclosures related to the Investment properties are presented in Note 33.4.

13. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2014 and 2013 are shown below.

	Condominium Units	Office Furniture, Fixtures and Equipment	Office and Land Improvements	Transportation Equipment	Land	Total
December 31, 2014						
Cost	P 1,845,594,330	P 632,467,113	P 180,642,048	P 192,522,121	P 248,009,320	P 3,099,234,932
Accumulated depreciation and amortization	(619,589,270)	(383,686,979)	(118,870,760)	(109,714,784)	-	(1 ,231,861,793)
Net carrying amount	P 1,226,005,060	P 248,780,134	P 61,771,288	P 82,807,337	P 248,009,320	P 1,867,373,139
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
January 1, 2013						
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

A reconciliation of the carrying amounts at the beginning and end of 2014 and 2013, 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, 2014, 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
Additions	88,867,593	62,378,378	6,230,108	33,769,674	-	191,245,753
Property and equipment of newly-acquired subsidiaries	894,314,085	49,919,639	-	17,744,568	166,914,320	1,128,892,612
Disposal	-	(8,750,069)	-	(5,134,201)	-	(13,884,270)
Depreciation and amortization charges for the year	(40,599,906)	(75,620,440)	(7,073,021)	(17,261,331)	-	(140,554,698)
Balance at December 31, 2014, net of accumulated depreciation and amortization	P 1,226,005,060	P 248,780,134	P 61,771,288	P 82,807,337	P 248,009,320	P 1,867,373,139

	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

Depreciation and amortization is presented as part of Operating Expenses account (see Note 22).

The Group's fully depreciated assets that are still being used in operations had original costs of P411.3 million and P238.7 million and the corresponding accumulated depreciation for the same amounts as at December 31, 2014 and 2013, respectively.

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

14. OTHER NON-CURRENT ASSETS

This account consists of:

	2014	2013
Goodwill	P 1,290,232,360	P 343,095,101
Guarantee and other deposits	541,591,807	435,979,746
Leasehold rights	139,304,336	-
Miscellaneous	94,169,249	23,229,596
	P 2,065,297,752	P 802,304,443

In 2014, as a result of various acquisitions of shares from the Parent Company and minority stockholders, the Company acquired additional 55.71% ownership interest in GERI, increasing its total ownership interest to 80.41%; thereby, obtaining control. The acquisition was made to reorganize AGI's subsidiaries to capitalize on real estate opportunities and enhance the Group's landbanking position. The fair value of the net identifiable assets acquired and consideration received amounted to P16.2 billion and P17.2 billion, respectively. Goodwill amounting to P947.1 million was recognized representing the excess of the acquisition costs over the fair values of the net identifiable assets at the date of acquisition (see Note 1).

On December 3, 2014, the Group, through TDI acquired 100% ownership interest in GPARC; thereby, obtaining control. The underlying substance of the transaction is the use of leasehold right owned by GPARC. Hence, the excess of the acquisition costs of P104.3 million over the fair value of GPARC's net liability position of P35.0 million was attributable to the identifiable leasehold right amounting to P139.3 million. The leasehold right pertains to the right to use certain parcel of land for the remaining period of 20 years and renewable for another 25 years.

The goodwill and leasehold right are subject to annual impairment testing and whenever there is an indication of impairment.

No impairment losses were recognized in 2014 and 2013 as the recoverable amounts of the intangible assets determined by management are higher than their carrying values.

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

15. INTEREST-BEARING LOANS AND BORROWINGS

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

	2014	2013
Current:		
Company	P 1,197,234,432	P 1,050,714,285
SPI	1,100,661,267	442,808,691
GERI	200,000,000	-
RHGI	69,150,594	-
EELHI	58,691,642	71,200,342
	2,625,737,935	1,564,723,318
Non-current:		
Company	5,082,884,613	1,280,119,048
SPI	966,282,157	806,532,059
EELHI	77,829,913	148,530,809
	6,126,966,683	2,235,181,916
	P 8,752,734,618	P 3,799,905,234

15.1 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 P0.71 billion and P1.67 billion as at December 31, 2014 and 2013, 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. 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 Miscellaneous – net under Interest and Other Charges – net account in 2013 consolidated statement of income (see Note 24).

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 reprising. The outstanding balance pertaining to this loan amounted to P472.5 million and P477.5 million as at December 31, 2014 and 2013, respectively.

The Company also obtained an additional loan with original amount of P387.0 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 P93.3 million and P186.7 million as at December 31, 2014 and 2013, respectively. Collateral for the loans consisted of a mortgage over certain investment properties of the Company with carrying value of P40.4 million as at December 31, 2013. The collateral over these investment properties were released as at December 31, 2014 (see Note 12).

In 2014, the Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable for a term of seven years. The principal repayments on this loan will commence in August 2015 and interest is paid semi-annually based on a fixed 5.125% annual interest rate. The outstanding balance pertaining to this loan amounted to P5.0 billion as at December 31, 2014.

15.2 EELHI

EELHI has outstanding secured loans from local banks amounting to P136.5 million and P219.7 million as at December 31, 2014 and 2013, respectively (see Note 6). The loans bear annual interest rates ranging from 7.8% to 9.6% in 2014 and 7.8% to 10.5% in 2013. Certain properties presented as part of Residential, Condominium Units, Golf and Resort Shares for Sale account with an estimated carrying value of P497.8 million and P654.7 million as at December 31, 2014 and 2013, respectively, are used as collaterals for these bank loans.

15.3 SPI

In 2012, SPI availed of long-term loans from a local bank amounting to P330.0 million. As at December 31, 2014 and 2013, this unsecured loan which will mature in 2016, bears an annual interest of 5.5%, has an outstanding balance of P145.8 million and P229.2 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, this loan had an outstanding balance of P241.0 million. The loan was fully paid as at December 31, 2014.

On various dates in 2014, SPI obtained unsecured short-term loans from local banks totaling to P1.2 billion. Both the principal and interest of the loan are paid monthly at interest rates ranging 3.0% to 5.75%. The outstanding balance pertaining to this loan amounted to P886.5 million as at December 31, 2014.

SPI partially manages its cash flows for use in operations through assignment of its trade receivables on a with-recourse basis with certain local banks. The outstanding loans to the banks arising from receivable assignment as at December 31, 2014 and 2013 amounted to P1,034.7 million and P779.2 million, respectively (see Note 6).

15.4 GERI

In 2014, OFPI, a subsidiary of GERI, availed of a short-term loan from a local bank amounting to P200.0 million. As at December 31, 2014, this unsecured loan which will mature in 2015, bears variable annual interest rate of 3.0% subject to repricing every 30 to 180 days.

15.5 RHGI

On December 2014, RHGI availed of a Euro-denominated short-term loan from a foreign commercial bank amounting to €1.3 million (equivalent to P69.2 million). This unsecured loan, which will mature in 2015, bears an annual interest rate of 0.76%.

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, Condominium Units, Golf and Resort Shares for Sale and Property Development Costs accounts. The remaining interest costs are expensed outright.

Total finance costs attributable to all the loans of the Group amounted to P308.8 million, P402.7 million and P509.2 million in 2014, 2013 and 2012, respectively. Of these amounts, portion expensed is presented as part of Interest expense under Interest and Other Charges - net in the consolidated statements of income (see Note 24). Interest capitalized in 2014, 2013 and 2012 amounted to P43.0 million, P73.6 million, and P183.0 million respectively. Capitalization rate used in determining the amount of interest charges qualified for capitalization is 6.19% in 2014, 5.06% in 2013 and 6.73% in 2012.

The Company has complied with loan covenants including maintaining certain financial ratios at the end of the reporting periods.

16. 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 interest is payable semi-annually starting October 17, 2013. The bond will mature in 2023. The proceeds of the bond issuance are being used by the Company for general corporate purposes.

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 were 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 P1,476.6 million in 2014, P1,373.9 million in 2013 and P984.3 million in 2012, of which portions capitalized amounted to P423.0 million in 2014, 2013 and 2012. The remaining amounts are expensed and presented as part of Interest expense under Interest and Other Charges - net in the consolidated statements of income (see Note 24). Capitalization rate used in determining the amount of interest charges qualified for capitalization is 8.46% in 2014, 2013 and 2012.

17. TRADE AND OTHER PAYABLES

This account consists of:

	2014	2013
Trade payables	P 7,467,336,544	P 4,391,126,481
Retention payable	2,464,294,537	2,166,045,398
Accrued interest	395,769,620	281,898,919
Accrued construction cost	5,816,242	7,796,206
Miscellaneous	286,970,476	351,506,102
	P 10,620,187,419	P 7,198,373,106

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

Retention payable pertains to amounts 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 consists primarily of withholding taxes payable and accrual of salaries and wages and utilities.

18. REDEEMABLE PREFERRED SHARES

On September 4, 2012, the BOD of TLC, a newly-acquired subsidiary of the Company through the acquisition of GERI, approved the additional subscriptions of 1.3 billion preferred shares out of TLC's authorized capital stock as partial payment for certain parcels of land with total fair value of P1.3 billion. The SEC approved the issuance through exchange of certain parcels of land on April 17, 2013.

Generally non-voting, these preferred shares earn dividends at a fixed annual rate of 2.50% subject to the existence of TLC's unrestricted retained earnings. The accrued dividends on these preferred shares amounting to P60.2 million as at December 31, 2014 is presented as part of Other Non-current Liabilities account in the 2014 consolidated statement of financial position. The related interest expense recognized for the year ended December 31, 2014 amounted to P28.9 million is presented as part of Interest expense under the Interest Expense and Other Charges account in the consolidated statement of income (see Note 24).

The preferred shares shall have a maturity of 10 years and shall be redeemed on every anniversary date beginning on the sixth anniversary date until expiration of the 10-year period. Only 1/5 of the aggregate face value of preferred shares may be redeemed per year during such redemption period, with all remaining shares to be redeemed on the 10th anniversary date.

The preferred shares are considered as financial liabilities. Accordingly, the redeemable preferred shares are recognized at fair value on the date of issuance and are classified as a non-current liability in the consolidated statements of financial position. The fair values of the redeemable preferred shares on the date of issuance approximate their par value.

19. OTHER LIABILITIES

This account consists of:

	2014	2013
Current:		
Unearned revenues	P 1,831,092,740	P 1,802,882,065
Deferred rental income	391,139,056	150,792,198
Other payables	12,650,112	2,115,038
	2,234,881,908	1,955,789,301
Non-current:		
Deferred rental income	1,762,530,579	1,631,709,613
Other payables	94,164,023	-
	1,856,694,602	1,631,709,613
	P 4,091,576,510	P 3,587,498,914

Deferred rental income refers to the rental payments advanced by the lessee at the inception of the lease which will be applied to the remaining payments at the end of the lease term.

20. REAL ESTATE SALES

This account consists of:

	2014	2013	2012
Residential and condominium units for sale	P 24,605,116,509	P 21,250,984,220	P 18,173,071,093
Golf and resort shares for sale	1,437,928	-	-
	P 24,606,554,437	P 21,250,984,220	P 18,173,071,093

Realized gross profit on prior years amounted to P3.2 billion, P3.1 billion and P2.0 billion in 2014, 2013 and 2012, respectively.

21. COSTS OF REAL ESTATE SALES

Costs of real estate sales comprise of actual direct materials, labor and overhead costs and, estimated cost to complete totaling P14.4 billion, P12.6 billion and P11.5 billion for the year ended December 31, 2014, 2013 and 2012, respectively.

22. OPERATING EXPENSES

Presented below are the details of this account.

	Notes	2014	2013	2012
Salaries and employee benefits	25	**1,714,889,017**	1,206,397,043	903,929,720
Depreciation and amortization	12, 13	**1,300,385,226**	956,774,624	752,578,923
Commission		**961,366,846**	905,847,959	940,106,924
Taxes and licenses		**757,575,717**	446,823,406	172,504,165
Advertising and promotions		**676,949,982**	589,935,280	643,939,022
Rent		**521,819,487**	398,718,708	264,382,431
Utilities and supplies		**460,767,752**	287,743,734	338,239,281
Transportation		**223,885,030**	218,930,485	223,735,372
Professional fees and outside services		**278,527,420**	201,182,692	225,648,686
Association dues		**263,961,219**	169,925,605	188,226,417
Miscellaneous		**331,566,070**	282,085,374	244,424,584
		P 7,491,693,766	P 5,664,364,910	P 4,897,715,525

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

23. INTEREST AND OTHER INCOME

Presented below are the details of this account.

	Notes	2014	2013	2012
Gain on sale of investment in an associate	9, 11	**P 9,384,719,202**	P -	P -
Fair value gains on remeasurement of investments - net	9, 11	**2,251,067,460**	-	-
Interest income	5	**1,056,924,854**	1,566,850,939	1,840,964,871
Gain on sale of investments in AFS securities	9	**796,867,188**	148,251,481	-
Gain on acquisitions and deconsolidation of subsidiaries	1	**520,168,142**	763,834,597	-
Property management, cinema operations, commission and construction income		**745,378,539**	345,096,276	242,579,703
Miscellaneous – net	8, 27.5	**746,082,861**	773,121,127	761,642,664
		P 15,501,208,246	P 3,597,154,420	P 2,845,187,238

Gain on sale of investment in an associate represents the difference between the proceeds from sale of 1.1 billion common shares of TIHGI amounting to P10.4 billion and the related carrying amount of investment amounting to P1.1 billion. The fair value gains on remeasurement of investment pertain mainly to the excess of fair value of the retained interests in TIHGI over its carrying amount at the time of reclassification of such investment to AFS securities (see Notes 9 and 11).

On January 21, 2014, the Company acquired additional 16.67% ownership in LFI, increasing the Company's total ownership interest to 66.67%; thereby, obtaining control. The fair value of the identifiable net assets of P3.7 billion exceeded the acquisition cost of P3.6 billion; hence, a gain on acquisition (negative goodwill) of P77.6 million was recognized from the acquisition (see Note 1).

By the end of December 2014, the Company acquired 100% ownership in DPDHI to increase its landbank position in Davao City. The transaction was settled in cash amounting to P495.4 million. Gain on acquisition of P65.1 million was recognized since the fair value of net assets of P560.5 million exceeded the acquisition cost (see Note 1).

Also in 2014, FEPI, a wholly-owned subsidiary of GERI, sold 40% of its ownership interest in BNHGI. The deconsolidation of BNHGI resulted in the recognition of gain on deconsolidation amounting to P377.4 million (see Note 1).

In August 2013, the Company acquired 100% ownership interest in WGPI; thereby, obtaining control. 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 amounting to P763.8 million was recognized since the fair value of the identifiable net assets of WGPI exceeded the acquisition cost (see Note 1).

Gain on sale of investment in AFS securities consists of realized fair value gains and gain on sale of investment in AFS securities.

Miscellaneous income refers to gain on sale of land, dividend income, fair value gains on FVTPL, marketing fees and other.

24. INTEREST AND OTHER CHARGES

Presented below are the details of this account.

	Notes	2014	2013	2012
Interest expense resulting from:				
Bank loans and borrowings	15, 16	P 1,319,465,995	P 1,280,554,678	P 887,476,458
Redeemable preferred shares	18	28,933,722	-	-
Post-employment defined benefit obligation	25	48,640,873	36,968,625	29,841,199
Amortization of deferred interest	10.2	19,848,008	-	-
Fair value loss on FVTPL	8	32,500,000	-	-
Foreign currency losses – net		105,046,866	491,259,799	52,961,596
Impairment of property development cost		-	-	61,518,212
Miscellaneous – net	6, 15	70,043,071	50,870,780	95,396,369
		P 1,624,478,535	P 1,859,653,882	P 1,127,193,834

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

25. EMPLOYEE BENEFITS

25.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2014	2013	2012
Short-term benefits		**P1,548,795,060**	P 1,048,509,131	P 820,427,634
Post-employment benefits	25.3	**125,997,403**	127,505,792	83,502,086
Employee share options	25.2, 28.6	**40,096,554**	30,382,120	-
	22	**P1,714,889,017**	P 1,206,397,043	P 903,929,720

25.2 Employee Share Option Plan (ESOP)

The Group's share option benefit expense includes the amounts recognized by the Company and GERI over the vesting period granted by them. As at December 31, 2014, about 46.0 million shares of GERI's options have vested but none of these have been exercised by any of the option holder. None of the Company's share options has vested during the year.

Share option benefits expense, included as part of Salaries and employee benefits under other Operating Expenses in the consolidated statements of income amounted to P40.1 million and P30.4 million in 2014 and 2013, respectively (see Note 25.1) while the corresponding cumulative credit to Retained Earnings is presented under the equity section of the consolidated statements of financial position (see Note 28).

25.3 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. 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 reports obtained from an independent actuary in 2014 and 2013.

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

	2014	2013
Present value of the obligation	P **1,191,591,023**	P 851,805,596
Fair value of plan assets	(**114,050,658**)	(103,407,063)
Net defined benefit liability	P **1,077,540,365**	P 748,398,533

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

	2014	2013
Balance at beginning of year	P 851,805,596	P 714,914,438
Current service costs	125,997,403	116,785,988
Interest costs	53,826,929	41,985,326
Past service costs	-	10,719,804
Remeasurements –		
Actuarial losses (gains) arising from changes in:		
Financial assumptions	114,089,539	(26,746,02)
Experience adjustments	52,928,254	(1,066,279)
Benefits paid	(7,056,698)	(4,787,654)
Balance at end of year	P 1,191,591,023	P 851,805,596

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

	2014	2013
Balance at beginning of year	P 103,407,063	P 88,793,525
Contributions paid into the plan	14,000,000	15,200,000
Benefits paid	(7,056,698)	(4,787,654)
Interest income	5,186,056	5,016,701
Return on plan assets (excluding amount included in net interest cost)	(1,485,763)	(815,509)
Balance at end of year	P 114,050,658	P 103,407,063

The plan assets are 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 P3.7 million, P4.2 million and P2.9 million in 2014, 2013 and 2012, respectively.

The plan assets do not include 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 consolidated income and in consolidated other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	Notes	2014	2013	2012
Reported in consolidated statements of income:				
Post-employment defined benefit:				
Current service cost		P 125,997,403	P 116,785,988	P 83,502,086
Past service cost		-	10,719,804	-
	25.1	125,997,403	127,505,792	83,502,086
Net interest cost	24	48,640,873	36,968,625	29,841,199
		P 174,638,276	P 164,474,417	P 113,343,285
Reported in consolidated statements of comprehensive income				
Actuarial gains (losses) arising from changes in:				
Financial assumptions		P 114,089,539	P 26,746,027	(P 61,206,343)
Experience adjustments		52,928,254	1,066,279	20,377,152
Return on plan assets (excluding amounts included in net interest expense)		(1,485,763)	(815,509)	(1,610,760)
		165,532,030	26,996,797	(42,439,951)
Tax expense (income)	26	(49,659,609)	(8,099,039)	12,731,985
		P 115,872,421	P 18,897,758	(P 29,707,966)

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 Interest expense under Interest and Other Charges - net account in the consolidated statements of income (see Note 24).

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

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

	2014	2013	2012
Past service cost	4.49% - 7.81%	4.68% - 5.65%	5.64% - 6.70%
Expected rate of salary increases	6.00% - 10.00%	6.00% - 10.00%	5.00% - 10.00%

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 independent actuaries. 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 Rate Risks

The present value of the DBO 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 DBO 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 DBO as at December 31, 2014 and 2013:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2014			
Discount rate	0.50%	(P 38,566,269)	P 38,566,269
Salary increase rate	1.00%	59,369,478	(59,369,478)
December 31, 2013			
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 DBO 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 DBO 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 DBO 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 P1.1 billion based on the Group's latest actuarial valuation. While there are no minimum funding requirements in the country, the size of the underfunding 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 follows:

	2014	2013
Within one year	P 7,871,889	P 6,997,235
More than one year to 5 years	62,345,512	55,418,233
More than five years to 10 years	431,819,516	383,839,570
More than ten years to 15 years	495,701,944	440,623,950
More than 15 years to 20 years	708,618,147	629,882,797
More than 20 years	13,126,936,421	11,668,387,930
	P 14,833,293,429	P 13,185,149,715

The weighted average duration of the DBO at the end of the reporting period is 23 years.

26. TAXES

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

	2014	2013	2012
Reported in consolidated statements of income			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% and 10%	P 1,529,076,945	P 1,449,871,581	P 1,319,257,201
Final tax at 20% and 7.5%	69,385,362	115,764,691	171,404,904
Preferential tax rates at 5%	40,955,848	23,604,978	21,986,256
Capital gains tax at 5%	26,785,714	16,294,686	-
Minimum corporate income tax (MCIT) at 2%	1,760,348	1,717,051	318,062
	1,667,964,217	1,607,252,987	1,512,966,423
Deferred tax expense relating to origination and reversal of temporary differences	1,452,366,009	964,199,025	739,756,998
	P 3,120,330,226	P 2,571,452,012	P 2,252,723,421
Reported in consolidated statements of comprehensive income –			
Deferred tax expense (income) relating to origination and reversal of temporary differences	(P 80,348,207)	P 23,370,891	(P 83,527,053)

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

	2014	2013	2012
Tax on pretax profit at 30%	P 7,402,513,722	P 3,481,930,725	P 2,899,364,159
Adjustment for income subjected to lower income tax rates	(705,832,346)	(612,457,778)	(528,127,818)
Tax effects of:			
Non-taxable income	(4,074,676,381)	(723,679,133)	(526,525,920)
Non-deductible expenses	405,000,251	358,275,556	404,713,131
Unrecognized deferred tax assets on temporary differences	96,763,874	60,734,553	11,725,251
Miscellaneous	(3,438,894)	6,648,089	(8,425,382)
	P 3,120,330,226	P 2,571,452,012	P 2,252,723,421

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

	2014	2013
Deferred tax assets - net:		
Retirement benefit obligation	P 25,332,934	P 23,106,502
Accrued rental expense	8,945,996	6,979,763
Allowance for property development cost	9,227,732	-
Allowance for impairment of receivables	9,087,303	9,087,303
NOLCO	1,326,790	2,659,649
MCIT	165,772	773,818
Others	23,180,572	1,008,303
	P 77,267,099	P 43,615,338
Deferred tax liabilities - net:		
Uncollected gross profit	P 7,617,315,708	P 5,923,286,327
Capitalized interest	998,345,338	1,109,989,877
Unrealized foreign currency loss	(323,783,911)	(294,955,326)
Retirement benefit obligation	(303,220,582)	(218,775,911)
Difference between the tax reporting base and financial reporting base of:		
Investment properties	234,176,793	217,811,123
Property and equipment	-	(18,998,485)
Translation adjustments	(117,693,665)	(87,005,067)
Bond issuance cost	28,923,105	34,010,072
Uncollected rental income	16,731,124	83,911,976
Share options	(12,028,966)	(9,114,636)
Others	-	(7,064,569)
	P 8,138,764,944	P 6,733,095,381

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

	Consolidated Statements of Income			Consolidated Statements of Comprehensive Income		
	2014	2013	2012	2014	2013	2012
Changes in deferred tax assets:						
Retirement benefit obligation	(P 2,226,432)	(P 16,324,502)	(P 3,803,359)	P -	P -	P -
Accrued rental expense	(9,954,299)	8,723,634	(15,667,568)	-	-	-
Allowance for property development cost	(9,227,732)	-	-	-	-	-
Allowance for impairment of receivables	-	89,669	(9,176,972)	-	-	-
NOLCO	1,332,859	(2,659,649)	2,881,547	-	-	-
MCIT	608,046	(122,605)	(651,213)	-	-	-
Others	(14,184,203)	8,128,048	(8,538,935)	-	-	-
Changes in deferred tax liabilities:						
Uncollected gross profit	1,694,029,381	1,178,147,317	560,670,959	-	-	-
Capitalized interest	(111,644,539)	142,511,478	181,883,005	-	-	-
Unrealized foreign currency loss	(28,828,585)	(294,955,326)	-	-	-	-
Retirement benefit obligation	(34,785,062)	(38,743,082)	(59,377,352)	(49,659,609)	8,099,039	(12,731,985)
Difference between tax reporting base and financial reporting base of:						
Investment properties	16,365,670	(1,605,411)	56,368,504	-	-	-
Property and equipment	18,998,485	251,430	270,230	-	-	-
Translation adjustments	-	-	-	(30,688,598)	15,271,852	(70,795,068)
Bond issuance cost	(5,086,967)	13,255,384	(3,153,760)	-	-	-
Uncollected rental income	(67,180,852)	(43,066,222)	50,137,713	-	-	-
Share options	(2,914,330)	(9,114,636)	-	-	-	-
Others	7,064,569	19,683,498	(12,085,801)	-	-	-
Deferred Tax Expense (Income)	P 1,452,366,009	P 964,199,025	P 739,756,998	(P 80,348,207)	P 23,370,891	(P 83,527,053)

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.

Some of the entities within the Group are subject to the MCIT which is computed at 2% of gross income, net of allowable deductions 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	2014	P 120,319	2017
	2013	242,098	2016
	2012	312,872	2015
OPI	2013	246,256	2016
	2012	168,093	2015
WGPI	2014	114,564	2017
	2013	112,883	2016
	2012	124,216	2015
PIPI	2014	2,744	2017
	2013	2,744	2016
	2012	2,744	2015
GPMAI	2014	37,063	2017
	2013	40,728	2016
	2012	1,773	2015
MCPI	2014	1,194,150	2017
	2013	1,403,798	2016
	2012	1,376,223	2015

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
WGPI	2014	P 2,165,572	2017
	2013	21,382,586	2016
	2012	18,450,002	2015
GPMAI	2013	1,670,920	2016
	2012	2,347,098	2015
LGHLI	2013	886,544	2016
LCCI	2013	9,870	2016
	2012	3,891,824	2015
DPDHI	2014	3,520,503	2017

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

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)
2014				
WGPI	P 93,106,475	(P 55,178,198)	P 6,891,980	(P 2,278,133)
GPMAI	606,947,764	279,512,597	5,404,122	77,338
LGHLI	625,000	(1,645,548)	-	(759,004)
LCCI	51,860,316	(3,544,504)	72,633,474	172,689
DPDHI	560,514,338	(3,520,503)	-	(3,520,503)
	P 1,313,053,893	**P 215,623,844**	**P 84,929,576**	**(P 6,307,613)**
2013				
WGPI	P 91,511,376	(P 52,900,053)	P 7,142,418	(P 21,490,342)
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 753,687,372	P 221,931,471	P 84,030,197	(P 32,615,839)

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 2014, 2013 and 2012, 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.

27. 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, 2014 and 2013 are as follows:

Related Party Category	Notes	2014 Amount of Transaction	2014 Outstanding Balance	2013 Amount of Transaction	2013 Outstanding Balance
Parent Company:					
Sale of investment	27.6	P 10,431,650,000	P -	P -	P -
Issuance of shares	28.2	-	-	10,725,000,000	-
Dividend income	27.5	46,595,425	-	55,359,121	-
Investments in equity securities:					
FVTPL	27.5	32,500,000	225,500,000	90,400,000	258,000,000
AFS	27.5	(1,200,383,754)	2,539,130,000	671,968,472	3,739,513,754
Purchase of investment	11	(10,431,650,000)	-	-	-
Dividends paid	27.7	(456,070,226)	-	(412,228,484)	-
Associates:					
Collection on sale of land and rendering of services	27.1	2,412,448	-	33,623,683	607,568,361
Cash advances	27.3, 27.4	156,075,758	1,320,576,634	9,916,115	1,062,109,288
Dividend income	27.7	-	-	743,991,000	129,921,000
Related Parties Under Common Ownership:					
Collection on sale of land and rendering of services	27.1	(528,944,699)	17,062,500	9,223,864	148,175
Cash advances	27.3, 27.4	2,002,646,085	1,860,545,172	332,258,342	1,625,619,503

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.

27.1 Sale (Collection of Sale) of Land and Rendering of Services to Related Parties

	Amount of Transactions		
	2014	2013	2012
Associates	P 2,412,448	P 33,623,683	P 2,129,470,415
Other related parties under common ownership	(487,161,879)	9,223,864	21,283,194
	(P 484,749,431)	P 42,847,547	P 2,150,753,609

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.

The Group leases some of its investment property to certain related parties with rental payments mutually agreed before commencement of the lease. The leases have terms ranging from one to twenty-five years, with renewal options, and include annual escalation rates of 3% to 10%. The revenues earned from these related parties are included as part of Rental Income in the consolidated statements of income. The related outstanding receivables from these transactions are presented as part of Trade under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

In 2012, the Company sold to a former associate, now a related party under common ownership, parcels of land with a total contract price of P2.2 billion collectible in installments. Outstanding balance related to these transactions amounted to P17.6 million and P576.7 million as at December 31, 2014 and 2013. These are presented as part of Trade under Trade and Other Receivables account in the consolidated statements of financial positions (see Note 6).

The same former associate is a party in a Management Agreement with the Company, which will provide management services for the overall administration of the other related party's leasing operations for a fee, which is based on certain rates of collection plus commission.

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

27.2 Availment of Services from Related Parties

	Amount of Transactions			Outstanding Balances	
	2014	2013	2012	2014	2013
Other related parties under common ownership	P -	P -	P141,474,682	P -	P -

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.

There are no outstanding payables for services obtained from the associates as at December 31, 2014 and 2013.

27.3 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 11) are as follows:

	2014	2013
Advances to associates	P 1,277,781,909	P 1,091,482,696
Advances to other related parties	2,806,492,140	1,716,733,924
	P 4,084,274,049	P 2,808,216,620

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

	2014	2013
Balance at beginning of year	P 2,808,216,620	P 1,893,985,442
Advances granted by newly-acquired subsidiaries	928,907,676	-
Additions	433,938,450	1,259,535,008
Repayments	(86,788,697)	(345,303,830)
Balance at end of year	P 4,084,274,049	P 2,808,216,620

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 2014, 2013 and 2012 based on management's assessment.

27.4 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:

	2014	2013
Advances from associates	P 1,331,560	P 29,373,408
Advances from other related parties	901,820,683	91,114,421
	P 903,152,243	P 120,487,829

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

	2014	2013
Balance at beginning of year	P 120,487,829	P 692,604,550
Advances granted to newly-acquired subsidiaries	514,812,058	-
Additions	288,167,471	18,194,551
Repayments	(20,315,115)	(590,311,272)
Balance at end of year	P 903,152,243	P 120,487,829

27.5 Investments in Equity Securities

The Group's equity securities mainly consist of investment in shares of the 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 8 and 9. Also, the Group received dividend income from these shares and is presented as part of Miscellaneous – net under Interest and Other Income – net in the consolidated statement of income (see Note 23). No outstanding receivable arises from the transaction.

27.6 Sale of Investment in an Associate

In 2014, the Company sold significant portion of its ownership interest in an associate to the Parent Company for P10.4 billion. The resulting fair value gain on the remeasurement of investment and gain on sale of shares were recognized in Interest and Other Income –net account in the 2014 consolidated statement of income (see Note 23). The remaining shares amounting to P2.7 billion were reclassified to AFS securities at the time of sale (see Note 9).

27.7 Others

The Company declared dividend to the Parent Company amounting to P0.5 billion and P0.4 billion, respectively as at December 31, 2014 and 2013, respectively. There is no outstanding liability arising from this transaction on both years (see Note 28.4).

In 2013, the Group is entitled on the earned dividends from an associate of P744.0 million. The amount was considered return of investment and was treated as deduction from the Accumulated Equity in Net Earnings. As at December 31, 2013, the outstanding dividend receivable is P129.9 million which is presented as part of Others under Trade and Other Receivables in the 2013 consolidated statement of financial position. This dividend receivable was fully collected in 2014 (see Note 6).

27.8 Key Management Personnel Compensation

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

	2014	2013	2012
Short-term benefits	P 168,632,604	P 130,245,735	P 93,436,092
Post-employment benefit	28,779,904	18,949,576	14,893,828
Share-based expense	40,096,554	30,382,120	-
	P 237,509,062	P 179,577,431	P 108,329,920

27.9 Post-employment Plan

The Group has a formal retirement plan established separately for the Company and each of the significant subsidiaries, particularly GERI, 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, 2014 and 2013 are presented in Note 25.3.

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 Group to the plan are also presented in Note 25.3.

28. EQUITY

Capital stock consists of:

	Shares			Amount		
	2014	2013	2012	**2014**	2013	2012
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**	40,140,000,000	30,140,000,000	**P 40,140,000,000**	P 40,140,000,000	P 30,140,000,000
Issued and outstanding:						
Balance at beginning 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
Issuance during the year	**262,202,843**	3,221,812,120	3,109,659,359	**262,202,843**	3,221,812,120	3, 109,659,359
Balance at end of year	**32,362,877,948**	32,100,675,105	28,878,862,985	**P 32,362,877,948**	P 32,100,675,105	P 28,878,862,985
				P 32,422,877,948	P 32,160,675,105	P 28,938,862,985

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, 2014, there are 2,678 holders of the listed shares, which closed at P4.68 per share as of that date.

The following also provides information on 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, 0.7 billion shares in 2013 and 0.3 billion in 2014.

28.1 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 par value per annum cumulative from date of issue. Dividends paid on cumulative preferred shares amounted to P0.6 million in 2014 and 2013.

28.2 Common Shares

On various dates in 2014, the Company's BOD approved the additional issuance of share options to qualified employees of the Company.

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 P10.7 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, 4,102,045,364 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 4,102,045,364 share warrants, 262,202,843, 721,812,120 and 3,109,659,359 warrants were exercised at P1 per share in 2014, 2013 and 2012, respectively, while 333,231 expired in 2014. The remaining warrants are exercisable until 2015.

28.3 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. In 2013, P8.2 billion was recognized arising from the subscription of AGI (see Note 28.2). There were no movements in the Company's APIC accounts in 2014.

28.4 Cash Dividends

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

	2014	2013	2012
Declaration date/date of approval by BOD	**June 16, 2014**	July 3, 2013	June 14, 2012
Date of record	**June 30, 2014**	July 17, 2013	June 29, 2012
Date paid	**July 24, 2014**	August 12, 2013	July 25, 2012
Amounts declared and paid	**P 1,246,941,619**	P 1,030,083,639	P 839,193,763

28.5 Treasury Shares

This account also includes the Company's common shares held and acquired by RHGI. The number of treasury common shares aggregated to 551.4 million as at December 31, 2014. The changes in market values of these shares, recognized as fair value gains or losses by the subsidiaries, were eliminated in full and not recognized in the consolidated financial statements.

In 2012, GPMAI was deconsolidated by EELHI and, thus, became an associate of both the Company and EELHI in that year; hence, the treasury shares held by GPMAI costing P555.1 million was deducted from the balance of Treasury Share account. Also, on the same year, GPMAI sold these outstanding treasury shares.

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.

28.6 ESOP

a. Company

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 Company. 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.

In 2014, additional share options were granted to certain key executives to subscribe 35.0 million common shares of the Company at an exercise price of P2.92 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	15.29 years
Average share price at grant date	P 2.92
Average exercise price at grant date	P 2.06
Average fair value at grant date	P 1.38
Average standard deviation of share price returns	9.42%
Average dividend yield	0.59%
Average risk-free investment rate	3.65%

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.

b. GERI

On September 23, 2011, the BOD of GERI approved an ESOP for its key executive officers. This was approved on November 8, 2011 by stockholders holding at least 2/3 of the outstanding capital stock. The purpose of the ESOP is to enable the key executives and senior officers of GERI, who are largely responsible for its further growth and development, to obtain an ownership interest in GERI, thereby encouraging long-term commitment to GERI. The ESOP is being administered by the Executive Compensation Committee of the BOD of GERI.

Under the ESOP, GERI shall initially reserve for exercise of share options up to 500.0 million common shares of the GERI's outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares. Share options may be granted within 10 years from the adoption of the ESOP and may be exercised within seven years from date of grant. The exercise price shall be at a 15% discount from the volume weighted average closing price of the GERI's shares for twelve months immediately preceding the date of grant. The options shall vest within three years from date of grant and the holder of an option may exercise only a third of the option at the end of each year of the three-year period. GERI shall receive cash for the share options.

Pursuant to this ESOP, on February 16, 2012, GERI granted the option to its key company executives to subscribe to 100.0 million shares of GERI, at an exercise price of P1.93. An option holder may exercise in whole or in part his vested option provided, that, an option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said option's life cycle. On February 16, 2014 and 2013, a total of 29.6 million and 16.4 million options, respectively have vested but none of these have been exercised yet by any of the option holders as at December 31, 2014 and 2013, respectively.

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	7 years
Average share price at grant date	P 2.10
Average exercise price at grant date	P 1.93
Average fair value at grant date	P 2.27
Average standard deviation of share price returns	57.10%
Average risk-free investment rate	2.46%

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

A total of P40.1 million and P30.4 million share option benefits expense is recognized and presented as part of Salaries and employee benefits under Operating Expenses in the 2014 and 2013 consolidated statements of income, respectively with a corresponding credit to Retained Earnings account (see Note 25).

29. EARNINGS PER SHARE

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

	2014	2013	2012
Net profit attributable to Company's shareholders	P 21,219,577,584	P 8,970,664,010	P 7,298,865,167
Dividends on cumulative preferred shares series "A"	(600,000)	(600,000)	(600,000)
Profit available to Company's common shareholders	P 21,218,977,584	P 8,970,064,010	P 7,298,265,167
Divided by weighted average number of outstanding common shares	31,678,808,588	29,131,044,450	25,970,748,295
Basic EPS	P 0.670	P 0.308	P 0.281
Divided by weighted average number of outstanding common shares and potential dilutive shares	31,834,293,509	29,440,788,285	26,519,609,839
Diluted EPS	P 0.667	P 0.305	P 0.275

The potential dilutive common shares as of December 31, 2014, 2013 and 2012 relating to the unexercised shares warrants were considered in the computation of diluted EPS totaling 8,037,811, 270,573,885 and 992,386,005, respectively (see Note 28.2). In 2014 and 2013, the potentially dilutive share options of 280,000,000 and 245,000,000 shares, respectively, were also considered in the computation (see Note 28.6).

30. COMMITMENTS AND CONTINGENCIES

30.1 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 12). 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 P8.5 billion for the consolidated balances. Future minimum lease payments receivable under these agreements are as follows:

	2014	2013	2012
Within one year	P 6,757,739,227	P 5,709,494,083	P 5,043,673,839
After one year but not more than five years	35,491,931,862	29,646,014,378	25,817,849,759
More than five years	11,199,502,286	9,365,860,586	8,144,777,814
	P 53,449,173,375	P 44,721,369,047	P 39,006,301,412

30.2 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 P31.7 million for the consolidated balances. The future minimum rental payables under these non-cancelable leases as at December 31 are as follows:

	2014	2013	2012
Within one year	P 48,658,023	P 61,865,533	P 35,901,531
After one year but not more than five years	49,101,909	99,110,534	58,183,558
More than five years	60,505,793	3,697,674	7,395,348
	P 158,265,725	P 164,673,741	P 101,480,437

30.3 Others

As at December 31, 2014 and 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.

31. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at FVTPL, investment in 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.

31.1 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 financial liabilities, translated into Philippine pesos at the closing rate are as follows:

	2014		2013	
	U.S. Dollars	Pesos	U.S. Dollars	Pesos
Financial assets	$ 204,748,076	P 9,135,244,930	$ 250,877,944	P 11,142,493,014
Financial liabilities	(450,019,200)	(20,078,506,664)	(446,406,588)	(19,826,702,190)
	($ 245,271,124)	(P 10,943,261,734)	($ 195,528,644)	(P 8,684,209,176)

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 2014	2013
P 1	(P 245,271,124)	(P 195,528,644)
(P 1)	245,271,124	195,528,644

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 consolidated other comprehensive income (loss). Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

31.2 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 51.63:1.00, 33.46:1.00, and 16.24:1.00 as of December 31, 2014, 2013 and 2012, 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 2014 and 2013. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant.

	2014		2013	
	+1%	**-1%**	+1%	-1%
Consolidated net results for the year	**(P 7,479,953)**	**P 7,479,953**	(P 10,143,192)	P 10,143,192
Consolidated equity	**(5,235,967)**	**5,235,967**	(7,100,234)	7,100,234

31.3 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	2014	2013
Cash and cash equivalents	5	P 25,142,949,887	P 31,751,905,645
Trade and other receivables	6	49,606,034,905	41,376,845,105
Advances to associates and other related parties	11, 27.3	4,084,274,049	2,808,216,620
AFS debt securities	9	108,602,601	-
Guarantee and other deposits	14	541,591,807	435,979,746
		P 79,483,453,249	P 76,372,947,116

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

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million 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:

	2014	2013
Not more than 3 months	P 1,028,989,404	P 834,613,327
More than 3 months but not more than 6 months	429,474,456	336,909,454
More than 6 months but not more than one year	209,339,801	213,183,360
More than one year	141,958,783	103,451,337
	P 1,809,762,444	P 1,488,157,478

31.4 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, 2014 and 2013 the Group's financial liabilities have contractual maturities which are presented below.

	2014			
	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later 5 Years
Interest-bearing loans and borrowings	P 1,760,559,349	P 865,178,586	P 5,357,765,914	P 769,230,769
Trade and other payables	5,944,104,226	4,676,083,193	-	-
Bonds payable	5,000,000,000	-	8,843,936,590	10,940,977,158
Redeemable preferred shares	-	-	-	1,257,987,900
Advances from associates and other related parties	-	-	903,152,243	-
	P 12,704,663,575	P 5,541,261,779	P 15,104,854,747	P 12,968,195,827

	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

31.5 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, 2014 and 2013 are summarized as follows:

	Observed Volatility Rates		Impact of Increase		Impact on Decrease	
	Increase	Decrease	Net Profit	Equity	Net Profit	Equity
2014						
Investment in equity securities in a holding company	+21.49%	-21.49%	P 48,226,538	P 591,257,329	(P 48,226,538)	(P 591,257,538)
Investments in equity securities in service company	+23.44%	-23.44%	P -	P 665,625,935	P -	(P 665,625,935)
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)

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.

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

32.1 Carrying Amounts and Fair Values by Category

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

		2014		2013	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	5	P 25,142,949,887	P 25,142,949,887	P 31,751,905,645	P 31,751,905,645
Trade and other receivables - net	6	49,606,034,905	49,606,034,905	41,376,845,105	41,376,845,105
Advances to associates and other related parties	11,27.3	4,084,274,049	4,084,274,049	2,808,216,620	2,808,216,620
Guarantee and other deposits	14	541,591,807	541,591,807	435,979,746	435,979,746
		P 79,374,850,648	P 79,374,850,648	P 76,372,947,116	P 76,372,947,116
Financial assets at FVTPL	8	P 225,500,000	P 225,500,000	P 258,000,000	P 258,000,000
AFS securities:	9				
Equity securities		P 6,037,664,828	P 6,037,664,828	P 3,928,755,091	P 3,928,755,091
Debt securities		108,602,601	108,602,601	-	-
		P 6,146,267,429	P 6,146,267,429	P 3,928,755,091	P 3,928,755,091
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	15	P 8,752,734,618	P 8,752,734,618	P 3,799,905,234	P 3,799,905,234
Bonds payable	16	24,784,913,748	24,784,913,748	24,826,702,190	24,826,702,190
Redeemable preferred shares	18	1,257,987,900	1,257,987,900	-	-
Trade and other payables	17	8,562,703,728	8,562,703,728	5,137,755,213	5,137,755,213
Advances from associates and other related parties	27.4	903,152,243	903,152,243	120,487,829	120,487,829
		P 44,261,492,237	P 44,261,492,237	P 33,884,850,466	P 33,884,850,466

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 31.

32.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments in 2014 and 2013 and does not have relevant offsetting arrangements, except as disclosed in Notes 27.3 and 27.4. 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.

33. FAIR VALUE MEASUREMENT AND DISCLOSURES

33.1 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.

33.2 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, 2014 and 2013 (see Note 8 and 9).

	Level 1	Level 2	Level 3	Total
2014				
Debt securities –				
AFS securities	P 108,602,601	P -	P -	P 108,602,601
Equity securities:				
Financial assets at FVTPL	P 225,500,000	P -	P -	P 225,500,000
AFS securities	6,010,214,930	-	27,449,898	6,037,664,828
	P 6,235,714,930	P -	P 27,449,898	P 6,263,164,828
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

The Company has no financial liabilities measured at fair value as at December 31, 2014 and 2013.

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, 2014 and 2013, 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.

33.3 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 statements 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.

33.4 Fair Value Investment Properties Measured at Cost for which Fair Value is Disclosed

The fair value of the Group's Investment properties except for investment properties of WGPI and LFI (see Note 12) was determined by calculating the present value of the cash inflows anticipated until the life of the Investment properties using a discount rate of 10%. On the other hand, the fair value of WGPI and LFI 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 properties is their current use.

As at December 31, 2014, the fair value of the Group's investment properties is classified within Level 3 of the fair value hierarchy. The Level 3 fair value of the investment properties 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 2014.

34. 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 econoic conditions. It monitors capital using the debt-to-equity ratio.

	2014	2013
Interest-bearing loans and borrowings	P 8,752,734,618	P 3,799,905,234
Bonds payable	24,784,913,748	24,826,702,190
	P 33,537,648,366	P 28,626,607,424
Total equity	P 128,798,793,221	P 101,953,021,825
Debt-to-equity ratio	0.26 : 1.00	0.28 : 1.00

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for the years presented above.

35. OTHER MATTERS

35.1 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.

35.2 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.

35.3 Awards

The Company was recognized by various award-giving bodies in 2014 and 2013 as follows:

2014

- 2014 IAIR Real Estate Awards 4th Annual Edition
  - Best Company for Leadership – Special Category-Regional
- 2014 Corporate Governance Asia's 4thAsian Excellence Awards
  - Asia's Best CEO
  - Best Investor Relations
  - Best Investor Relations Officer
- 2014 Alpha Southeast Asia 4th Annual Southeast Asia's Institutional Investor Corporate Poll
  - Most Organized Investor Relations
  - Best Senior Management IR Support
  - Strong Adherence to Corporate Governance
- 2014 Asia's Best Employer Brand Award 2014
- 2014 10th Corporate Governance Asia Recognition Awards
  - The Best of Asia Icon Corporate Governance
  - Asian Corporate Director of the Year
- The Asset Corporate Awards 2014 – Gold Award

2013

- 2013 Corporate Governance Asia's 3rd Asian Excellence Awards
  - Asia's Best CEO
  - Best Investor Relations
  - 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

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