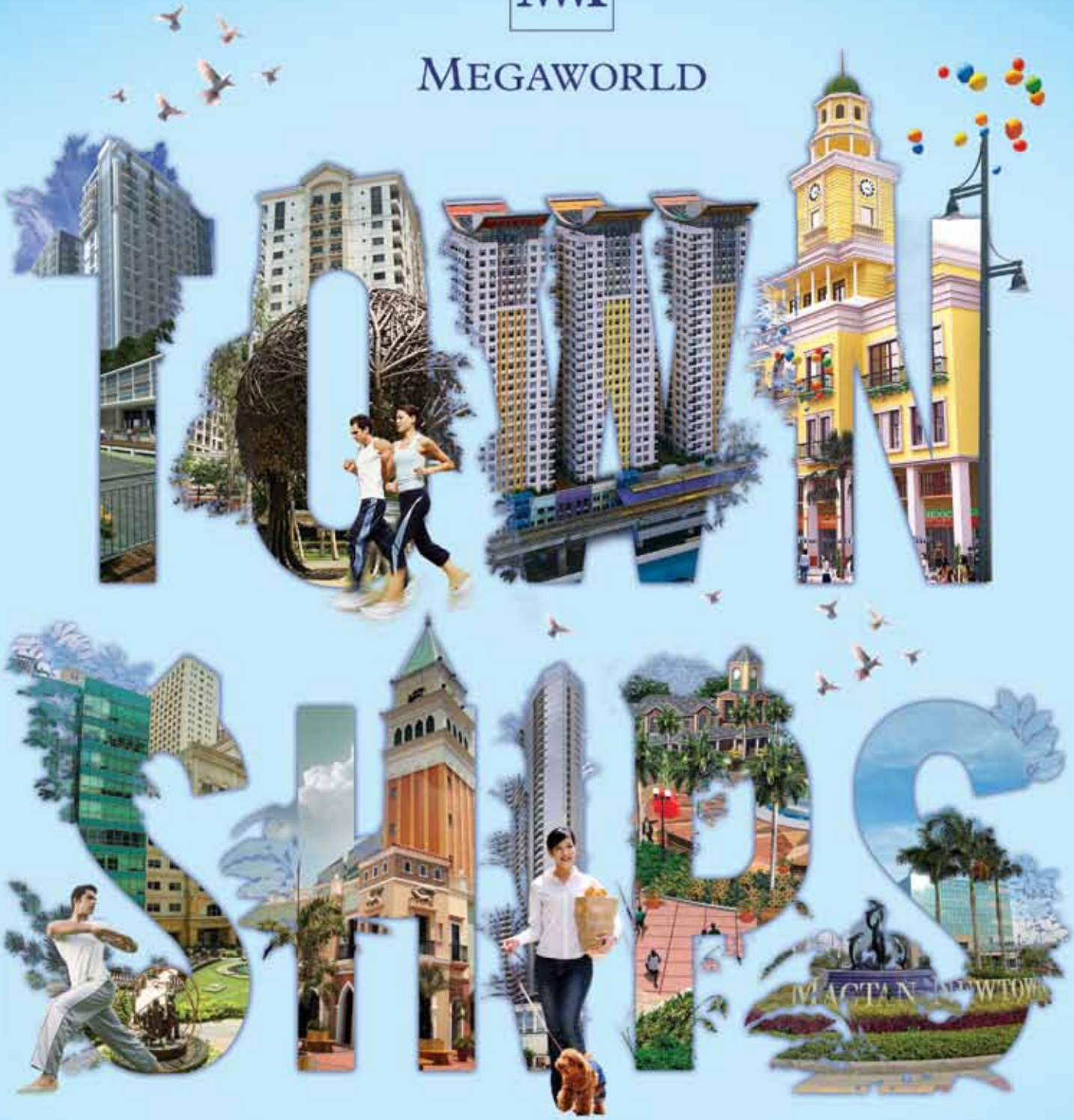
MEGAWORLD



LIVE IT! LOVE IT!

ANNUAL REPORT 2015

"OUR 'LIVE-WORK-PLAY-LEARN' COMMUNITIES HAVE SERVED US WELL IN THE PAST TWO DECADES ALLOWING US TO OFFER NOT JUST HOMES, BUT FULLY INTEGRATED TOWNSHIPS THAT CATER TO THE LIFESTYLE AND NEEDS OF ITS RESIDENTS."

ANDREW L. TAN
CHAIRMAN AND PRESIDENT

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MEGAWORLD

Financial Highlights

MEGAWORLD

Net Income (in Philippine Pesos)

10.40B*

Rental Income (in Philippine Pesos)

8.70B

Consolidated Net Income Growth

10.58%

City of San Fernando, Pampanga

35.6

HECTARES

Westside City

31

HECTARES

The Upper East

34

HECTARES

Northill Gateway

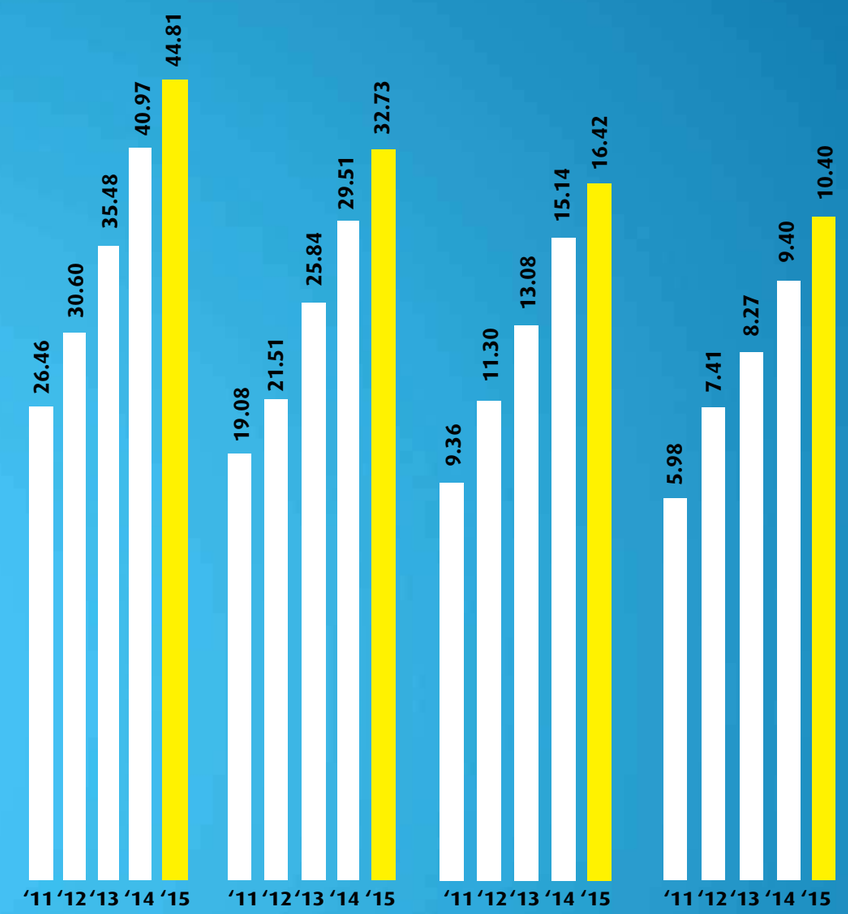
53

HECTARES

Sta. Barbara Heights

173

HECTARES



Consolidated Revenues *(in Billion Pesos)*

Real Estate Revenues *(in Billion Pesos)*

EBITDA *(in Billion Pesos)*

Net Income *(in Billion Pesos)*

	2011	2012	2013	2014	2015
Consolidated Revenues	26.46*	30.60	35.48*	40.97*	44.81*
Real Estate Revenues	19.08	21.51	25.84	29.51	32.73
EBITDA	9.36*	11.30	13.08*	15.14*	16.42*
Net Income	5.98*	7.41	8.27*	9.40*	10.40*

*All figures are exclusive of non-recurring gains

Chairman's Message

WITH EACH PASSING YEAR, OUR DEDICATED EMPLOYEES – NOW OVER 5,000 – AND OUR BUSINESS PARTNERS WORK TIRELESSLY TO MEET AND EVEN GO BEYOND OUR TARGETS. THE FRUITS OF EVERY STAKEHOLDER'S LABOR MADE MEGAWORLD AS THE PREMIER DEVELOPER OF INTEGRATED URBAN TOWNSHIPS AND BIGGEST LESSOR OF OFFICE SPACE IN THE PHILIPPINES.

MEGAWORLD

Our 26th year as a company was about reinforcing the foundations that Megaworld were built upon, and securing our brand for years to come. Our business had record achievements last year, but our utmost goal was to ensure the continuity of our vision, which is to provide the very best real estate value to all our customers.

Megaworld ended 2015 with record financial results. For the first time, we have breached the P10 billion mark in net earnings without non-recurring gains. We achieved a bottom-line of P10.40 billion in 2015, growing our net income the previous year more than 10%.

Our consolidated revenues, excluding non-recurring gains, grew 9.37% from P40.97 billion in 2014 to P44.81 billion in 2015. More notably, all core business – residential, rental, and hotel – hit double-digit growth during the year.

Our efforts in making Megaworld a more stable real estate company was reflected through the remarkable 23.48% growth of our rental business in 2015. Revenues from malls, commercial centers, and offices grew from the previous year's P7.07 billion to P8.73 billion by year-end of 2015. Including intersegment transactions, Megaworld hit its 2015 rental income target at P8.96 billion. We continue to be optimistic with this part of the business as we see continuous growth in consumer spending and further expansion of BPO operations in key growth areas where our presence has already been established. This is part and parcel of how we are reinforcing our brand for future years.

Our residential business also did exceptionally well as real estate sales grew 10.77% from P24.61 billion in 2014 to P27.26 billion by year-end of 2015. Our continued diversification has been our story through this banner year, and our residential business is the best example of this. We offer different products across all segments in the market together with our listed brands Global Estate Resorts Inc. and Empire East Land Holdings, Inc., as well as our privately held entities like Suntrust Properties, Inc. and others. More importantly however, Megaworld is in a league of very chosen real estate companies that has established presence in next wave cities such as Davao, Iloilo, Bacolod, Pampanga, and the like.

Of course, all of these excellent results are rooted in Megaworld's mantra of building integrated urban townships, and expanding the portfolio of these Live-Work-Play-Learn communities was the cornerstone of the foundation building done in 2015. We launched five new townships during the year, bringing our total count across the Philippines to 20. The Upper East (34 ha) and Northill Gateway (50 ha) both in Negros Occidental; Sta. Barbara Heights (173 ha) in Iloilo; a vast property beside the Pampanga Provincial Capitol in the City of San Fernando (35.60 ha); and Westside City in the Entertainment City in Parañaque (31 ha) were added to the already impressive township roster of Megaworld in 2015.

The other 15 existing townships are Eastwood City in Quezon City, (18.50 ha); Newport City in Pasay City (25 ha); McKinley Hill (50 ha), McKinley West (34.50 ha), Uptown Bonifacio (15.40 ha) and Forbes Town Center (5 ha), all in Fort Bonifacio; The Mactan Newtown in Cebu (30 ha); Iloilo Business Park (72 ha) in Iloilo; Boracay Newcoast in Boracay Island (150 ha); Twin Lakes in Tagaytay (1,200 ha); ArcoVia City in Pasig City (12.30 ha); Southwoods City in the boundaries of Cavite and Laguna (561 ha); Davao Park District in Lanang, Davao City (11 ha); Alabang West in Las Piñas City (62 ha); and Suntrust Ecotown in Tanza, Cavite (350 ha).

All the hard work that our stakeholders put in culminated when Megaworld emerged as the biggest winner in the 2016 Philippines Property Awards, a true testament to our commitment in delivering the best real estate value to our patrons. Apart from earning the most prestigious award of Best Developer, we also received other major awards for Uptown Ritz (Best Residential Architectural Design); 8 Newtown Boulevard (Best Condo Development for Cebu); The Vineyard Residences (Best Condo Development for Resort); and 13 'Highly Commended' Awards for various developments including Uptown Mall, Venice Grand Canal, Uptown Parksuites, Salcedo Skysuites, Uptown Tower 3, and Suntrust's Shanata Residences and One Lakeshore Drive. Without a doubt, Megaworld will again be in the fray with the best developers in the Southeast Asia Property Awards in November 2016.

With each passing year, our dedicated employees – now over 5,000 – and our business partners work tirelessly to meet and even go beyond our targets. The fruits of every stakeholder's labor made Megaworld the premier developer of integrated urban townships and biggest lessor of office space in the Philippines.

2015 was not only another banner year for Megaworld, but it was a year of promise as we ended it on a note that would secure our brand in the years to come. Our commitment to partake in nation building while providing our customers and shareholders the best real estate value remains steadfast, and we look forward to propelling our company to new heights in 2016.

Andrew L. Tan
Chairman and President

LIVE-WORK-PLAY-LEARN!

"Our 'Live-Work-Play-Learn' communities have served us well in the past two decades allowing us to offer not just homes, but fully integrated townships that cater to the lifestyle and needs of its residents."

Andrew L. Tan
Chairman and President

Now with 20 developments in Luzon, Visayas and Mindanao, Megaworld continues to redefine modern urban living by integrating residences, offices, commercial centers and learning institutions in master-planned townships.

Megaworld's "Live-Work-Play-Learn" concept is now the standard by which community developments in the Philippines are judged. As Megaworld pursues its aggressive plans to establish additional townships across the country, more and more people will get to enjoy the benefits of this integrated approach.

LIVE
in a complete community where everything you need is conveniently within reach.

WORK
in a business environment that provides ample support as you move up the corporate ladder.

PLAY
using modern, state-of-the-art facilities for sports, leisure, and recreation.

LEARN
in world-renowned educational institutions within the walls of our communities.

Eastwood City

Eastwood City is the first township to showcase Megaworld's signature Live-Work-Play-Learn lifestyle concept. The first of its kind when launched in 1999, it now has become the company's proof of concept and model for townships thereafter.

Spread over 18.50 hectares of prime community property in Libis, Quezon City, Eastwood City has 19 completed luxury condominium towers, 10 first-class corporate office buildings, and a modern IT park. The community is home to more than 25,000 residents and 55,000 workers.

The country's first cyberpark also hosts the four-level Eastwood Mall – a shopping and dining destination hailed several times as the "Best Shopping Center" by the Philippine Retailers Association. Eastwood City has a total of 3 malls and around 500 commercial and retail shops.

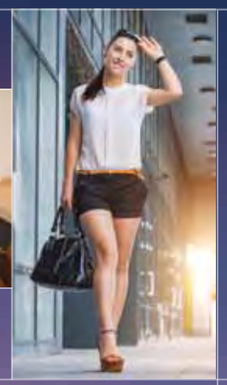
TOWNSHIP HIGHLIGHTS

- 18.50 hectares
- The Philippines' first-ever township development
- The first cyber park accredited by the Philippines Economic Zone Authority (PEZA) in the country
- 19 condominium towers, 10 office towers, 3 lifestyle malls, and over 500 commercial and retail shops

MEGAWORLD

Eastwood Global Plaza Luxury Residence

In 2015, Megaworld launched Eastwood Global Plaza Luxury Residence in Eastwood City, a new 49-storey residential tower located along Palm Tree Avenue. Eastwood Global Plaza continues the areas tradition of excellence in its efficiently-designed studio, one-, two- and three-bedroom units as well as its recreational amenities and convenient access to the Live-Work-Play-Learn lifestyle of Eastwood City.



McKINLEY HILL

A taste of European living is what McKinley Hill offers. Megaworld's biggest township in Metro Manila, the 50-hectare McKinley Hill in Fort Bonifacio, Taguig City features Spanish and Italian aesthetics in its 36 residential condominiums, 4,716 apartments and 482 residential lots, 15 office buildings, and 90 restaurant and commercial stores.

The European ambience is most evident in the Venetian-inspired commercial centers such as the Venice Piazza and the Venice Grand Canal Mall. Both these malls take residents, employees and visitors to upscale dining and shopping experiences.

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 facilities is the 8 Campus Place which is recognized as the country's first Leadership in Energy and Environmental Design (LEED) Gold-certified building for BPO companies.

The McKinley Hill is home to 3 foreign embassies and 3 international schools.

TOWNSHIP HIGHLIGHTS

- 50 hectares
- 36 residential buildings, 10-hectare residential village, 17 office towers, 2 lifestyle malls, and over 90 commercial and retail shops
- 3 foreign embassies and 3 international schools
- Home to McKinley Hill Stadium, the country's first world-class football field

MEGAWORLD

The Venice Luxury Residences – Giovanni

The Giovanni was added to Venice Luxury Residences in 2015. Venice Luxury Residences captures the grandeur of Venice in the architecture and interiors of its towers with studios, one-, two- and three-bedroom suites. It features a romantic, tranquil garden with sculptures and rock features inspired by Giardini of Venice, apart from an outdoor spa, swimming pools, fitness station, play area, and tennis and badminton courts. All these amenities are just a few steps away from a lively carnevale of boutiques and dining places.

Forbes Town Center

Forbes Town Center, inspired by the Bugis district in Singapore, is a major landmark in Fort Bonifacio – a thriving Metro Manila central business district. Its strategic location brings its residents close to the headquarters of the largest local and multinational companies in the Philippines.

Forbes Town Center has a retail strip hosting 37 restaurants and shops that serve the community. It hosts the Bellagio towers, Forbeswood Heights, Forbeswood Parklane, and Eight Forbes Town Road.

Forbes Town Center is next to the upscale villages and landmarks such as Forbes Park, Dasmariñas Village and the Manila Polo Club. Homeowners at Forbes Town Center also have a panoramic half-kilometer-long view of the Manila Golf and Country Club.

TOWNSHIP HIGHLIGHTS

- 5 hectares
- 12 condominium towers, 37 retail establishments
- Prime location in Fort Bonifacio

MEGAWORLD

McKinley West

McKinley West is a 34.50-hectare, P45 billion residential township envisioned to match the luxury and prestige of its neighbors Forbes Park and the Manila Polo Club.

Apart from McKinley West Village where prime lots have appreciated as much as 110% since its launch in 2010. McKinley West will have rows of luxury residential estates designed by some of the world's leading European architects to have state-of-the-art security features and luxury amenities. The upscale residential enclave will be supplemented by a modern business district of sustainable office buildings, an international school, and a chic commercial center. These will all be complemented by open spaces and lush greenery.

Ingress and egress points of the estate are conveniently along Lawton Avenue which connects Fort Bonifacio to Pasay City and Makati City.

TOWNSHIP HIGHLIGHTS

- 34.50 hectares
- Over P45 billion investment; to be developed over the next 10 years
- Inspired by modern and traditional Europe
- Luxury residential estates designed by some of the world's leading European architects

MEGAWORLD

UPTOWN
BONIFACIO

Uptown Bonifacio is modeled after the most progressive cities around the world – Paris, London, Milan, New York and Tokyo. It is a joint venture between Megaworld and the Bases Conversion and Development Authority (BCDA) and covers 15.40 hectares in the northern part of Fort Bonifacio. About 500,000 square meters has been allocated for residences, roughly 400,000 square meters for offices, and around 90,000 square meters for commercial spaces.

The township is easily accessible via Kalayaan Avenue, C-5 Road, and EDSA. It is also nearby Forbes Town Center, St. Luke's Medical Center, and a number of international schools.

TOWNSHIP HIGHLIGHTS

- 15.40 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 space

MEGAWORLD

NEWPORT CITY

Newport City across from Terminal 3 of the Ninoy Aquino International Airport (NAIA) is a 25-hectare integrated tourism estate that has established itself as a major destination for gaming over the past decade.

It is home to Resorts World Manila, a joint venture between Travellers International Hotel Group Inc., and the Genting Group. Resorts World Manila features an upscale shopping mall, a state-of-the-art performing arts theater, and a world-class gaming center.

Upon completion, Newport City will have numerous hotels, 2 gaming centers, 2 malls, and the Marriott Grand Ballroom.

TOWNSHIP HIGHLIGHTS

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

MEGAWORLD

THE MACTAN NEWTOWN

The Mactan Newtown in Cebu is Megaworld's first township venture outside Luzon. This 28.80-hectare township has its own beach and combines high-end office towers, luxury condominiums, leisure amenities, retail shops, a school, and upscale hotels. It is also near the Mactan-Cebu International Airport, making the township ideal for residence, business or leisure.

Megaworld's partnership with the Philippine Retirement Authority in 2011 gave foreign retirees more attractive residence options in the Philippines through the issuance of a Special Retirees Residence Visa. Mactan Newtown's residential offerings are now the choice addresses of foreign retirees.

The township has a cyberpark which is home to several BPO companies. It is projected to be the next BPO and IT hub in Cebu in the next three to five years with around 150,000 square meters of office space that can accommodate an estimated 45,000 workers.

Soon to rise are 5 hotels, two of which are at the beachfronts. Megaworld is also building its own exclusive, world-class beach club and sports facilities at the 11-hectare beachfront property.

TOWNSHIP HIGHLIGHTS

- 30 hectares
- Special economic zone accredited by PEZA for information technology, tourism and retirement
- 10 residential towers, 150,000 square meters of office space, a lifestyle mall, a school, and upscale hotels

MEGAWORLD

One Manchester Place - Towers 2 and 3

Towers 2 and 3, launched in 2015, complete One Manchester Place's 3-tower condominium cluster that offers spectacular views of heritage sites like the Mactan Liberty Shrine, Magellan Bay and *Hilutungan* Channel. Each condo unit is fitted with pre-fab closets for bedrooms and sleeping dens. Kitchens will have cabinets and pre-furnished with burner cooktops as well as ovens and range hoods. One Manchester Place will have a direct access to a mall which will soon be built in The Mactan Newtown.

ILOILO BUSINESS PARK

Iloilo Business Park is Megaworld's second township in the Visayas. The 72-hectare development is located at the old site of the Iloilo Airport in Mandurriao.

The centerpiece of the township is the Iloilo Convention Center, which is a joint venture between Megaworld and the local government of Iloilo. It also features The Street of Festive Walk, a 1.1-kilometer retail strip inspired by outlet shops in America and envisioned to be the longest shop-and-dine street outside of Metro Manila. With Iloilo Business Park, Megaworld aims to transform Western Visayas into the next central district in the region.

Iloilo Business Park has launched 3 residential condominium developments to date: One Madison Place Luxury Residence, Lafayette Park Square, and The Palladium, which is set to become the tallest building in the region at 22 storeys high.

TOWNSHIP HIGHLIGHTS

- 72 hectares
- 100,000 square meters of office space
- Home of the Iloilo Convention Center, two luxury business hotels and The Street of Festive Walk

The Palladium – South Wing

Standing 80 meters high at 22 storeys, The Palladium is Western Visayas' tallest building and first residential tower. It has skygardens in various floors overlooking the spectacular views of Iloilo city.

Composed of the North and South Wings, The Palladium has 482 units ranging from studio (from 29.50 square meters), executive studio (from 39.50 square meters), one-bedroom (from 49.50 square meters) to two-bedrooms (from 83.50 square meters). At the topmost floor are exclusive loft units ranging from 76 square meters to 115 square meters. The Palladium residents also get to enjoy the state-of-the-art amenities that include an infinity pool, a children's pool, outdoor and indoor fitness center, day care center, lawn area for events, and a function hall.

BORACAY NEWCOAST

Boracay is famous for being one of the best beaches in the world with its pristine white sand, magnificent sunsets and crystal clear waters. Boracay Newcoast is the single largest piece of property in the island.

The 150-hectare mixed-use leisure and resort development includes luxury and boutique hotels, commercial and retail districts, upscale villas, and an exclusive residential village.

The township's main 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 in Fairways & Bluewater. Its other leisure-driven offerings are the Shophouse District and the Boutique Hotel District, inspired by key tourist destinations around the world.

Initial residential developments include Oceanway Residences – a cluster of mid-rise condominiums offer amazing views of the Sibuyan Sea, Mt. Luho, the island's highest peak – and The Newcoast Village, a luxury residential enclave that evokes the quaint and intimate character of the world's famous Mediterranean coastal villages.

TOWNSHIP HIGHLIGHTS

- 150 hectares
- 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

MEGAWORLD

The Shophouse and Boutique Hotel Districts

Global Estate Resorts, Inc., the Megaworld subsidiary in charge of Boracay Newcoast, chose the aesthetics and architecture of Oia and Fira in Santorini, Greece; Ibiza, in Spain; Palm Beach, Miami; Bali and Phuket in Asia as the inspirations for the Shophouse and Boutique Hotel Districts.

Building the Shophouse structures started in 2015. These are three storeys high with the ground floor for shops and restaurants and the upper floors for residential use. Built in a terraced design, a row of shophouses abut each other along a street and each shares walls with neighboring structures.

Chancellor Hotel Boracay

Chancellor Hotel Boracay is beside the Fairways & Bluewater Golf Course and surrounded by commercial, dining and entertainment establishments. Its units are offered for sale to individuals with the promise of a worry-free investment and the best ROI through the hotel occupancy over the long-term.

TWIN LAKES

Twin Lakes in Laurel, Batangas is the Philippines' first vineyard resort community and Tagaytay's first master-planned integrated tourism estate. Spread over 1,200 hectares, it is comprised of the 3 mid-rise condominiums of The Vineyard Residences, the 33.79-hectare Domaine Le Jardin – a garden-themed subdivision, and the 177-hectare The Vineyard, which offers a perfect view of the famous Taal Volcano.

The Vineyard will have its own sports club and spa, wedding venue, and a 10-hectare vineyard that will produce real grapes that can be processed, stored, and aged in its own chateau. Also part of Twin Lakes are commercial hubs, hotels, and a wellness center.

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

MEGAWORLD

Vineyard Residences – Shiraz

The 6-storey Shiraz launched in 2015 is the third of the condominium buildings of The Vineyard Residences. It joins the earlier 8-storey Merlot and the 7-storey Chardonnay. Each building has one-and two-bedroom units, all with balconies. Second floor units have a pocket garden, and units at the third floor have skylights.

One-bedroom units are 37 to 49 square meters while two-bedroom units are 74 to 81 square meters.

ArcoVia City

Envisioned as an environment-friendly township community, the 12.40-hectare ArcoVia City is a P35 billion project located along the C-5 Road in Pasig City.

Sustainable buildings registered under LEED will be the standard of office developments in this township. The first to rise are two towers designed by world-renowned architectural firms Skidmore, Owings, and Merrill are conveniently located along the C-5 entrance. Other green features of ArcoVia City are a rainwater catchment facility to utilize rainwater and grey water, a network of bicycle lanes, and wide tree-lined sidewalks. Aside from its office towers, the township will also host residential condominiums, a lifestyle mall, retail and commercial strips, and open parks.

TOWNSHIP HIGHLIGHTS

- 12.40 hectares
- LEED registered office buildings
- Rainwater catchment facility to utilizes rainwater and grey water usage.

MEGAWORLD

DAVAO PARK DISTRICT

Davao City continues to be the major business and investment hub in Mindanao. Davao Park District, set to be the center of commerce in the region, is an 11-hectare property along the S.P. Dakudao Loop, which used to be the Lanang Golf and Country Club.

About P15 billion has been allocated to transform the township into a center for BPO and other corporate entities over the next seven years with the construction of office towers. The township will also have a lifestyle mall, commercial and retail strips, open parks, a lagoon, and a school.

TOWNSHIP HIGHLIGHTS

- 11 hectares
- set to be the center of commerce in the region to cater to BPO and IT companies
- Mall and retail strips, open parks, a lagoon, and a school

MEGAWORLD

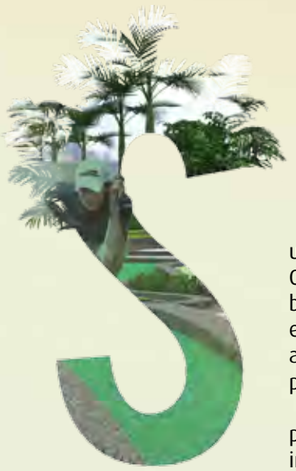
One Lakeshore Drive

One Lakeshore Drive is a modern-contemporary residential building just steps away from office buildings, restaurants, retail shops and learning centers. The residents of its studios, executive studios, one-bedroom and two-bedroom units can enjoy a wide range of amenities, both indoor (lift lobby and lounge, business center, day care, function rooms, gym, restaurants and retail arcade) and outdoor (20 m lap pool with infinity edge, kiddie pool, outdoor fitness station, children's playground, changing rooms, a gazebo and a pocket garden with reading nook).

Palm City

Palm City in Tagum, Davao del Norte is a gated residential community with beautifully designed modern houses and easy access to medical institutions, shopping malls and amusement centers, educational institutions, government agencies and BPO headquarters.

It offers 24/7 security and has a wide concrete road network, a concrete perimeter wall, centralized water system, underground drainage system, a clubhouse, swimming pools and other sports facilities.



SUNTRUST ECOTOWN TANZA

Suntrust Ecotown in Tanza, Cavite is Megaworld's first mixed-use development that integrates an industrial park in a township. Of its total area of 350 hectares, approximately 111 hectares will be allotted for the industrial park, with additional 40 hectares earmarked for expansion and will have lifestyle amenities such as commercial and retail hubs, a driving range, and a swimming pool among others.

Suntrust Ecotown is positioned to be the next industrial park for world-class light to medium export-oriented industries that want set shop south of Metro Manila. Its proximity to major airports and seaports as well as business districts and accessibility to main thoroughfares make it a suitable location for industrial and corporate companies alike. The industrial park will also have PEZA and Bureau of Customs offices where tenant-locators can fast-track their business permit requirements, as well as its own administration office, fire station, chapel, parking for container vans, guardhouse, and transport terminal.

TOWNSHIP HIGHLIGHTS

- 350 hectares
- Megaworld's first mixed-use development that integrates an industrial park in a township
- Set to host the offices of PEZA and Bureau of Customs
- Strategic location that is close to major airports, seaports and business districts

MEGAWORLD

SOUTHWOODS CITY

Southwoods City is the largest and only fully-integrated township with a golf course south of Metro Manila.

The 561-hectare property is a mixed-use development that features the Jack Nicklaus-designed Manila Southwoods Golf and Country Club, a central business district, a mall, schools, a church, and a medical facility among others. It maintains its suburban feel while being conveniently accessible via the South Luzon Expressway.

Within Southwoods City is Pahara, a 26-hectare residential village consisting of over 600 lots, each having a spectacular view of the golf course and the Laguna de Bay. Pahara, which is a Bengali term for hills, was named as such due to its landscape and terrain. This residential village has a Mediterranean-inspired architectural theme with green open spaces and its own clubhouse, swimming pool, function halls, children's playground, an outdoor circuit gym, and parks.

TOWNSHIP HIGHLIGHTS

- 561 hectares
- Jack Nicklaus-designed Manila Southwoods Golf and Country Club
- Just south of Metro Manila, conveniently accessible via the South Luzon Expressway

MEGAWORLD

Pahara – Additional lots

In 2015, additional lots were made available in Pahara. As before, Pahara property owners will be members of the Manila Southwoods Estates and will enjoy full access to the existing amenities.

Holland Park – Clusters 2, 3 and 4

The development of Holland Park, a low-density condominium complex continued in 2015 with Clusters 2, 3, and 4. The units offer a beautiful and unobstructed view of the southern skyline and are perfect for an active and fun lifestyle for the whole family. Arcaded retail spaces showcasing an eclectic mix of good food, specialty services, fashion boutiques, and more, make Holland Park best for leisure and relaxation.

ALABANG WEST

Alabang West delivers the glitz and glamor of Beverly Hills by offering high-end shopping boutiques and world-class amenities, all in a posh neighborhood. The P10 billion, 62-hectare township is located at the heart of Alabang's leisure, business and commercial district. It is easily accessible to and from Metro Manila via the South Luzon Expressway and the Daang Hari Exit.

Alabang West has a 1.3-kilometer commercial and retail row inspired by Hollywood's famous Rodeo Drive and an exclusive Alabang West Village that features over 700 residential lots. The village will have a clubhouse with badminton and basketball courts, function rooms, game room, a fitness center, and an infinity pool.

TOWNSHIP HIGHLIGHTS

- 62 hectares
- Located at the heart of Alabang's leisure, business and commercial district
- Easily accessible to and from Metro Manila via the South Luzon Expressway and the Daang Hari Exit

MEGAWORLD

Townships Launched in 2015

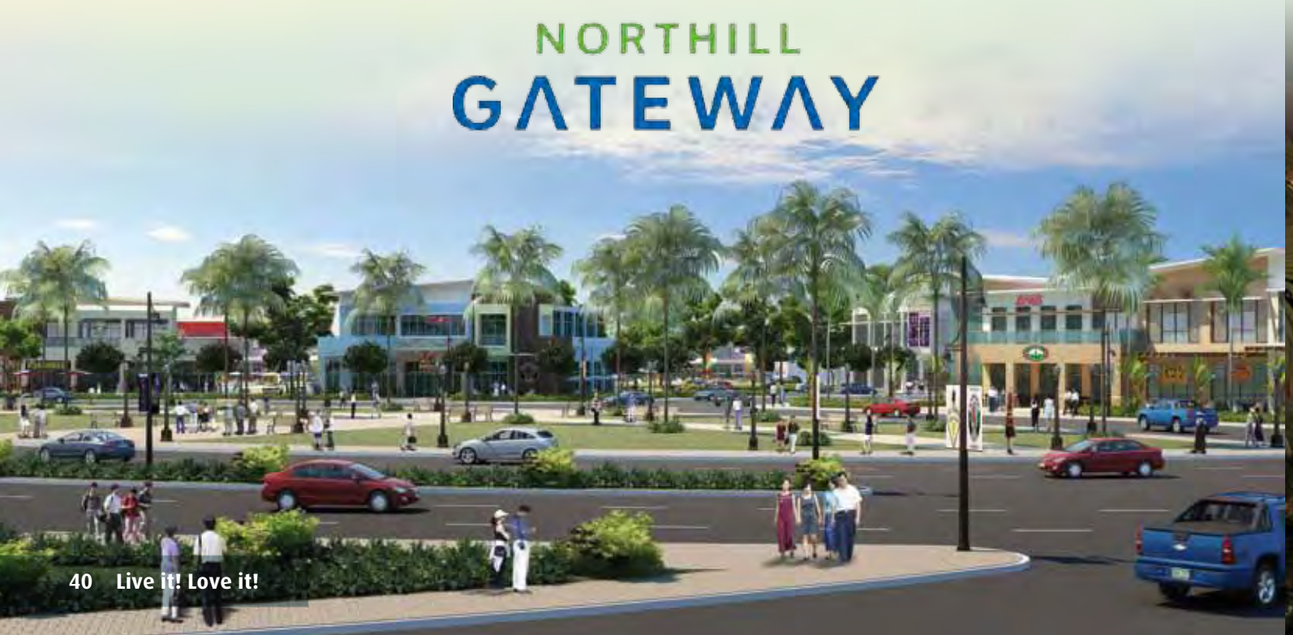
Megaworld capped 2015 with the launch of 5 townships, the Upper East and Northill Gateway in Bacolod City, Sta. Barbara Heights in Sta. Barbara, Iloilo, a township in the City of San Fernando, Pampanga and Westside City in Parañaque, Metro Manila.

The Upper East is one of two new Megaworld townships launched in Negros Occidental. It sits on a 34-hectare property in Bacolod City and is bound by Burgos Avenue on the north, Lopez Jaena Street on the west, the Circumferential Road on the east, and is just across the New Government Center. Modeled after New York City's Upper East Side district, its prime location is geared to be Bacolod's next commercial and BPO district.

Northill Gateway will rise in the northern part of Bacolod, where the famous Sugar Road was built. Sitting on a 50-hectare property along the new Circumferential Road on the boundaries of Talisay City and Bacolod City, it has direct access to the new Bacolod-Silay Airport. Northill Gateway is envisioned to house upscale residential villages, mixed-use office and retail developments, leisure and recreational amenities as well as institutional facilities.

The third township launched in 2015 is Sta. Barbara Heights in Sta. Barbara, Iloilo. The 170-hectare mixed-use development has 34 hectares allocated for residential lots, which offer a backdrop of a nearby natural lake and rolling hills. The township is adjacent to the historic Santa Barbara Church and Convent and the Iloilo Golf Course and Country Club – the oldest in Asia.

The prime property beside the provincial capitol of the City of San Fernando, Pampanga is the fourth township launched by Megaworld in 2015. With an allocation of P30 billion spread over the next 10 years, it is just 70 kilometers away from Metro Manila and accessible via the North Luzon Expressway and the Jose Abad Santos Avenue, also known as the Olongapo-Gapan Road. It is also around 20 kilometers away from Clark International Airport and will have residential, office, commercial, and institutional components integrated within its walls. The township's prime location is strategic to tapping the large pool of skilled BPO talents in Pampanga.



MEGAWORLD

The fifth township launched in 2015, Westside City, will be the second site of Resorts World Manila in the Philippines. The P65 billion, 31-hectare leisure and entertainment township at the booming Entertainment City in Parañaque will also have international hotels, a luxury mall, and residential condominiums. The launch of Westside City marked Megaworld's 20th integrated urban township, the most in the country.

San Fernando
The Upper East
WESTSIDE CITY

Results of Operation

MEGAWORLD

Review of December 31, 2015 versus December 31, 2014

Megaworld, the country's largest developer of integrated urban townships and the biggest lessor of office spaces, has breached the P10 billion mark in net core income for 2015. The Group's core profit reached P10.40 billion (net of P181 million non-recurring gain), up by 10.64% from last year's P9.40 billion (net of P12.16 billion non-recurring gain). Consolidated core revenues composed of real estate sales, rental income, hotel operations and other recurring revenues posted an amount of P44.81 billion this year, up by P3.84 million or 9.37% higher from 2014 figures amounting to P40.97 billion.

Development

Among product portfolios, the bulk of consolidated revenues came from the sale of condominium units and residential lots, comprising 60.59% of total revenues. Real estate sales posted a 10.79% increase, with an aggregate amount of P27.26 billion in 2015 versus P24.61 billion last year. The Group's registered sales mostly came from the following projects: Three Central, The Venice Luxury Residences – Fiorenzo, Greenbelt Hamilton Tower 2, St. Moritz Private Estate, McKinley Hill Village, One Eastwood Avenue Tower 2, Uptown Parksuites Towers 1 & 2, One Uptown Residences, Paseo Heights, Viceroy East Tower, The Florence, Salcedo Skysuites, Tuscany Private Estate, Eight Forbestown Road, Lafayette Park Square, One Manchester Place and 81 Newport Boulevard.

Leasing

Rental income contributed 19.40% to the consolidated revenues and amounted to P8.73 billion compared to P7.07 billion reflected last year, a 23.46% increase. Contributing to the growth are the escalation of rental rates and increase in demand for office space from BPO Companies.

Hotel Operations

The Group's revenues attributable to hotel operations posted an amount of P796.32 million during the year with an increase of 10.15% from P722.97 million in 2014. Total costs and expenses increased by 9.25% from P31.51 billion in 2014 to P34.42 billion this year primarily due to increase in real estate sales, operating and administrative expenses. Interest and other charges – net increased by 67.82%, amounting to P2.73 billion in 2015 from P1.62 billion last year due to foreign exchange re-measurement of dollar bonds.

Tax expense in 2015 amounting to P3.28 billion resulted to a 5.27% increase from 2014 reported amount of P3.12 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

MEGAWORLD

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 at December 31, 2015 amounting to P251.68 billion posted an increase of 13.86% compared to P221.04 billion as at December 31, 2014.

The Group shows steady liquid position as at December 31, 2015 by having its current assets at P131.18 billion as against its current obligations at P36.48 billion. Current assets posted an increase of 7.44% from December 31, 2014 balance of P122.09 billion. Current obligations reflected a decrease of 6.17% from P38.88 billion balance last year.

Cash and cash equivalents decreased by 9.47% from P25.14 billion in 2014 to P22.76 billion in 2015 due to capital expenditure and operating activities for business expansion. An increase of 14.11% from its current and non-current trade and other receivables – P60.06 billion as at December 31, 2015 compared to P52.63 billion as at December 31, 2014, was due to additional sales for the period. Residential, condominium units, golf and resort shares for sale further increased by 8.01% from P56.91 billion last year to P61.47 billion in 2015 mainly due to the additional construction costs attributable to on-going projects. Property development costs increased to P14.86 billion, 19.92% higher than P12.39 billion last year. The Group's investments in available-for-sale securities decreased by 23.54%, from P6.15 billion in 2014 to P4.70 billion in 2015 due to changes in the fair market value of shares. Investment properties increased by 29.39% amounting to P46.27 billion in December 31, 2015 from P35.76 billion in December 31, 2014 due to completion of properties for lease.

Trade and other payables amounted to P12.07 billion and P10.62 billion as at December 31, 2015 and December 31, 2014, respectively. The increase of 13.65% was due to higher payables to suppliers and contractors. Total current and non-current customers' deposits as at December 31, 2015 amounted to P6.94 billion compared to P7.24 billion as at December 31, 2014 with 4.16% decrease, due to sales recognition of pre-sold various projects. The combined effect of current and non-current deferred income on real estate sales increased by 6.12% which amounted to P10.46 billion as at December 31, 2015 compared to P9.86 billion as at December 31, 2014.

The interest-bearing loans and borrowings current and non-current amounted to P31.67 billion resulted in a 261.86% increase from previous year-end's P8.75 billion mainly due to availment of new loans. Total other liabilities amounted to P5.56 billion from P4.09 billion as at December 31, 2015 and December 31, 2014, respectively translating to a 35.97% increase.

Total Equity (including non-controlling interests) increased by 4.36% from P128.80 billion as at December 31, 2014 to P134.41 billion as at December 31, 2015 due to the Group's continuous profitability.

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

	December 31, 2015	December 31, 2014
Current Ratio *1	**3.60:1.00**	3.14:1.00
Quick Ratio *2	**0.62:1.00**	0.65:1.00
Debt to Equity Ratio *3	**0.39:1.00**	0.26:1.00
Return on Assets *4	**4.47%**	10.92%
Return on Equity *5	**8.98%**	20.93%

*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

MEGAWORLD

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 2015, 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 2015, 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

MEGAWORLD

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 effect on the business, financial condition or results of operations of the Company. There is no assurance that there will be no 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 risks incidental to the ownership and operation of office and related retail properties including, among other things, competition for tenants, changes in market rents, inability to renew leases or re-let space as existing leases expire, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, increased operating costs and the need to renovate, repair and re-let space periodically and to pay the associated costs. In particular, the Company relies on the growth of the BPO business as a continued source of revenue from its rental properties. If the BPO business does not grow as the Company expects or if the Company is not able to continue to attract BPO-based tenants, it may not be able to lease its office space or as a consequence, its retail space, in a timely manner or otherwise at satisfactory rents.

Services rendered by independent contractors may not always match the Company's requirements for quality or be available within its budget. The Company relies on independent contractors to provide various services, including land clearing and infrastructure development, various construction projects and building and property fitting-out works. Although the Company invites contractors to tender bids according to their reputation for quality and track record, and although once a contract is awarded the Company supervises the construction progress, there can be no assurance that the services rendered by any of its independent contractors will always be satisfactory or match the Company's requirements for quality. Contractors may also experience financial or other difficulties, and shortages or increases in the price of construction materials may occur, any of which could delay the completion or increase the cost of certain development projects.

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

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 land banks and strategic partners, as well as product innovation.

Maximize earnings through integrated community township developments. The Company intends to maximize earnings by developing alternative, integrated residential, business and retail property communities. This allows the Company to capitalize on the Live-Work-Play-Learn concept, which has become popular in the Philippines. The Company's position as a leader in crafting and delivering community township developments has strengthened over the years and continues to be its key strategy in bringing new projects to the market and in entering into new joint venture developments. In 2007, the Company acquired properties in Iloilo and Cebu to expand its BPO office developments and townships in the Visayas. In 2009 and 2010, the Company increased its property portfolio through the acquisition of rights to develop the Uptown Bonifacio and McKinley West properties. In 2014, all the real estate interests of Alliance Global, Inc. was consolidated into the Company. The consolidation aggregated the Company's township properties by virtue of Global Estate Resorts, Inc's developments in Boracay Newcoast, Southwoods City, Twin Lakes, and Alabang West. During the same year, The Company also launched Arcovia City, Suntrust Ecotown, and Davao Park District. In 2015, the Company launched The Upper East, Northill Gateway, a township in Pampanga, Westside City, and Sta. Barbara Heights through Global Estate Resorts, Inc. 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 keys 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 launches Coast for a New Coast in Boracay

Every year, Boracay Island has been threatened with various environmental and social concerns which have taken its toll to cause the gradual fading of its nature's natural setting.

Based on the records of Department of Tourism (DOT), Boracay had about 1.50 million tourist arrivals in 2014 and the biggest chunk was during Labor Day held every May 1.

This means that if every person can produce at least one kilo of trash, then there's around 1,500 metric tons of garbage accumulation. If these are not collected properly, along with uncontrolled development, it can cause a major problem in the near future.

In a bid to help preserve and clean the island, Megaworld, through its subsidiary Global-Estate Resorts, Inc. (GERI), launched Coast for a New Coast campaign – a movement and a non-profit service project initiative that will foster long-term preservation of Boracay.

The first initiative of the campaign was dubbed as "Drink, Rave, Clean and Repeat" a special clean-up drive along the famous three-kilometer coastal area in Boracay Island held last May 1 and 2, 2015. The event had multiple venues along the white beach but the highlight was on the last day in which a clean-up activity at the beach was performed in the morning.

The two-day event was participated by around a hundred volunteers from different private and public sectors including the local government of Malay, Aklan and other local environmental groups spearheaded by officials of Megaworld's GERI and Glenn Sacapaño, Boracay Island Chief Operating Officer (BICOO) and Solid Waste Manager.

Around 2,000 kilos or two metric tons of trash have been collected from the coastline clean-up as well as from the trash bags surrendered by people in exchange of free drinks, sponsored by Emperador, located at Epic Bar and Sur – the partner establishments that supported the project.

This sustainable initiative was aimed at encouraging people in Boracay, especially the "Laboracay" partygoers to be responsible in leaving the island clean after the parties.

Megaworld's GERI is the developer of Boracay Newcoast, which is a 150-hectare master-planned development project that is poised to be the next tourism hub in Boracay. The township also plans to institute various environmental initiatives to also foster environmental preservation in the island.

MEGAWORLD

Tree Planting Activity

Megaworld Foundation is committed to be part of the solution to the environmental crisis, and it starts with planting a tree.

Last July 25, 2015, Megaworld Foundation, in partnership with Allan L. Cristobal (ALC) Foundation, Inc., conducted a bamboo-planting activity dubbed "Kawayanihan: "I am Juan with the Earth" at Barangay Silangan, Quezon City. Around 30 Megaworld volunteers supported the campaign and were able to plant 100 Bamboo seedlings.

The project aims to mitigate the effects of climate change by planting and maintaining bamboo along riverbanks and mountainsides, as well as to raise awareness regarding the importance of bamboo in the environment and its socio-economic importance.

The bamboo planted in Barangay Silangan will not only prevent flooding in the community but will also provide a source of livelihood to the residents.

People Development

As Megaworld continues its industry leadership, continuous strategic and innovative approach in business operations is necessary. The Human Resources Division (HRD) plays a vital role in achieving this by ensuring that our services bring about the support that each division and department in the organization needs.

In 2015, HRD focused on three key strategic approaches in line with people-development:

Integrated HR Solutions in Talent Acquisition

Diversified Employee Engagement and Wellness Programs

People Development and Organizational Efficiency

Integrated HR Solutions in Talent Acquisition

Together with the unprecedented growth of Megaworld is the challenge to ensure that we only welcome in our Company highly competent employees.

Our growth as an organization equals to new job opportunities. We want to ensure that the growth in manpower requirement will also be beneficial in the over-all performance of the Company.

Launched in 2014, Global One Integrated Business Services Inc. and Luxury Global Malls Inc., Megaworld's very own BPO Companies, provided the HR Service that Megaworld needs especially in terms of talent acquisition. In 2015, these companies became fully operational and are in partnership with Megaworld's HRD to ensure the hiring of competent employees.

As the talent acquisition challenge continues on, HRD ensures that we are equipped with the necessary tools to help us in getting the right candidates for our job vacancies. This year, we improved our recruitment tools for better branding and talent acquisition: recruitment tarpaulins, job offer kit and integrity exam.

HRD is also active on various job fair activities all throughout the year.

In addition to our job fair participation, we increased our presence in the various universities in Metro Manila through the Megaworld Academic Excellence Award. The Megaworld Academic Excellence Award is a special project of the HRD through the guidance of the Office of the COO. This award is given to the top 1 graduating students of identified universities. The degrees covered by this award are: engineering, architecture, finance and business administration. This year we conferred the said award to 8 students of the University of the East and 8 students of the University of Sto. Tomas.

Also, on top of Jobstreet, our primary job search engine, we also became active in using Linked-In as an additional source of candidates. Linked-In is a social media networking site that focuses on professional networking in various fields and industries.

Our integrated HR solutions in talent acquisition enabled HRD to properly respond to the growing need of the manpower requirement of the organization.

Diversified Employee Engagement and Wellness Programs

Studies in the area of human resources have shown that employee engagement programs are one of the key factors of employee retention. Companies who continuously provide programs and activities that engage the employees and promote work and life harmony has seen significant change in the over-all working atmosphere in the organization and quality of work of the employees. As they say, happy employees help bring happy customers.

Having this in mind, HRD continued to provide year-round diversified employee engagement and wellness programs.

People Development

HRD also puts high importance in the holistic wellness of our employees. We need to ensure that our employees are fit not just in terms of their job competencies but in their physical wellness as well. To achieve this, HRD once again renewed our partnership with Medicard Philippines, Inc. as our health maintenance organization provider and with The Insular Life Assurance Company, Ltd. as our group life insurance provider.

In line with our advocacy on health and wellness, we organized and coordinated the annual physical examination for all rank and file to managers (APE) and executive check-up (ECU) for all senior managers and up.

Through these diversified employee engagement and wellness programs we were able to let our employees know that the Megaworld is committed in providing them a company where they can build long-term, fulfilling careers. This is manifested by the 17% attrition rate for Megworld Corporation 34% attrition rate for Global One Integrated Business Services, Inc. and 42% attrition rate Luxury Global Malls, Inc.

People Development Programs and Organizational Efficiency

HRD believes that the continuous development of our employees is one of the keys to achieve organizational efficiency. Through the Megaworld Learning Academy (MLA), we conducted various in-house learning programs that addressed the competency development of the employees.

Megaworld values the utmost satisfaction of our employees. We continuously enhance our customer service to help achieve this commitment. HRD contributes in the cultivation Megaworld's customer service culture by conducting 11 customer service programs to inculcate to our employees the value of proper handling of customers and their concerns.

Teamwork is one of the values that we advocate as we do our day-to-day activities. We believe in interdependence and we believe that we are better together. This principle guides HRD in preparing the teambuilding programs requested by the different departments and divisions in the organization. This year we facilitated teambuilding programs for Megaworld Corporation.

Leadership Development is one of the main focuses of the MLA. We believe in preparing the next generation of leaders of the organization who will carry on the success of Megaworld Corporation. Pursuant to this, 2015 witnessed three leadership programs that MLA organized for our leaders.

We believe that part of people development is spiritual development. It is our desire to align our employees with our corporate values by enhancing their spiritual health through the bi-monthly Megaworld Learning Academy Spiritual Development Program (SDP). In 2015, an average of 94 employees attended the SDP sessions. We helped them in their spiritual growth, anchored in God's Word, through the various topics such as prayer and God's word, knowing the will of God, family, motherhood, fatherhood, service, discipleship and generosity among others.

We also launched two new policies this year that ensured fair and meritorious rewards system to our employees: Promotion Policy and Performance-Based Merit Incentive Program. The promotion policy was created to standardize the guidelines and procedures for recognizing performing employees who have made significant contributions to Megaworld Corporation through an opportunity for career advancement. The performance-based merit incentive is a reward program given by the Company to recognize exemplary performance of its employees. It also aims to motivate the employees to continuously deliver work output based on the Company's Core Values of Integrity, Hardwork and Excellence.

As Megaworld continues to expand, the need to collaborate, share resources and impart best practices comes into play. This year, we launched the Megaworld Learning Academy Training Council which aims to collaborate our training programs and align our training methodologies. Currently, the members of the council are the Learning Ambassadors of Megaworld Corporation, Global One Integrated Business Services, Inc., Luxury Global Malls, Inc., First Oceanic Property Management, Inc. and Global Estate Resorts, Inc. The Training Council meets once a month for a time of updating and learning together.

As we continue to provide people development programs we can be assured that our employees will have the competency to do the job and the character to succeed in the job.

The Human Resources Division is committed to be strategic business partner of the Company to continue its industry leadership in this new chapter of growth and innovation. We are committed to continue to revitalize our approaches in strategic people-development.

Corporate Social Responsibility

OVERVIEW

From Building Homes to Building Lives

Megaworld Foundation, the socio-civic arm of Megaworld Corporation, has always been dedicated in alleviating poverty in the country through education, charitable programs and volunteerism. Its programs and initiatives are implemented with an aim to touch as many lives as possible especially the children and the youth of today. The success of the beneficiaries determines the success of the Foundation and it will continuously strive to do well by doing good to the communities it serves.

SCHOLARSHIP PROGRAM

Scholars' Orientation and Tour

During the Scholars' Orientation, Megaworld Foundation introduces the policies and guidelines of the scholarship program to the newly accepted scholars. It aims to give them a background of their duties and responsibilities as Megaworld Scholar including the process and how they will be able to maintain their grant.

On July 18, 2015, the Megaworld Foundation President Mr. Francisco Canuto personally welcomes a batch of young scholars and shares an inspirational message to encourage them not just to do well in school but also to learn the importance of participating in socio-civic activities that highlight the value of extending help to others.

Moreover, aside from learning the policies and advocacies of the Foundation, the scholars also have the opportunity to tour around the townships of Megaworld Corporation. Megaworld Chair and CEO Dr. Andrew Tan took part in such endeavor in the previous year.

Cap Toss: Scholar Send-off Ceremony

"CAP TOSS", a send-off ceremony annually organized by Megaworld Foundation to celebrate the success of its graduating scholars, was created along with a career advisement seminar to guide the students for the professional life by teaching them practical skills that are useful after they complete their degrees. Students are taught how to write winning resumes and job applications, as well as to prepare them for successful and fruitful job interviews.

Megaworld Foundation invited its alumni scholars to share their experiences and milestones as Megaworld scholar and now that they have become part of Megaworld workforce. Apart from this, the scholars were given the opportunity to get to know well the businesses of Dr. Andrew Tan under the Alliance Global, Inc. that is very supportive in providing employment opportunities to this new breed of future leaders.

The event took place on February 6 and 13 and was attended by fifty two (52) Megaworld Foundation graduating scholars.

Scholars in Action

Megaworld Foundation inspires their scholars to take the lead in making an impact to the society. It instills to them the value of giving back the good deeds to the people who are in need. The Foundation annually conducts various activities where the scholars can have the opportunity to share their time and efforts to the less fortunate.

For the year 2015, Megaworld Foundation scholar volunteers were able to serve more than 200 children from a poverty-stricken community through the Feeding Activity organized by Megaworld Foundation in partnership with Assembly of Family and Friends in Christ.

They were also given the opportunity to take part in a significant event spearheaded by Megaworld Corporation and Operation Smile Philippines during the Smile Day Philippines 2015 which aims to bring back the smiles of the children with cleft lip and palate.

Further, the scholars are exposed to different causes that Megaworld Foundation supports. They are invited to represent the Foundation in turnover of donations to the beneficiaries.

Values-Driven Leadership Seminar

Megaworld Foundation in partnership with the Human Resources Division of Megaworld Corporation, has invited the hired scholars who are now part of the Megaworld Corporation and its subsidiaries to take part in a "Values- Driven Leadership Seminar" where they learn more about the Corporation's business philosophies and get to know better the values that they must uphold as a professional. The seminar aims to help them develop the qualities of good leadership that are essential not only for their personal growth but also for their career growth.

PARTNERSHIP-BUILDING

The assistance of Megaworld Foundation to the Filipinos does not end with its scholarship program alone. It also supports various sectors of the community; especially the children and youth and those individuals who were victims of poor health, poverty, and social injustice.

For 18 years now, the Foundation has been very committed in lending a hand to a wider coverage through the networks and linkages it has established with other organizations that share the same vision. This commitment of Megaworld Foundation in helping people has transformed Megaworld Corporation into an institution that values its people, particularly the marginalized sectors, and nurtures a culture of volunteerism, generosity, and dedication to one's fellowmen.

Corporate Social Responsibility

AWARDS

For the year 2015, Megaworld Foundation is honored to be recognized by various prestigious local and international organizations as one of the leaders in corporate social responsibility. It has received awards from Global CSR Awards, Asian Excellence Award and ASEAN Corporate Sustainability Awards. In the same year, the Foundation has received a merit award for its coffee table book entitled: "Breaking Ground & Thriving" during the 13th Philippine Quill Awards Night.

5th Asian Excellence Award 2015

Megaworld Corporation has won Asia's Best CSR through its socio-civic arm the Megaworld Foundation during the awards night of the 5th Asian Excellence Award 2015 held at JW Marriott Hotel in Hong Kong on April 10, 2015. The award recognition is designed by the Corporate Governance Asia to acknowledge companies and organizations in Asia that practice excellence in investor communications, business ethics, corporate social responsibility, environmental practices, and financial performance.

7th Annual Global CSR Summit and Awards 2015

On March 19, 2015, Megaworld Foundation's programs and efforts in providing educational assistance to bright but financially challenged students and like-minded institutions are recognized at the 7th Global CSR Summit and Awards 2015 held at Yogyakarta, Indonesia. The Foundation had received a Bronze Award under Excellence in Provision of Literacy and Education Category.

The event is one of Asia's most prestigious recognition awards program for Corporate Social Responsibility where it recognizes and honors companies for outstanding, innovative and world-class products, services, projects and programs implemented in the past or present annually organized by Pinnacle Group International.

ASEAN Corporate Sustainability Summit and Awards 2015

On March 27, 2015, Megaworld Foundation's commitment in implementing programs and initiatives that contribute to the society have been awarded by the ASEAN Corporate Sustainability Summit and Awards 2015 under CSR and Community Impact category. The event was held at Intercontinental Manila Hotel, Makati City and was attended by different local and foreign companies. ASEAN Corporate Sustainability Summit and Awards, organized by APEX Global, acknowledges individuals and organizations for successful demonstration of their commitment to sustainable operations.

VOLUNTEERISM

Medical Mission

Megaworld Foundation joins hands with various institutions to provide medical missions for underprivileged individuals around Metro Manila. This annual activity is a venue for the Foundation, together with its partners, to deliver health care services such as free check-ups, treatments for common ailments and screenings.

On October 24, 2015, the Foundation, in partnership with the Philippine Army's Civil-Military Operations Group, conducted a medical mission at Golden Reception and Action Center for the Elderly and other Special Cases (G.R.A.C.E.S.) in Quezon City.

The Foundation, together with Megaworld Corporation employees, were able to serve and provide medicines and vitamins to more than 120 elderly patients.

Feeding Program

For the year 2015, Megaworld Foundation, in partnership with Spiritual Physical Educational Cultural Social (SPECS) Foundation, Inc., the Philippine Army's Civil-Military Operations Group, and Fr. Simpliciano Academy, was able to feed more than 800 children around Metro Manila.

The Foundation has been dedicated in supporting programs and advocacies that help fight against malnutrition and so it annually conducts activities that contribute to health and nutrition of Filipino children and youth. With its partnership with like-minded institutions and organizations, the Foundation was able to reach more children in the communities all over the country.

Board of Directors

MIGUEL B. VARELA
Independent Director/
Vice Chairman
(Not in photo)

KINGSON U. SIAN
Executive Director

KATHERINE L. TAN
Director

ROBERTO S. GUEVARA
Independent Director

ANDREW L. TAN
Chairman & President

ENRIQUE SANTOS L. SY
Director

GERARDO C. GARCIA
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 publicly-listed 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.

Katherine L. Tan
Director

Ms. Tan, has served as Director of the Company since 1989. She is concurrently a Director and Treasurer of publicly-listed 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. She is Director and President of Raffles & Company, Inc. and Choice Gourmet Banquet, Inc. She is also a Director and Treasurer of Alliance Global Brands, Inc. and Emperador Distillers, Inc.

Kingson U. Sian
Director and 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 publicly-listed 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. He is also the President of Eastwood Cyber One Corporation and Manila Bayshore Property Holdings, 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 Master's 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 publicly-listed Empire East Land Holdings, Inc. He is a Director of Eastin Holdings, Inc. and First Oceanic Property Management Inc. He is also a 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.

Miguel B. Varela
Independent Director/Vice Chairman

Mr. Varela holds significant positions in various public and private institutions and has been a member of the Company's Board of Directors since June 2006. He is also an independent director of publicly-listed Emperador Inc. and Global-Estate Resorts, Inc. He has been past President, past Chairman and presently Chairman, to National Issues 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., Director of Ausphil Tollways Corporation, Director, NPC Alliance Corporation, Vice Chairman, Richmonde Hotel,. 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), 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).

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 publicly-listed 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 Master's 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 Honeycomb Builders, 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 & President

LOURDES T. GUTIERREZ-ALFONSO
Senior Executive Vice President
Chief Operating Officer

KINGSON U. SIAN
Executive Director

KEVIN L. TAN
First Vice President
Commercial Division

CARMEN C. FERNANDO
Managing Director
Hotels

JERICHO P. GO
Senior Vice President
Business Development & Leasing

GIOVANNI C. NG
Senior Vice President
Finance Director

FRANCISCO C. CANUTO
Senior Vice President
Treasurer

PHILIPPS C. CANDO
Senior Vice President
Operations

GARRY V. DE GUZMAN
Senior Vice President
Corporate Advisory and Compliance Division

KIMBERLY HAZEL A. STA. MARIA
Head
Corporate Communications & Advertising

RAFAEL ANTONIO S. PEREZ
Head
Human Resources

MA. VICTORIA M. ACOSTA
Senior Vice President
International Marketing

NOLI D. HERNANDEZ
Senior Vice President
Sales & Marketing

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, 2015 and 2014, 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, 2015
d. Schedule of Financial Indicators for December 31, 2015 and 2014
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 18th day of March 2016

SUBSCRIBED AND SWORN to before me on this 21st day of March 2016 at City of Makati. Philippines affiants exhibiting to me their Community Tax Certificate Nos. as follows:

Andrew L. Tan	00217371	January 4, 2016	Quezon City
Francisco C. Canuto	05073540	January 6, 2016	Makati City

Doc. No. 96;
Page No. 21;
Book No. 152;
Series of 2016

ATTY. HOBERTN. LLUZ
NOTARY PUBLIC
Until December 31, 2017
Appt. No. M-20, Makati City
IBP #1009529, Sept. 24, 2015-RSM
PTR #5321594, Jan. 04, 2016-Makati
S.C. Roll No. 59597
MCLE Compliance No. IV-0011330
Unit 301 3rd Flr. Campos Rueda Bldg.
101 Urban Avenue 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, 2015 and 2014, 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, 2015, 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.

Auditors' 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, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO.

By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 5321727, January 4, 2016, Makati Ciy
SEC Group A Accreditation
Partner – No. 1036-AR-1 (until Aug. 21, 2016)
Firm – No. 0002 – FR – 4 (until Apr. 30, 2018)
BIR AN 08-002511-32-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

March 18, 2016

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2015	2014
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	P 22,763,063,173	P 25,142,949,887
Trade and other receivables - net	6	27,362,783,828	23,718,900,311
Residential, condominium units, golf and resort shares for sale	7	61,466,864,765	56,908,140,889
Property development costs	3	14,858,143,294	12,390,474,097
Prepayments and other current assets - net	8	4,724,510,295	3,930,038,987
Total Current Assets		131,175,365,355	122,090,504,171
NON-CURRENT ASSETS			
Trade and other receivables - net	6	32,694,770,838	28,911,089,037
Advances to landowners and joint ventures	10	6,481,862,730	4,823,705,981
Land for future development	3	18,115,516,349	13,212,623,684
Investments in available-for-sale securities	9	4,699,583,654	6,146,267,429
Investments in and advances to associates and other related parties	11	6,772,193,903	6,083,083,483
Investment properties - net	12	46,272,070,191	35,762,629,818
Property and equipment - net	13	3,050,852,191	1,867,373,139
Deferred tax assets - net	26	67,107,874	77,267,099
Other non-current assets -net	14	2,355,440,617	2,065,297,752
Total Non-current Assets		120,509,398,347	98,949,337,422
TOTAL ASSETS		P 251,684,763,702	P 221,039,841,593
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	P 4,244,935,177	P 2,625,737,935
Trade and other payables	17	12,069,419,857	10,620,187,419
Customers' deposits	2	5,880,223,576	5,847,731,277
Reserve for property development	2	6,437,971,861	7,063,089,278
Deferred income on real estate sales	2	5,653,790,826	5,340,188,412
Income tax payable		130,563,095	146,218,656
Bonds payable	16	-	5,000,000,000
Other current liabilities	19	2,061,912,229	2,234,881,908
Total Current Liabilities		36,478,816,621	38,878,034,885
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	27,427,696,485	6,126,996,683
Bonds payable	16	20,929,920,130	19,784,913,748
Customers' deposits	2	1,062,317,494	1,396,448,740
Redeemable preferred shares	18	1,257,987,900	1,257,987,900
Reserve for property development	2	9,751,642,232	8,302,500,433
Deferred income on real estate sales	2	4,808,072,809	4,518,013,829
Deferred tax liabilities - net	26	9,637,196,264	8,138,764,944
Advances from associates and other related parties	27	1,491,160,829	903,152,243
Retirement benefit obligation	25	925,195,114	1,077,540,365
Other non-current liabilities	19	3,501,403,181	1,856,694,602
Total Non-current Liabilities		80,792,592,438	53,363,013,487
Total Liabilities		117,271,409,059	92,241,048,372
EQUITY	28		
Total equity attributable to the company's shareholders		116,688,480,613	110,802,948,163
Non-controlling interests		17,724,874,030	17,995,845,058
Total Equity		134,413,354,643	128,798,793,221
TOTAL LIABILITIES AND EQUITY		P 251,684,763,702	P 221,039,841,593

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2015	2014	2013
REVENUES AND INCOME				
Real estate sales	20	**P 27,262,297,450**	P 24,606,554,437	P 21,250,984,220
Interest income on real estate sales	6	**1,677,596,838**	1,671,138,097	1,537,113,091
Realized gross profit on prior years' sales	20	**3,786,994,581**	3,229,266,841	3,055,810,351
Rental income	12	**8,729,655,235**	7,070,911,439	6,037,779,873
Hotel operations	2	**796,322,364**	722,971,143	451,040,792
Equity in net earnings of associates	11	**138,614,220**	328,707,760	311,681,755
Interest and other income - net	23	**2,604,179,681**	15,501,208,246	3,597,154,420
		44,995,660,369	53,130,757,963	36,241,564,502
COSTS AND EXPENSES				
Real estate sales	21	**15,434,942,352**	14,363,869,187	12,644,982,372
Deferred gross profit	2	**4,515,385,332**	4,538,218,791	4,239,120,916
Hotel operations	2	**467,982,367**	368,443,782	233,322,382
Operating expenses	22	**7,991,895,011**	7,491,693,766	5,664,364,910
Interest and other charges - net	24	**2,726,266,816**	1,624,478,535	1,859,653,882
Tax expense	26	**3,284,678,495**	3,120,330,226	2,571,452,012
		34,421,150,373	31,507,034,287	27,212,896,474
PROFIT FOR THE YEAR BEFORE PRE-ACQUISITION INCOME		**10,574,509,996**	21,623,723,676	9,028,668,028
PRE-ACQUISITION LOSS (INCOME) OF SUBSIDIARIES	1	**291,847**	(69,008,162)	6,315,710
NET PROFIT FOR THE YEAR		**P 10,574,801,843**	P 21,554,715,514	P 9,034,983,738
Net profit attributable to:				
Company's shareholders		**P 10,215,095,444**	P 21,219,577,584	P 8,970,664,010
Non-controlling interests		**359,706,399**	335,137,930	64,319,728
		P 10,574,801,843	P 21,554,715,514	P 9,034,983,738
Earnings Per Share:	29			
Basic		**P 0.321**	P 0.670	P 0.308
Diluted		**P 0.319**	P 0.667	P 0.305

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2015	2014	2013
NET PROFIT FOR THE YEAR		P 10,574,801,843	P 21,554,715,514	P 9,034,983,738
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss -				
Actuarial gains (losses) on retirement benefit obligations	25	316,613,558	(165,532,030)	26,996,797
Tax income (expense)	25, 26	(94,984,067)	49,659,609	(8,099,039)
		221,629,491	(115,872,421)	18,897,758
Share in other comprehensive income of associates	11	38,744,144	-	4,714,128
		260,373,635	(115,872,421)	23,611,886
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	(2,741,305,680)	(416,644,686)	1,202,548,494
Fair value gains on disposal reclassified to profit or loss	23	(3,728,897)	(796,867,188)	(115,258,400)
		(2,745,034,577)	(1,213,511,874)	1,087,290,094
Exchange difference on translating foreign operations	2	69,869,987	(102,295,326)	50,906,173
Tax income (expense)	26	(20,960,996)	30,688,598	(15,271,852)
		48,908,991	(71,606,728)	35,634,321
		(2,696,125,586)	(1,285,118,602)	1,122,924,415
Total Other Comprehensive Income (Loss)		(2,435,751,951)	(1,285,118,602)	1,127,638,543
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		P 8,139,049,892	P 20,153,724,491	P 10,181,520,039
Total comprehensive income attributable to:				
Company's shareholders		P 7,782,514,268	P 19,826,358,307	P 10,129,718,148
Non-controlling interests		356,535,624	327,366,184	51,801,891
		P 8,139,049,892	P 20,153,724,491	P 10,181,520,039

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

		Attributable to Company's Shareholders								
	Notes	Capital Stock	Additional Paid-in Capital	Treasury Shares-At Cost	Translation Reserves	Revaluation Reserves	Retained Earnings	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2015		P 32,422,877,948	P 16,657,990,413	(P 633,721,630)	(P 462,462,319)	P 348,110,848	P 62,470,152,903	P 110,802,948,163	P 17,995,845,058	P 128,798,793,221
Transactions with owners:										
Issuance of shares of stock	28	7,987,924	-	-	-	-	-	7,987,924	-	7,987,924
Share-based employee compensation	25	-	-	-	-	-	31,190,286	31,190,286	-	31,190,286
Cash dividends	28	-	-	-	-	-	(1,936,160,028)	(1,936,160,028)	-	(1,936,160,028)
Cash dividends attributable to non-controlling interest		-	-	-	-	-	-	-	(80,000,000)	(80,000,000)
Share-based employee compensation issued by a subsidiary	25	-	-	-	-	-	-	-	115,081,847	115,081,847
Acquisition of a new subsidiary with non-controlling interest	1	-	-	-	-	-	-	-	254,687,970	254,687,970
Changes in ownership interest in subsidiaries that do not result in a loss of control		-	-	-	-	-	-	-	(917,276,469)	(917,276,469)
		7,987,924	-	-	-	-	(1,904,969,742)	(1,896,981,818)	(627,506,652)	(2,524,488,470)
Total comprehensive income for the year:										
Net profit		-	-	-	-	-	10,215,095,444	10,215,095,444	359,706,399	10,574,801,843
Actuarial gain retirement benefit obligation, net of tax	25, 26	-	-	-	-	210,281,710	-	210,281,710	11,347,781	221,629,491
Fair value losses on available-for-sale securities	9, 23	-	-	-	-	(2,730,516,021)		(2,730,516,021)	(14,518,556)	(2,745,034,577)
Share in other comprehensive income of associates	11	-	-	-	-	38,744,144	-	38,744,144	-	38,744,144
Exchange difference on translating foreign operations, net of tax	2, 26	-	-	-	48,908,991	-	-	48,908,991	-	48,908,991
		-	-	-	48,908,991	(2,481,490,167)	10,215,095,444	7,782,514,268	356,535,624	8,139,049,892
Balance at December 31, 2015		P 32,430,865,872	P 16,657,990,413	(P 633,721,630)	(P 413,553,328)	(P 2,133,379,319)	P 70,780,278,605	P 116,688,480,613	P 17,724,874,030	P 134,413,354,643
Balance at January 1, 2014		P 32,160,675,105	P 16,657,990,413	(P 633,721,630)	(P 390,855,591)	P 1,675,882,695	P 42,457,420,384	P 91,927,391,376	P 10,025,630,449	P 101,953,021,825
Transactions with owners:										
Issuance of shares of stock	28	262,202,843	-	-	-	-	-	262,202,843	-	262,202,843
Share-based employee compensation	25	-	-	-	-	-	40,096,554	40,096,554	-	40,096,554
Cash dividends	28	-	-	-	-	-	(1,246,941,619)	(1,246,941,619)	-	(1,246,941,619)
Derecognition of other comprehensive income of associates		-	-	-	-	(6,159,298)	-	(6,159,298)	-	(6,159,298)
Cash dividends attributable to non-controlling interest		-	-	-	-	-	-	-	(178,468,817)	(178,468,817)
Acquisition of new subsidiaries with non-controlling interest	1	-	-	-	-	-	-	-	5,199,701,059	5,199,701,059
Changes in ownership interest in subsidiaries that do not result in a loss of control		-	-	-	-	-	-	-	2,621,616,183	2,621,616,183
		262,202,843	-	-	-	(6,159,298)	(1,206,845,065)	(950,801,520)	7,642,848,425	6,692,046,905

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

(Amounts in Philippine Pesos)

		Attributable to Company's Shareholders								
	Notes	Capital Stock	Additional Paid-in Capital	Treasury Shares-At Cost	Translation Reserves	Revaluation Reserves	Retained Earnings	Total	Non-controlling Interest	Total Equity
Total comprehensive income for the year:										
Net profit		-	-	-	-	-	21,219,577,584	21,219,577,584	335,137,930	21,554,715,514
Actuarial loss on retirement benefit obligation, net of tax	25, 26	-	-	-	-	(108,100,675)	-	(108,100,675)	(7,771,746)	115,872,421
Fair value losses on available-for-sale securities	9,23	-	-	-		(1,213,511,874)	-	(1,213,511,874)	-	(1,213,511,874)
Exchange difference on translating foreign operations, net of tax	2, 26	-	-	-	(71,606,728)	-	-	(71,606,728)	-	(71,606,728)
		-	-	-	(71,606,728)	(1,321,612,549)	21,219,577,584	19,826,358,307	327,366,184	20,153,724,491
Balance at December 31, 2014		P 32,422,877,948	P 16,657,990,413	(P 633,721,630)	(P 462,462,319)	P 348,110,848	P 62,470,152,903	P 110,802,948,163	P 17,995,845,058	P 128,798,793,221
Balance at January 1, 2013		P 28,938,862,985	P 8,432,990,413	(P 633,721,630)	(P 426,489,912)	P 552,462,878	P 34,486,457,893	P 71,350,562,627	P 9,875,363,979	P 81,225,926,606
Transactions with owners:										
Issuance of shares of stocks	28	3,221,812,120	8,225,000,000	-	-	-	-	11,446,812,120	-	11,446,812,120
Share-based employee compensation	25	-	-	-	-	-	30,382,120	30,382,120	-	30,382,120
Cash dividends	28	-	-	-	-	-	(1,030,083,639)	(1,030,083,639)	-	(1,030,083,639)
Acquisition of a new subsidiary with non-controlling interest	1	-	-	-	-	-	-	-	4,500,000	4,500,000
Changes in ownership interest in subsidiaries that do not result in a loss of control		-	-	-	-	-	-	-	93,964,579	93,964,579
		3,221,812,120	8,225,000,000	-	-	-	(999,701,519)	10,447,110,601	98,464,579	10,545,575,180
Total comprehensive income for the year:										
Net profit		-	-	-	-	-	8,970,664,010	8,970,664,010	64,319,728	9,034,983,738
Actuarial gains (losses) on retirement benefit obligation, net of tax	25, 26	-	-	-	-	31,415,595	-	31,415,595	(12,517,837)	18,897,758
Fair value gain on available-for-sale securities	9, 23	-	-	-	-	1,087,290,094	-	1,087,290,094	-	1,087,290,094
Share in other comprehensive income of associates	11	-	-	-	-	4,714,128	-	4,714,128	-	4,714,128
Exchange difference on translating foreign operations, net of tax	2, 26	-	-	-	35,634,321	-	-	35,634,321	-	35,634,321
		-	-	-	35,634,321	1,123,419,817	8,970,664,010	10,129,718,148	51,801,891	10,181,520,039
Balance at December 31, 2013		P 32,160,675,105	P 16,657,990,413	(P 633,721,630)	(P 390,855,591)	P 1,675,882,695	P 42,457,420,384	P 91,927,391,376	P 10,025,630,449	P 101,953,021,825

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 13,859,480,338	P 24,675,045,740	P 11,606,435,750
Adjustments for:				
Interest expense	24	1,486,628,541	1,416,888,598	1,317,523,303
Depreciation and amortization	12, 13, 14	1,348,751,764	1,300,385,226	956,774,624
Interest income	23	(1,337,049,326)	(1,056,924,854)	(1,566,850,939)
Unrealized foreign currency losses - net	24	1,148,545,867	105,046,866	491,259,799
Gain on sale of investments in an associate	23	(181,347,731)	(9,384,719,202)	-
Employee share options	25	146,272,133	40,096,554	30,382,120
Equity in net earnings of associates	11	(138,614,220)	(328,707,760)	(311,681,755)
Dividend income	23, 27	(78,239,149)	(46,595,425)	(55,359,121)
Fair value gains on disposal of available-for-sale securities reclassified to profit or loss	23	(3,597,409)	(796,867,188)	(115,258,400)
Fair value gains on remeasurement of investments	23	-	(2,251,067,460)	-
Gain on deconsolidation of a subsidiary	23	-	(377,473,088)	-
Gain on acquisition of subsidiaries	23	-	(142,695,054)	(763,834,597)
Gain on sale of land	23	-	(98,461,571)	-
Loss on disposal of property and equipment		-	6,549,810	-
Gain on sale of available-for-sale securities	23	-	-	(32,993,081)
Operating profit before working capital changes		16,250,830,808	13,060,501,192	11,556,397,703
Increase in trade and other receivables		(7,431,104,803)	(1,090,405,548)	(3,494,261,992)
Increase in residential, condominium, golf and resort shares for sale		(4,827,860,992)	(12,263,125,597)	(4,848,741,291)
Increase in property development costs		(2,467,669,197)	(1,950,203,880)	(1,201,786,932)
Increase in prepayments and other current assets		(744,699,012)	(510,957,376)	(189,254,598)
Decrease (increase) in advances to landowners and joint ventures		(1,658,156,749)	(36,293,127)	45,729,027
Increase (decrease) in trade and other payables		1,780,422,124	1,216,809,513	(691,719,974)
Increase (decrease) in customers' deposits		(301,638,947)	659,947,347	(820,197,797)
Increase in reserve for property development		824,024,382	2,328,050,242	1,939,375,575
Increase in deferred income on real estate sales		603,661,394	1,490,855,451	1,030,441,263
Increase in other liabilities		1,529,675,359	571,084,034	95,447,544
Cash generated from operations		3,557,484,367	3,476,262,251	3,421,428,528
Cash paid for income taxes		(1,907,688,663)	(1,743,573,374)	(1,575,900,684)
Net Cash From Operating Activities		1,649,795,704	1,732,688,877	1,845,527,844
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Investment properties	12	(12,896,131,534)	(8,727,663,262)	(3,494,295,658)
Land for future development		(4,358,367,202)	(4,097,181,884)	(1,762,592,832)
Property and equipment	13	(208,882,344)	(191,245,753)	(206,947,857)
Additions to available-for-sale securities	9	(1,461,811,671)	(1,351,199,338)	-
Interest received		1,058,915,769	980,473,281	1,326,107,392
Acquisition of shares of stock of subsidiaries and associates		(877,776,746)	(13,107,646,794)	(8,309,882,171)
Advances from associates and other related parties:	27			
Obtained		693,250,959	288,167,471	18,194,551
Paid		(105,242,373)	(20,315,115)	(590,311,272)
Advances to associates and other related parties:	27			
Collected		507,860,575	86,788,697	345,303,830
Granted		(382,744,323)	(433,938,450)	(1,259,535,008)
Increase in other non-current assets		(565,531,212)	(1,348,512,492)	(207,331,955)
Proceeds from sale of investments in an associate	23	422,256,169	10,431,650,000	-
Proceeds from sale of available-for-sale securities		125,516,555	1,850,390,166	350,735,590
Dividends received		78,239,149	176,516,425	669,429,121
Proceeds from sale of investment property		-	446,428,572	-
Proceeds from sale of property and equipment		-	7,334,460	3,167,769
Net Cash Used in Investing Activities		(17,970,448,229)	(15,009,954,016)	(13,117,958,500)
Balance carried forward		(P 16,320,652,525)	(P 13,277,265,139)	(P 11,272,430,656)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2015	2014	2013
Balance brought forward		(P 16,320,652,525)	(P 13,277,265,139)	(P 11,272,430,656)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availments of long and short-term liabilities	15, 16	26,462,435,925	6,453,950,594	10,259,227,640
Repayments of bonds payable	16	(5,000,000,000)	-	-
Cash dividends declared and paid	28	(1,936,160,028)	(1,246,941,619)	(1,030,083,639)
Interest paid		(2,050,959,128)	(1,664,874,571)	(1,896,694,645)
Repayments of long and short-term liabilities		(3,542,538,882)	(1,634,629,882)	(2,698,258,616)
Proceeds from exercise of share warrants	28	7,987,924	262,202,843	721,812,120
Proceeds from additional issuance of shares	28	-	-	10,725,000,000
Net Cash From Financing Activities		13,940,765,811	2,169,707,365	16,081,002,860
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(2,379,886,714)	(11,107,557,774)	4,808,572,204
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES		-	4,682,627,857	117,016,208
PRE-ACQUISITION CHANGES IN CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES		-	(184,025,841)	(398,206)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		25,142,949,887	31,751,905,645	26,826,715,439
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 22,763,063,173	P 25,142,949,887	P 31,751,905,645

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, condominium-hotel projects 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, Bagumbayan, Quezon City.

1.1 Composition of the Group

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

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership 2015	2014	2013
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%	100%
Luxury Global Hotels and Leisure, Inc. (LGHLI)	(b)	**100%**	100%	100%
Arcovia Properties, Inc. (API, formerly Woodside Greentown Properties, Inc.)	(b)	**100%**	100%	100%
Global One Integrated Business Services, Inc. (GOIBSI)	(c)	**100%**	100%	-
Luxury Global Malls, Inc. (LGMI)	(c)	**100%**	100%	-
Davao Park District Holdings, Inc. (DPDHI)	(c)	**100%**	100%	-
Belmont Newport Luxury Hotels, Inc. (BNLHI)	(d)	**100%**	-	-
Global One Hotel Group, Inc. (GOHGI)	(d)	**100%**	-	-
McKinley Cinemas, Inc. (MCI)	(d)	**100%**	-	-
Uptown Cinemas, Inc. (UCI)	(d)	**100%**	-	-
Megaworld Bacolod Properties, Inc. (MBPI, formerly Bacolod-Murcia Milling Co., Inc.)	(e)	**91.55%**	-	-
Megaworld Central Properties, Inc. (MCPI)	(f)	**76.55%**	76.54%	76.50%
La Fuerza, Inc. (LFI)	(g)	**66.67%**	66.67%	-
Megaworld-Daewoo Corporation (MDC)		**60%**	60%	60%
Eastwood Cinema 2000, Inc. (EC2000)	(b)	**55%**	55%	55%
Gilmore Property Marketing Associates, Inc. (GPMAI)	(h)	**52.14%**	52.13%	52.04%
Manila Bayshore Property Holdings, Inc. (MBPHI)	(i)	**50.92%**	50.92%	54.50%
Megaworld Globus Asia, Inc. (MGAI)		**50%**	50%	50%
Philippine International Properties, Inc. (PIPI)	(j)	**50%**	50%	50%
Megaworld Land, Inc. (MLI)		**100%**	100%	100%
City Walk Building Administration, Inc. (CBAI)	(k)	**100%**	100%	-
Forbestown Commercial Center Administration, Inc. (FCCAI)	(k)	**100%**	100%	-
Paseo Center Building Administration, Inc. (PCBAI)	(k)	**100%**	100%	-
Uptown Commercial Center Administration, Inc. (UCCAI)	(k)	**100%**	100%	-
Iloilo Center Mall Administration, Inc. (ICMAI)	(k)	**100%**	-	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership 2015	2014	2013
Subsidiaries:				
Newtown Commercial Center Administration, Inc. (NCCAI)	(k)	**100%**	-	-
Valley Peaks Property Management, Inc. (VPPMI)	(k)	**100%**	-	-
Suntrust Properties, Inc. (SPI)	(l)	**100%**	100%	100%
Suntrust Ecotown Developers, Inc. (SEDI)	(b)	**100%**	100%	100%
Governor's Hills Science School, Inc. (GHSSI)	(m)	**100%**	100%	-
Sunrays Property Management, Inc. (SPMI)	(m)	**100%**	100%	-
Suntrust One Shanata, Inc. (SOSI, formerly Greengate Holdings Corporation)	(m)	**100%**	100%	-
Suntrust Two Shanata, Inc. (STSI, formerly Regalia Properties Corporation)	(m)	**100%**	100%	-
Global-Estate Resorts, Inc. and Subsidiaries (GERI)	(n)	**82.26%**	80.41%	-
Southwoods Mall, Inc. (SMI)	(o)	**91.13%**	40.21%	-
Fil-Estate Properties, Inc. (FEPI)	(p)	**82.26%**	80.41%	-
Aklan Holdings, Inc. (AHI)	(p)	**82.26%**	80.41%	-
Blu Sky Airways, Inc. (BSAI)	(p)	**82.26%**	80.41%	-
Fil-Estate Subic Development Corp. (FESDC)	(p)	**82.26%**	80.41%	-
Fil-Power Construction Equipment Leasing Corp. (FPCELC)	(p)	**82.26%**	80.41%	-
Golden Sun Airways, Inc. (GSAI)	(p)	**82.26%**	80.41%	-
La Compaña De Sta. Barbara, Inc. (LCSBI)	(p)	**82.26%**	80.41%	-
MCX Corporation (MCX)	(p)	**82.26%**	80.41%	-
Pioneer L-5 Realty Corp. (PLRC)	(p)	**82.26%**	80.41%	-
Prime Airways, Inc. (PAI)	(p)	**82.26%**	80.41%	-
Sto. Domingo Place Development Corp. (SDPDC)	(p)	**82.26%**	80.41%	-
Fil-Power Concrete Blocks Corp. (FPCBC)	(p)	**82.26%**	80.41%	-
Fil-Estate Industrial Park, Inc. (FEIPI)	(p)	**64.99%**	63.52%	-
Sherwood Hills Development, Inc. (SHD)	(p)	**45.24%**	44.22%	-
Fil-Estate Golf and Development, Inc. (FEGDI)	(p)	**82.26%**	80.41%	-
Golforce, Inc. (Golforce)	(p)	**82.26%**	80.41%	-
Southwoods Ecocentrum Corp. (SWEC, formerly Fil-Estate Ecocentrum Corp.)	(p)	**46.07%**	45.03%	-
Philippine Aquatic Leisure Corp. (PALC)	(p)	**46.07%**	45.03%	-
Fil-Estate Urban Development Corp. (FEUDC)	(p)	**82.26%**	80.41%	-
Novo Sierra Holdings Corp. (NSHC)	(p)	**82.26%**	80.41%	-
Global Homes and Communities, Inc. (GHCI)	(p)	**82.26%**	80.41%	-
Megaworld Global-Estate, Inc. (MGEI)	(q)	**89.36%**	88.25%	-
Twin Lakes Corporation (TLC)	(r)	**83.34%**	67.18%	-
Oceanfront Properties, Inc. (OFPI)	(p)	**41.13%**	40.20%	-
Empire East Land Holdings, Inc. and Subsidiaries (EELHI)	(s)	**81.73%**	81.72%	81.53%
Eastwood Property Holdings, Inc. (EPHI)	(t)	**81.73%**	81.72%	81.53%
Valle Verde Properties, Inc. (VVPI)	(t)	**81.73%**	81.72%	81.53%
Sherman Oak Holdings, Inc. (SOHI)	(t)	**81.73%**	81.72%	81.53%
Empire East Communities, Inc. (EECI)	(t)	**81.73%**	81.72%	81.53%
20th Century Nylon Shirt, Inc. (CNSI)	(t)	**81.73%**	-	-
Laguna BelAir School, Inc. (LBASI)	(t)	**59.67%**	59.66%	59.51%
Sonoma Premier Land, Inc. (SPLI)	(t)	**49.04%**	49.03%	48.92%
Megaworld Resort Estates, Inc. (MREI)	(u)	**51%**	51%	51%
Townsquare Development, Inc. (TDI)	(u)	**30.60%**	30.60%	30.60%
Golden Panda-ATI Realty Corporation (GPARC)	(v)	**30.60%**	30.60%	-
Associates:				
Bonifacio West Development Corporation (BWDC)	(x)	**46.11%**	46.11%	-
Palm Tree Holdings and Development Corporation (PTHDC)		**40%**	40%	40%
LFI	(g)	**-**	-	50%
Westside City Resorts World, Inc. (WCRWI, formerly Resorts World Bayshore City, Inc.)	(z)	**-**	-	10%
Travellers International Hotel Group, Inc. (TIHGI)	(aa)	**-**	-	9%
Suntrust Home Developers, Inc. and Subsidiaries (SHDI)		**42.48%**	42.48%	42.48%
First Oceanic Property Management, Inc. (FOPMI)	(y)	**42.48%**	42.48%	42.48%
Citylink Coach Services, Inc. (CCSI)	(y)	**42.48%**	42.48%	42.48%
GERI	(p)	**-**	-	24.70%
Boracay Newcoast Hotel Group, Inc. (BNHGI)	(w)	**37.01%**	48.25%	-
Fil-Estate Network, Inc. (FENI)	(bb)	**16.45%**	16.08%	-

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership 2015	2014	2013
Associates:				
GERI				
Fil-Estate Sales, Inc. (FESI)	(bb)	**16.45%**	16.08%	-
Fil-Estate Realty and Sales Associates, Inc. (FERSAI)	(bb)	**16.45%**	16.08%	-
Fil-Estate Realty Corp. (FERC)	(bb)	**16.45%**	16.08%	-
Nasugbu Properties, Inc. (NPI)	(bb)	**11.52%**	11.23%	-
MGEI	(q)	**-**	-	54.82%
TLC	(r)	**-**	-	31.35%
EELHI				
Pacific Coast Mega City, Inc. (PCMCI)	(cc)	**16.35%**	-	-

Explanatory Notes:

(a) These were acquired subsidiaries in 2008 but have not yet started commercial operations as at December 31, 2015.

(b) In 2013, the Company acquired 100% ownership interest on these entities, except EC2000 (at 55%). API 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 engaged in hotel operations. SEDI became a subsidiary of the Company through SPI, its immediate parent company. The acquisition of API 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 subsidiaries are newly incorporated 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) These subsidiaries are newly incorporated in 2015. BNLHI is engaged in condominium-hotel operations while GOHGI provides management services to the former. MCI and UCI are engaged in cinema operations.

(e) In 2015, the Company acquired 91.55% ownership interest in MBPI, which is engaged in the same line of business as the Company. The acquisition was accounted for as an asset acquisition, hence, no goodwill or gain on acquisition was recognized. Pre-acquisition loss amounting to P0.3 million was recognized and presented in the 2015 consolidated statement of income. Non-controlling interest arising from consolidation amounted to P0.25 billion.

(f) As at December 31, 2015, the Company owns 76.55% of MCPI consisting of 51% direct ownership, 18.97% indirect ownership through EELHI and 6.58% indirect ownership through MREI.

(g) 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. Accordingly, gain on acquisition (negative goodwill) of P77.6 million was realized from the business combination and is presented as part of Interest and Other Income – Net in the 2014 consolidated statement of income (see Note 23). Non-controlling interest arising from consolidation amounted to P1.2 billion. The pre-acquisition income of P2.6 million arising from the transaction was also recognized in the 2014 consolidated statement of income.

(h) 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 became a subsidiary. In 2015 and 2014, due to additional ownership acquired in EELHI, the Company's ownership in GPMAI has increased to 52.14% as at December 31, 2015, which consists of 38.72% and 13.42% indirect ownership from EELHI and MREI, respectively.

(i) 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%. In 2015 and 2014, the Company and TIHGI equally subscribed to additional shares of MBPHI amounting to P0.5 billion and P0.8 billion each, respectively. The additional subscriptions on MBPHI do not affect the ownership interest of both TIHGI and the Company.

(j) PIPI was incorporated in 2002 and acquired by the Company in 2006 but has not yet started commercial operations as at December 31, 2015.

(k) These were incorporated to engage in operation, maintenance, and administration of various malls and commercial centers. These companies became subsidiaries of the Company through MLI, their immediate parent company.

(l) In 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%.

(m) In 2014, the Company through SPI, acquired these subsidiaries. GHSSI is an educational institution; SPMI is a facilities provider while SOSI and STSI are engaged in the same line of business as the Company.

(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 share acquisitions, the Company's ownership interest increased to 80.41%; hence, GERI became 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 2014 consolidated statement of income. Non-controlling interest arising from the consolidation amounted to P4.0 billion. In 2015, the Company acquired additional shares of GERI through the PSE increasing its ownership interest to 82.26%.

(o) SMI is a subsidiary of GERI acquired in 2014 which is engaged in real estate business. In 2015, the Company acquired 50% ownership in SMI. As at December 31, 2015, effective ownership interest over SMI totaled to 91.13%, consisting of 50% direct ownership and 41.13% indirect ownership through GERI.

(p) These are subsidiaries of GERI. As a result of the additional investments in GERI in 2015 and 2014, the Company's indirect ownership interest over these subsidiaries and associates increased in proportion to the increase in effective interest over GERI.

(q) MGEI started commercial operations in January 2014. In 2013, MGEI is classified as an associate through the Company's 40% direct ownership and 14.82% indirect ownership through GERI, an associate during the same year. In 2014, as a result of various share acquisitions and subsequent consolidation of GERI, the Company's indirect ownership interest increased to 48.25% and MGEI became a subsidiary. As at December 31, 2015, due to additional share acquisitions over GERI, the Company increased its effective ownership interest to 89.36%.

(r) 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. In 2014, due to additional shares purchase from an existing stockholder of TLC and increased ownership in GERI, the Company's effective ownership over TLC increased to 67.18%. As at December 31, 2015, the Company, due to various share acquisitions over GERI and direct share acquisitions, increased its effective ownership interest to 83.34%.

(s) In 2015, 2014 and 2013, the Company acquired outstanding shares of EELHI through the PSE resulting in the increase in ownership interest to 81.73%, 81.72% and 81.53%, respectively.

(t) In 2015 and 2014, as a result of the various acquisitions of shares of EELHI, the Company's ownership interest increased to 81.73% and 81.72%, respectively; hence, indirect ownership over the subsidiaries of EELHI also increased proportionately. CNSI is a newly acquired subsidiary in 2015. The acquisition was accounted for as an asset acquisition, hence, no goodwill or gain on acquisition was recognized.

(u) 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.

(v) In 2014, TDI acquired GPARC, which is engaged in real estate business. 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). Accordingly, a pre-acquisition loss of P8.2 million was recognized in the 2014 consolidated statement of income.

(w) In 2014, FEPI, a subsidiary of GERI, disposed 40.00% 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. Gain on deconsolidation of P377.4 million was recognized from this transaction and is presented as part of Miscellaneous – net under Interest and Other Income in the 2013 consolidated statement of income (see Note 23).

(x) BWDC is considered as an associate of the Company in 2015 and 2014, due to the presence of significant influence over its financial and operating policies since the Company has 5 out of 11 BOD representations.

(y) Subsidiaries of SHDI. FOPMI is engaged in property management while CCSI is engaged in overland transport.

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

(aa) 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.

(bb) Associates of GERI.

(cc) PCMCI was incorporated in 2012. In 2015, EELHI acquired 20% ownership interest over PCMCI; consequently, the Company has indirect ownership of 16.35%.

Except for MCII and RHGI, all the subsidiaries and associates were incorporated and have its principal place of business in the Philippines. MCII was incorporated and has 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, 2015, are presently engaged in the real estate business, hotel, condominium-hotel operations, 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

The subsidiaries with material non-controlling interest (NCI) are GERI and EELHI, which represent ownership interest of 17.74% and 18.27%, respectively, and with accumulated NCI of P4.9 billion and P9.1 billion, respectively, as at December 31, 2015. Total net profit allocated to the material NCI amounted to P231.6 million and P74.4 million in 2015 and 2014, respectively. No dividends were paid by both entities to the NCI in 2015 and 2014.

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, 2015						
GERI	P 39,691,598,386	P 13,865,087,090	P 25,826,511,296	P 5,410,488,882	P 878,474,000	(P 5,929,070)
EELHI	P 37,270,099,336	P 12,586,231,863	P 24,683,867,473	P 5,058,604,660	P 550,374,188	(P 734,308,742)
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 at and for the year ended December 31, 2015 (including the comparative financial statements as at December 31, 2014 and for the years ended December 31, 2014 and 2013) were authorized for issue by the Company's BOD on March 18, 2016.

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.

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 2015 that are Relevant to the Group

The Group adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for consolidated financial statements beginning on or after July 1, 2014, for its annual reporting period beginning January 1, 2015:

PAS 19 (Amendment)	:	Employee Benefits – Defined Benefit Plans – Employee Contributions
Annual Improvements	:	Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle)

Discussed below and in the succeeding pages are the relevant information about these amendment and improvements.

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions*. The amendment clarifies that if the amount of the contributions to defined benefit plans 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. The amendment did not have a significant impact on the Group's consolidated financial statements since the Group's defined benefit plan does not require employees or third parties to contribute to the benefit plan.

(ii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify the existing requirements:

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, the 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 – Definition of Vesting Condition.* 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, *Financial Instruments – Presentation.* 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.

Annual Improvements to PFRS (2011-2013 Cycle)

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

- 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, *Joint Arrangement,* 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, *Financial Instruments:* Recognition and Measurement, or PFRS 9, *Financial Instruments,* regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.

(b) Effective Subsequent to 2015 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2015 which are issued by the FRSC. Management will adopt the relevant pronouncements in the succeeding pages 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 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.

(ii) 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.

(iii) 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. 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.

(iv) PFRS 10 (Amendments), *Consolidated Financial Statements,* PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. It clarifies which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarifies whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. This amendment also 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.

(v) PFRS 11 (Amendment), *Joint Arrangements* (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 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.

(vi) 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.

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.

(vii) PFRS 10 (Amendments), *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 date deferred indefinitely). 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. In December 2015, the IASB deferred the mandatory effective date of these amendments (i.e., from January 1, 2016) indefinitely.

(viii) Annual Improvements to PFRS (2012-2014 Cycle) (effective from January 1, 2016). Among the improvements, the following amendments are relevant to the Group but management does not expect these to have material impact on the Company's financial statements:

- PFRS 5 (Amendment), *Non-current Assets Held for Sale and Discontinued Operations.* The amendment clarifies that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of PFRS 5 does not apply. It also states that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of PFRS 5.

- 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.

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 are 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.

The Company holds interests in various subsidiaries and associates as presented in Notes 1.1 and 11.

2.4 Foreign Currency Transactions and Translation

(a) Transactions and Balances

Except for MCII and RHGI which use the U.S. dollar 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 account in the consolidated statement of income.

(b) Translation of Financial Statements of Foreign Subsidiaries

The operating results and financial position of MCII and RHGI, which are measured using the U.S. dollar, 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 under Exchange Difference on Translating Foreign Operations 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.

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instruments. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification and Measurement of Financial Assets

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 date. 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 the related transaction costs are recognized in profit or loss. A more detailed description of categories of financial assets that are relevant to Group is as follows:

(i) 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.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents and 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 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.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(ii) 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 presented as Investments in Available-for-Sale 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 Revaluation Reserves 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.

(b) Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Group recognizes impairment loss based on the category of financial assets as presented in the succeeding page.

(i) Carried at Amortized Cost – Loans and Receivables

If there is objective evidence that an impairment loss on loans and receivables carried at cost has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future 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 reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in the profit or loss.

(ii) Carried at Cost – AFS Securities

If there is objective evidence of impairment for any of the unquoted equity instruments that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and required to be settled by delivery of such an unquoted equity instrument, impairment loss is recognized. The amount of impairment loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(iii) *Carried at Fair Value – AFS Securities*

When a decline in the fair value of an AFS securities has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

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

(c) Items of Income and Expense Related to Financial Assets

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.

(d) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of 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 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, 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, except for land, 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. 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:

Buildings	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 any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the 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.

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. These shares are also issued for support of long-term funding.

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

Dividend distributions to shareholders, 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, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.13 Segment Reporting

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

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

Each of these operating segments is managed separately as each of these products and 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:

- interest cost from post-employment benefit obligation;
- 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 (VAT) and trade discounts.

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

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

(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.

(d) *Rental income* – Revenue 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.

(e) *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.

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

(g) *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 – Net or Interest and Other Income – Net 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.

Share options issued by a subsidiary is accounted for by the Company as non-controlling interests at fair value at the date of grant. However, during the period the option is outstanding, the non-controlling interest related to the option holder should not be attributed any profit or loss of the subsidiary until the option is exercised. Meanwhile, the related share option expense is recognized in full in profit or loss.

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.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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).

Revaluation reserves consist of:

(a) Accumulated actuarial gains and losses arising from remeasurements of retirement benefit obligation, net of tax.

(b) Net fair value gains or losses recognized due to changes in fair values of AFS securities.

(c) Cumulative share in other comprehensive income of associates attributable to the Group.

Translation reserves 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, 2015 and 2014. 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 Residential and Condominium Units for Sale and Investment Properties

Residential and condominium units comprises properties that are held for sale in the ordinary course of business. Meanwhile, investment properties comprises of land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. The Company considers management's intention over these assets in making its judgment.

(d) Distinction Between AFS Securities and Golf and Resort Shares

Being a real estate developer, the Group determines how these shares shall be accounted for. In determining whether these shares shall be accounted for as either inventories or financial instruments, the Group considers its role in the development of the club and its intent for holding these shares. The Group classifies such shares as inventories when the Group acts as the developer and its intent is to sell a developed property together with the club share.

(e) *Distinction Between Asset Acquisition and Business Combinations*

The Group acquires subsidiaries that own real estate properties. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the Group (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in PAS 40 on ancillary services.

(f) *Distinction Between Land Held for Sale and Land for Future Development*

The Group determines whether a land will be classified as part of Residential and Condominium Units for Sale or Land Held for Future Development. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle or whether it will be retained as part of the Group's strategic land banking activities for future development.

(g) *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.

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

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

(i) *Significant Influence on Investees even if the Group Holds less than 20% of Voting Rights*

The Group considers that it has significant influence over investees when it has board representation which allows them to participate in the financial and operating policy decisions but has no control or joint control of those policies (see Notes 1 and 11).

(j) *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 2015 would have increased by P398.3 million or would have decreased by P420.4 million if the proportion performed decreased. There were no changes in the assumptions or basis for estimation during the year.

(b) *Determination of 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, 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 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 P61.5 billion, P14.9 billion and P18.1 billion, respectively, as at December 31, 2015 and P56.9 billion, P12.4 billion and P13.2 billion, respectively, as at December 31, 2014.

(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 2015 and 2014 consolidated statements of income amounted to P146.3 million, P40.1 million and P30.4 million in 2015, 2014 and 2013, respectively. A corresponding credit to Retained Earnings amounting to P101.7 million, P70.5 million and P30.4 million representing the Company's cumulative amount of share options recognized as at December 31, 2015, 2014 and 2013, respectively, 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) *Estimation of 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, 2015 and 2014, 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 counterparties, the counterparties' 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 would affect consolidated profit and loss and equity.

The carrying amounts of cash and cash equivalents and investments in AFS Securities and the amounts of fair value changes recognized during the years on those assets are disclosed in Notes 5 and 9, respectively.

(h) Determination of 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, 2015 and 2014 will be utilized in the succeeding years.

The carrying amount of the net deferred tax assets as at December 31, 2015 and 2014 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 non-financial assets required to be recognized in 2015, 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 independent 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 statement of income in the subsequent period.

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, 2015, 2014 and 2013 and certain asset and liability information regarding segments at December 31, 2015, 2014 and 2013.

2015

	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 32,726,888,869	P 8,729,655,235	P 796,322,364	P 1,007,543,475	P -	P 43,260,409,943
Intersegment sales	-	227,908,084	-	649,654,556	(877,562,640)	-
Total revenues	P 32,726,888,869	P 8,957,563,319	P 796,322,364	P 1,657,198,031	(P 877,562,640)	P 43,260,409,943
RESULTS						
Cost and operating expense	(24,722,587,613)	(2,314,999,416)	(632,775,137)	(1,610,514,873)	779,579,569	(28,501,297,470)
Segment results	P 8,004,301,256	P 6,642,563,903	P 163,547,227	P 46,683,158	(P 97,983,071)	P 14,759,112,473
Interest and other income - net						1,596,636,206
Interest and other charges - net						(2,635,174,408)
Equity in net earnings of associates						138,614,220
Tax expense						(3,284,678,495)
Preacquisition loss of a subsidiary						291,847
Net profit						P 10,574,801,843
ASSETS AND LIABILITIES						
Segment assets	P 187,279,330,964	P 50,003,842,390	P 2,433,682,285	P 5,195,714,160	P -	P 244,912,569,799
Investments in and advances to associates and other related parties - net	-	-	-	6,772,193,903	-	6,772,193,903
Total assets	P 187,279,330,964	P 50,003,842,390	P 2,433,682,285	P 11,967,908,063	P -	P 251,684,763,702
Segment liabilities	P 98,703,363,884	P 15,149,080,026	P 424,651,426	P 2,994,313,723	P -	P 117,271,409,059
OTHER SEGMENT INFORMATION						
Project and capital expenditures						P 54,513,276,245

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 -	P 39,542,575,120
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						
Cost and operating expense	(22,280,129,613)	(2,043,972,081)	(535,056,858)	(2,869,610,730)	896,500,685	(26,832,268,597)
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 - net						13,259,475,083
Interest and other charges - net						(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	-	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 -	P 221,039,841,593
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 6,037,779,873	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						
Cost and operating expense	(19,748,364,002)	(1,819,308,917)	(364,991,395)	(1,592,560,158)	575,255,277	(22,832,661,359)
Segment results	P 6,095,543,660	P 4,376,694,494	P 86,049,397	P 3,835,261	(P 58,653,918)	P 10,620,776,730
Gain on acquisition of a subsidiary						763,834,597
Interest and other income - net						1,712,610,060
Interest and other charges - net						(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	P 29,874,431,168	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

5. CASH AND CASH EQUIVALENTS

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

	2015	2014
Cash on hand and in banks	P 4,790,154,317	P 4,179,080,113
Short-term placements	17,972,908,856	20,963,869,774
	P 22,763,063,173	P 25,142,949,887

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods between 22 to 90 days and earn effective interest ranging from 1.25% to 2.50% in 2015, 1.10% to 4.00% in 2014 and 0.80% to 3.00% in 2013.

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Note	2015	2014
Current:			
Trade	27.1	P 22,318,593,069	P 20,568,484,213
Allowance for impairment		(517,091,448)	(517,091,448)
		21,801,501,621	20,051,392,765
Advances to contractors and suppliers		4,909,049,653	3,023,954,443
Others		652,232,554	643,553,103
		27,362,783,828	23,718,900,311
Non-current:			
Trade	27.1	32,691,658,240	28,917,742,741
Allowance for impairment		(12,224,936)	(12,224,936)
		32,679,433,304	28,905,517,805
Others		15,337,534	5,571,232
		32,694,770,838	28,911,089,037
		P 60,057,554,666	P 52,629,989,348

Trade receivables mainly pertains to real estate and rental transactions.

A reconciliation of the allowance for impairment at the beginning and end of 2015 and 2014 is shown below.

	2015	2014
Balance at beginning of year	P 529,316,384	P 30,850,041
Allowance for impairment of receivables of newly-acquired subsidiary	-	550,522,607
Write-off of trade receivables previously provided with allowance	-	(52,056,264)
Balance at end of year	P 529,316,384	P 529,316,384

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 in both 2015 and 2014 and P1.5 in 2013. These amounts are presented as Interest Income on Real Estate Sales account in the consolidated statements of income.

Certain receivables with carrying values of P1.5 billion and P136.5 million as at December 31, 2015 and 2014, 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, 2015 and 2014 amounting to P997.4 million and P1,034.7 million, respectively (see Note 15.4).

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 RESORT SHARES FOR SALE

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

	2015	2014
Residential and condominium units	P 59,067,903,490	P 54,689,792,447
Golf and resort shares	2,487,372,777	2,306,759,944
	61,555,276,267	56,996,552,391
Allowance for impairment	(88,411,502)	(88,411,502)
	P 61,466,864,765	P 56,908,140,889

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.

The details of cost of real estate sales are shown in Note 21.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account is shown below.

	2015	2014
Input VAT	P 3,165,125,754	P 2,116,386,138
Prepaid rent and other prepayments	611,769,191	914,252,550
Creditable withholding taxes	443,201,769	422,687,259
Deposits	355,857,083	309,568,563
Others	148,556,498	167,144,477
	P 4,724,510,295	P 3,930,038,987

Others include supplies, gift certificates inventories and food and beverage inventories.

9. INVESTMENTS IN AVAILABLE-FOR-SALE SECURITIES

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

	Note	2015	2014
Equity securities	27.4	P 4,634,249,299	P 6,037,664,828
Debt securities		65,334,355	108,602,601
		P 4,699,583,654	P 6,146,267,429

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

	Note	2015	2014
Balance at the beginning of year		P 6,146,267,429	P 3,928,755,091
Fair value losses – net		(2,745,034,577)	(416,644,686)
Additions		1,461,811,671	1,351,199,338
Disposals		(183,848,265)	(1,073,522,978)
Foreign currency gains (losses) – net		20,387,396	(7,418,826)
Reclassifications – net	11(e), 11(f)	-	2,353,897,368
AFS securities from newly-acquired subsidiary		-	10,002,122
Balance at end of year		P 4,699,583,654	P 6,146,267,429

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 euro-denominated corporate bonds quoted in a foreign active market which will mature in 2017. Management has determined that fair value losses are not permanent, therefore, these investments are considered not impaired.

Prior to 2014, the Company held investments in AFS equity securities amounting to P189.2 million. 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, which pertains to BWDC shares, were reclassified to investments in associates resulting from the Group's ability to exercise significant influence over BWDC's financial and operating policies (see Notes 1 and 11).

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

In 2015, the Group received cash dividend from TIHGI amounting to P20.6 million. The amount of dividend received is presented as part of Dividend income under Interest and Other Income – Net in the 2015 consolidated statement of income (see Note 23).

On the other hand, as a result of the change in capital structure of WCRWI, the Company's equity ownership interest in WCRWI was diluted in 2014 and consequently lost significant influence over WCRWI; hence, investments in shares of WCRWI was reclassified to AFS securities (see Notes 1 and 11).

The aggregate carrying value of AFS securities as at December 31, 2015 and 2014 amounted to P4.7 billion and P6.1 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 Revaluation Reserves 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 consolidated statements of income (see Note 23).

The AFS securities are owned by the Company, EELHI, LFI, MCPI and RHGI. 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 Costs 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, 2015 and 2014, there has been no outstanding commitment for cash advances under the joint venture agreements.

The net commitment for construction expenditures amounts to:

	2015	2014
Total commitment for construction expenditures	**P 24,076,339,196**	P 21,523,901,115
Total expenditures incurred	**(16,403,084,016)**	(15,356,899,341)
Net commitment	**P 7,673,255,180**	P 6,167,001,774

The Group's interests in jointly-controlled operations and projects range from 50% to 95% in both 2015 and 2014. The listing of the Group's jointly controlled projects are as follows:

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

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
- Fountain Grove
- Palm City

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

The aggregate amounts of the current assets, long-term assets, current liabilities, long-term liabilities, income and expenses as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 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, 2015 and 2014, 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 2015 and 2014 amounts to P336.6 million and P253.7 million, net of deferred interest expense amounting to P51.0 million and P70.1 million, respectively, and is presented as part of Advances from Associates and Other Related Parties account in the consolidated statements of financial position (see Note 27.3).

As of December 31, 2015 the Group's management has assessed that the advances from joint ventures is fully recoverable. Accordingly, no impairment loss was recognized.

The amortization of deferred interest amounting to P19.8 million in both 2015 and 2014 is presented as part of Interest expense under the Interest and Other Charges account – Net in the consolidated statements 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:

	2015	2014
Acquisition costs:		
PCMCI	P 877,776,746	P -
SHDI	875,445,000	875,445,000
NPI	734,396,528	734,396,528
BNHGI	534,510,859	775,419,297
BWDC	199,212,026	199,212,026
PTHDC	64,665,000	64,665,000
FERC	28,000,000	28,000,000
FENI	10,000,003	10,000,003
FESI	7,808,360	7,808,360
FERSAI	4,000,000	4,000,000
Balance carried forward	P 3,335,814,522	P 2,698,946,214

	2015	2014
Balance brought forward	P 3,335,814,522	P 2,698,946,214
Accumulated equity in net earnings (losses):		
Balance at beginning of year	(700,136,780)	222,795,761
Equity share in net earnings of associates for the year	138,614,220	328,707,760
Accumulated equity in net loss of newly-acquired associates	-	(44,081,651)
Reversals resulting from consolidation, disposal and dilution of ownership interest	-	(1,207,558,650)
Balance at end of year	(561,522,560)	(700,136,780)
	P 2,774,291,962	P 1,998,809,434
Accumulated equity in other comprehensive income:		
Balance at beginning of year	-	6,159,298
Share in other comprehensive income of associate	38,744,144	-
Derecognition of other comprehensive income of associate	-	(6,159,298)
Balance at end of year	38,744,144	-
	2,813,036,106	1,998,809,434
Advances to associates and other related parties (see Note 27.2)	3,959,157,797	4,084,274,049
	P 6,772,193,903	P 6,083,083,483

The shares of stock of SHDI are listed in the PSE. The total quoted or market value of SHDI amounted to P0.8 billion and P1.1 billion as at December 31, 2015 and 2014, respectively. The fair values of all other investments in associates are not available as at December 31, 2015 and 2014. 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.

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 held by 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. In 2015, the Company acquired outstanding shares of GERI from PSE amounting to P250.0 million increasing its total ownership interest to 82.26% as at December 31, 2015 (see Note 1).

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

In 2013, the Company has only established significant influence, but not control, over 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. In 2015, the Company has also purchased additional shares of TLC from a third party stockholder, thereby, increasing the Company's direct ownership.

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 (see Note 9).

e. Investment in TIHGI

In 2013, TIHGI declared cash dividends of P744.0 million. 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 2014 consolidated statement of income (see Note 23). Also, portion of the equity share in net earnings of TIHGI previously recognized in other comprehensive income amounting to P6.2 million was reclassified to profit or loss in the same year.

f. Investment in WCRWI

In 2013, the Company subscribed to 10% ownership interest in WCRWI which was incorporated during that year. Despite the 10% ownership interest, the Company considers WCRWI as an associate as it is able to exert significant influence over WCRWI through two out of five BOD representations. In 2014, as a result of the change in capital structure of WCRWI, the Company's ownership in WCRWI was diluted; hence, the Company lost its significant influence over WCRWI. The outstanding shares held by the Company over WCRWI were, therefore, reclassified as Investments in AFS securities (see Note 9).

g. Investment in BNHGI

In 2014, FEPI sold 40% 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. In 2015, FEPI sold another 15% ownership interest, reducing the Group's effective ownership to 37.01% over BNHGI. Gain on sale of investment in associate amounting to P181.3 million was recognized under Interest and Other Income – Net in the 2014 consolidated statement of income (see Note 23).

h. Investment in PCMCI

In 2015, EELHI acquired 750,000,000 PCMCI shares amounting to P877.8 million representing 30% ownership interest. Through this acquisition, the Group acquired an ability to exert significant influence over PCMCI.

The balance of the Accumulated equity in net losses of P561.9 million and P700.1 million as at December 31, 2015 and 2014, 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, revenues and net profit (loss) of the associates are as follows:

	Assets	Liabilities	Revenues	Net Profit (Loss)
2015:				
PCMCI	P 2,458,015,617	P 8,172,960	P -	(P 9,234,061)
SHDI	585,451,486	346,423,705	365,068,765	53,726,211
BNHGI	1,799,798,866	196,246,769	-	(2,019,930)
NPI	5,675,538,713	1,317,006,156	21,150	(18,348)
BWDC	3,327,984,093	2,637,530,014	384,744,535	259,062,480
PTHDC	1,136,403,775	1,006,803,799	5,900	(1,190,233)
FERC	277,874,990	209,508,750	-	-
FENI	98,510,739	931,113,013	-	-
FESI	64,232,266	18,248,112	1,818,862	(1,767,717)
FERSAI	157,909,404	173,014,080	-	-
	P 15,581,719,949	**P 6,844,067,358**	**P 751,659,212**	**P 298,558,402**

	Assets	Liabilities	Revenues	Net Profit (Loss)
2014:				
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

12. INVESTMENT PROPERTIES

The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2015 and 2014 are shown below.

	Land	Buildings	Total
December 31, 2015			
Cost	P 9,530,417,733	P 42,464,672,890	P 51,995,090,623
Accumulated depreciation	-	(5,723,020,432)	(5,723,020,432)
Net carrying amount	**P 9,530,417,733**	**P 36,741,652,458**	**P 46,272,070,191**
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
January 1, 2014			
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

A reconciliation of the carrying amounts at the beginning and end of 2015, 2014 and 2013 of investment properties is shown below.

	Land	Buildings	Total
Balance at January 1, 2015, net of accumulated depreciation	P 9,017,340,569	P 26,745,289,249	P 35,762,629,818
Additions	513,077,164	12,383,054,370	12,896,131,534
Transfer to property and equipment	-	(1,175,058,950)	(1,175,058,950)
Disposals	-	(33,846,200)	(33,846,200)
Depreciation charges for the year	-	(1,177,786,011)	(1,177,786,011)
Balance at December 31, 2015, net of accumulated depreciation	**P 9,530,417,733**	**P 36,741,652,458**	**P 46,272,070,191**
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 15.1). The collaterals on these investment properties were released as at December 31, 2014.

Rental income earned from these properties amounted to P8.7 billion, P7.1 billion and P6.0 billion in 2015, 2014 and 2013, 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 P459.2 million in 2015, P458.5 million in 2014 and P360.9 million in 2013. 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 P190.8 billion and P156.8 billion as at December 31, 2015 and 2014, 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% in 2015 and 2014 (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 2015 and 2014 are shown below.

	Condominium Units	Office Furniture, Fixtures and Equipment	Office and Land Improvements	Transportation Equipment	Land	Total
December 31, 2015						
Cost	P 3,046,239,743	P 732,964,892	P 191,035,835	P 228,464,730	P 248,009,320	P 4,446,714,520
Accumulated depreciation and amortization	(647,851,020)	(464,215,769)	(150,520,322)	(133,275,218)	-	(1,395,862,329)
Net carrying amount	**P 2,398,388,723**	**P 268,749,123**	**P 40,515,513**	**P 95,189,512**	**P 248,009,320**	**P 3,050,852,191**
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
January 1, 2014						
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

A reconciliation of the carrying amounts at the beginning and end of 2015, 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, 2015, 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
Transfer from investment properties	1,175,058,950	-	-	-	-	1,175,058,950
Additions	27,522,735	110,578,304	18,789,212	51,992,093	-	208,882,344
Disposals	(1,936,272)	(10,080,525)	(8,395,425)	(16,049,484)	-	(36,461,706)
Depreciation and amortization charges for the year	(28,261,750)	(80,528,790)	(31,649,562)	(23,560,434)	-	(164,000,536)
Balance at December 31, 2015, net of accumulated depreciation and amortization	**P 2,398,388,723**	**P 268,749,123**	**P 40,515,513**	**P 95,189,512**	**P 248,009,320**	**P 3,050,852,191**
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
Disposals	-	(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
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 P442.7 million and P411.3 million and the corresponding accumulated depreciation for the same amounts as at December 31, 2015 and 2014, 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:

	2015	2014
Goodwill	P 1,290,232,360	P 1,290,232,360
Guarantee and other deposits	822,930,111	541,591,807
Leasehold rights - net	132,339,119	139,304,336
Miscellaneous	109,939,027	94,169,249
	P 2,355,440,617	P 2,065,297,752

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 land banking position. The fair value of the net identifiable assets acquired and consideration paid 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). The remaining portion of goodwill came from acquisitions made by the Group in prior years.

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 rights 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 rights amounting to P139.3 million. The leasehold rights pertains to the right to use certain parcel of land for the remaining period of 20 years and renewable for another 25 years. In 2015, leasehold rights amortization amounted to P7.0 million (nil in 2014) is presented as part of Depreciation and amortization under Operating Expenses in the 2015 consolidated statement of income (see Note 22).

The goodwill and leasehold rights are subject to annual impairment testing and whenever there is an indication of impairment. No impairment losses were recognized in 2015 and 2014 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:

	2015	2014
Current:		
Company	P 2,871,346,152	P 1,197,234,432
SPI	1,115,773,089	1,100,661,267
EELHI	119,927,915	58,691,642
GERI	72,916,667	200,000,000
RHGI	64,971,354	69,150,594
	4,244,935,177	2,625,737,935
Non-current:		
Company	22,211,538,461	5,082,884,613
GERI	1,927,083,333	-
SPI	1,400,000,000	966,282,157
EELHI	1,389,074,691	77,829,913
LFI	500,000,000	-
	27,427,696,485	6,126,966,683
	P 31,672,631,662	P 8,752,734,618

15.1 Company

Philippine Peso, 7-year loan due 2015
In 2008, the Company signed a financing deal with local bank in 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 Company'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 this loan amounted to P0.7 billion as at December 31, 2014. In 2015, the loan was fully settled.

Philippine Peso, 7-year corporate notes due 2016
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 the Miscellaneous – net under Interest and Other Charges – Net account in 2013 consolidated statement of income (see Note 24).

Philippine Peso, 7-year loan due 2016
In May 2009, the Company obtained an unsecured long-term loan from a local bank amounting to P500.0 million. The loan is payable for a term of seven years and interest is payable semi-annually based on a floating six-month PDSTF-R plus a certain spread, subject to semi-annual repricing. The outstanding balance pertaining to this loan amounted to P467.5 million and P472.5 million as at December 31, 2015 and 2014, 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 these loans amounted to P93.3 million as at December 31, 2014. In December 2015, the loans were fully settled. Collateral for the loans consisted of a mortgage over certain investment properties of the Company with carrying value of P40.4 million. This collateral over investment properties was released as at December 31, 2014 (see Note 12).

Philippine Peso, 7-year loan due 2021
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 commenced 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 P4.6 billion and P5.0 billion as at December 31, 2015 and 2014, respectively.

Philippine Peso, 7-year loan due 2022
In March 2015, the Company signed a financing deal with a local bank in which the Company may avail of a P10.0 billion unsecured loan, divided equally into two tranches. The Company had availed both tranches in May and June. The proceeds of the loan were used to fund the development of the Company's various real estate projects and retire currently maturing obligations. The loan is payable for a term of seven years. The principal repayments on this loan will commence in June 2016 and interest is paid quarterly based on a fixed 5.4% annual interest rate. The outstanding balance pertaining to this loan amounted to P10.0 billion as at December 31, 2015.

Philippine Peso, 7-year loan due 2022
In November 2015, 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 November 2016 and interest is paid semi-annually based on a fixed 5.05% annual interest rate. The outstanding balance pertaining to this loan amounted to P5.0 billion as at December 31, 2015.

Philippine Peso, 5-year loan due 2020
In December 2015, 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 five years with a grace period of one year upon availment. The principal repayment on the loan will commence in March 2017 and interest is paid quarterly based on a fixed 5.035% annual interest rate. The outstanding balance pertaining to this loan amounted to P5.0 billion as at December 31, 2015.

15.2 EELHI

Philippine Peso, various secured short-term and long-term bank loans
EELHI's short-term and long-term interest bearing loans and borrowings consist only of bank loans amounting to P1.5 billion and P136.5 million as at December 31, 2015 and 2014, respectively. These loans bear annual interest rates ranging from 3.15% (subject to repricing every 30-180 days) to 9.08% in 2015, 7.8% to 9.5% in 2014, and 7.8% to 10.5% in 2013. As at December 31, 2015, the loan with floating interest rate was repriced at 5.40%. Bank loans also include proceeds received from certain trade receivables that were discounted on a with-recourse basis (see Note 6). EELHI's interest-bearing loans and borrowings are secured by trade receivables and certain properties presented as part of Trade and Other Receivables and Residential and Condominium Units for Sale with total estimated carrying value of P312.1 million and P497.8 million as of December 31, 2015 and 2014, respectively.

15.3 LFI

Philippine Peso, 5-year loan due 2020
In December 2015, the LFI obtained an unsecured and interest-bearing loan from a local commercial bank amounting to P500.0 million for the funding requirements of the construction of a building. The loan bears an annual interest of 5.0%, subject to quarterly repricing. Quarterly installments beginning in March 2017 are due until the loan is fully-settled in 2020, or 5 years from the issue date of the loan (see Notes 6 and 7).

15.4 SPI

Philippine peso, various long-term bank loans, due in 2016 and 2020
In 2012, SPI obtained long-term loans from a local bank amounting to P330.0 million. These unsecured loans, which will mature in 2016 bear an annual interest of 5.50%, was pre-terminated 2015.

In 2015, SPI obtained a long-term from the same local bank amounting to P1.5 billion, of which P1.4 billion has been drawn. The loan bears a 3.15% floating interest, subject to repricing every 30-180 days, and will mature in 2020. Repayment for this loan, which is on a quarterly basis, will start in 2017.

Philippine peso, various short-term bank loans, due in 2015 and 2016
In 2014, SPI obtained short-term loans from local banks amounting to P1,184.8 million. These unsecured loans bear interest ranging from 3.00% to 5.75%. In 2015 and 2014, SPI paid P886.4 million and P298.4 million of the principal amount, respectively.

In 2015, SPI obtained short-term loans from local banks amounting to P1,060.0 million and paid P944.1 million of the principal amount in the same year. The loans, which will all mature in 2016, are unsecured and bear annual interest rate ranging from 5.50% to 5.75%, respectively.

Assigned trade receivables
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, 2015 and 2014 amounted to P997.4 million and P1,034.7 million, respectively (see Note 6).

All of SPI's loans are used to finance existing and future real estate development projects.

15.5 GERI

Philippine peso, 5-year loan due 2020
In 2015, GERI obtained a long-term Philippine peso-denominated bank loan from a local bank, which was granted on clean basis with negative pledge on assets. The proceeds of the loan are being used to finance capital expenditure requirement of the Company's various real estate development projects and for other general corporate requirements. The loan has a term of 5 years from the date of initial drawdown, inclusive of a grace period on principal repayment of 2 years. The loan shall be paid in twelve equal quarterly amortization commencing on the 9th quarter from date of initial drawdown. The loan bears a fixed interest rate computed at 5-year PDST-R2 plus a spread of 130 basis points subject to a floor rate of 5.0% per annum. The interest is payable quarterly in arrears. As of December 31, 2015, the outstanding loan payable amounted to P1.5 billion.

In 2015 and 2014, OFPI, a subsidiary of GERI, availed of a short-term loan from a local bank amounting to P500.0 million and P200.0 million which bears a fixed interest of 5.035% and 3.15%, respectively. As at December 31, 2015, the outstanding loan payable amounted to P500.0 million, of which P72.9 million is due within one year.

15.6 RHGI

Euro-denominated, short-term loan due 2016
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) which bears an annual interest rate of 0.76% and matured in 2015. In June 2015, RHGI renewed the said short-term loan and will mature in June 2016 at a revised annual interest of 0.82%. The outstanding balance in relation this loan amounted to P65.0 million and P69.2 million as at December 31, 2015 and 2014, respectively.

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

Finance costs arising from the preceding loans and borrowings that are mainly and 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 P763.9 million, P308.8 million and P402.7 million in 2015, 2014 and 2013, 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 2015, 2014 and 2013 amounted to P481.3 million, P43.0 million and P73.6 million, respectively. Capitalization rate used in determining the amount of interest charges qualified for capitalization is 5.53%, 6.19% and 5.06% in 2015, 2014 and 2013, respectively.

16. BONDS PAYABLE

Philippine Peso, 5-year bonds due 2015
On November 18, 2009, the Group issued P5.0 billion fixed rate unsecured bonds with a term of five years and six months and which bear an interest of 8.46% per annum. The bonds were issued at par and will be redeemed at 100% of the face value on maturity date. The proceeds received are being used by the Group to finance its capital expenditures from 2009 up to 2013 mainly for the development of its real estate projects. In May 2015, these bonds were fully redeemed at face value. As at December 31, 2014, the outstanding bonds payable balance amounted P5.0 billion. The bonds were fully settled in 2015.

U.S. Dollar, 7- year due 2018
On April 15, 2011, the Group issued seven-year term bonds totaling US $200 million. The bonds bear interest at 6.75% per annum payable semi-annually in arrears every April 15 and October 15 each year starting October 15, 2011. The bonds will mature on April 15, 2018. As at December 31, 2015 and 2014, the outstanding bonds payable balance amounted to P9.4 billion and P8.8 billion, respectively.

U.S. Dollar, 10- year due 2023
On April 17, 2013, the Group issued 10-year term bonds totaling US $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 is being used by the Company for general corporate purposes. As at December 31, 2015 and 2014, the outstanding bonds payable balance amounted to P11.7 billion and P11.1 billion, respectively.

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

Total interest incurred on these bonds amounted to P1,270.1 million in 2015, P1,508.8 million in 2014 and P1,284.7 million in 2013, of which portions capitalized amounted to P161.0 million in 2015 and, P423.0 million in both 2014 and 2013. 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 2015, 2014 and 2013. The outstanding interest payable as of December 31, 2015 and 2014 is presented as Accrued interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

17. TRADE AND OTHER PAYABLES

This account consists of:

	Note	2015	2014
Trade payables		**P 8,664,025,590**	P 7,467,336,544
Retention payable		**2,495,578,562**	2,464,294,537
Accrued interest	16	**378,240,423**	395,769,620
Accrued construction cost		**4,999,106**	5,816,242
Miscellaneous		**526,576,176**	286,970,476
		P 12,069,419,857	P 10,620,187,419

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 Group 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 P89.1 million and P60.2 million as at December 31, 2015 and 2014, respectively, is presented as part of Other payables under Other Non-current Liabilities account in the consolidated statements of financial position (see Note 19). The related interest expense, which represents dividends, recognized for the years ended December 31, 2015 and 2014 amounted to P28.9 million in both years is presented as part of Interest expense under the Interest Expense and Other Charges – Net account in the consolidated statements 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 carrying values.

19. OTHER LIABILITIES

This account consists of:

	Note	2015	2014
Current:			
Unearned revenues		P 1,639,368,747	P 1,831,092,740
Deferred rental income		355,831,050	391,139,056
Other payables		66,712,432	12,650,112
		2,061,912,229	2,234,881,908
Non-current:			
Deferred rental income		3,346,201,751	1,762,530,579
Other payables	18	155,201,430	94,164,023
		3,501,403,181	1,856,694,602
		P 5,563,315,410	P 4,091,576,510

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 sales for the following:

	2015	2014	2013
Residential and condominium units	P 27,260,722,450	P 24,605,116,509	P 21,250,984,220
Golf and resort shares	1,575,000	1,437,928	-
	P 27,262,297,450	P 24,606,554,437	P 21,250,984,220

Realized gross profit on prior years amounted to P3.8 billion, P3.2 billion and P3.1 billion in 2015, 2014 and 2013, respectively.

21. COSTS OF REAL ESTATE SALES

The total cost of real estate sales for the years ended December 31, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Actual costs	P 9,520,350,982	P 7,762,486,949	P 6,822,583,408
Estimated costs	5,914,591,370	6,601,382,238	5,822,398,964
	P 15,434,942,352	P 14,363,869,187	P 12,644,982,372

The breakdown of the cost of real estate sales are further broken down as follows:

	2015	2014	2013
Contracted services	P 12,851,666,636	P 12,120,803,695	P 10,922,746,175
Land cost	2,058,899,931	1,770,144,307	1,313,461,683
Borrowing cost	331,643,102	273,887,171	202,846,340
Other costs	192,732,683	199,034,014	205,928,174
	P 15,434,942,352	P 14,363,869,187	P 12,644,982,372

22. OPERATING EXPENSES

Presented below are the details of this account.

	Notes	2015	2014	2013
Salaries and employee benefits	25	**P 2,059,096,838**	P 1,714,889,017	P 1,206,397,043
Depreciation and amortization	12, 13, 14	**1,348,751,764**	1,300,385,226	956,774,624
Commission		**1,062,732,165**	961,366,846	905,847,959
Advertising and promotions		**686,408,553**	676,949,982	589,935,280
Taxes and licenses		**664,757,350**	757,575,717	446,823,406
Rent		**539,873,942**	521,819,487	398,718,708
Utilities and supplies		**480,113,476**	460,767,752	287,743,734
Professional fees and outside services		**288,358,171**	278,527,420	201,182,692
Association dues		**273,733,153**	263,961,219	169,925,605
Transportation		**226,691,959**	223,885,030	218,930,485
Miscellaneous		**361,377,640**	331,566,070	282,085,374
		P 7,991,895,011	P 7,491,693,766	P 5,664,364,910

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	2015	2014	2013
Interest income	5	**P 1,337,049,326**	P 1,056,924,854	P 1,566,850,939
Property management, cinema operations, commission and construction income		**875,835,168**	745,378,539	345,096,276
Gain on sale of investments in an associate	9, 11	**181,347,731**	9,384,719,202	-
Dividend income	9	**78,239,149**	46,595,425	55,359,121
Fair value gains on disposal of AFS securities reclassified to profit or loss	9	**3,597,409**	796,867,188	148,251,481
Fair value gains on remeasurement of investments - net	9, 11, 27.5	**-**	2,251,067,460	-
Gain on acquisitions and deconsolidation of subsidiaries	1	**-**	520,168,142	763,834,597
Miscellaneous – net	6, 9, 27.4	**128,110,898**	699,487,436	717,762,006
		P 2,604,179,681	P 15,501,208,246	P 3,597,154,420

The 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 investments 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).

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. Also in 2015, FEPI sold a portion of its investments in BNGHI resulting to a gain amounting to P181.3 million. The sale did not affect the significant influence of the Group over BNHGI (see Notes 1 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).

In August 2013, the Company acquired 100% ownership interest in API, 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 API exceeded the acquisition cost (see Note 1).

Gain on sale of investments in AFS securities consists of realized fair value gains reclassified subsequently to profit or loss and gains on sale of these investments in AFS securities.

Miscellaneous income refers to gain on sale of land, marketing fees and others.

24. INTEREST AND OTHER CHARGES

Presented below are the details of this account.

	Notes		**2015**		2014		2013
Interest expense arising from:							
Bank loans, borrowings and bonds payable	15, 16	**P**	**1,391,749,555**	P	1,319,465,995	P	1,280,554,678
Redeemable preferred shares	18		**28,933,722**		28,933,722		-
Post-employment defined benefit obligation	25		**46,097,256**		48,640,873		36,968,625
Amortization of deferred interest	10.2		**19,848,008**		19,848,008		-
Foreign currency losses – net			**1,148,545,867**		105,046,866		491,259,799
Miscellaneous – net	6, 15		**91,092,408**		102,543,071		50,870,780
		P	**2,726,266,816**	P	1,624,478,535	P	1,859,653,882

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		**2015**		2014		2013
Short-term benefits		**P**	**1,768,663,918**	P	1,548,795,060	P	1,048,509,131
Employee share options	25.2, 28.6		**146,272,133**		40,096,554		30,382,120
Post-employment benefits	25.3		**144,160,787**		125,997,403		127,505,792
	22	**P**	**2,059,096,838**	P	1,714,889,017	P	1,206,397,043

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, 2015 and 2014, about 200.0 million and 46.0 million shares of GERI's options have vested, respectively, but none of these have been exercised by any of the option holder. None of the Company's share options has vested in 2015 and 2014.

Share option benefits expense, included as part of Salaries and employee benefits under Operating Expenses in the consolidated statements of income, amounted to P146.3 million, P40.1 million and P30.4 million in 2015, 2014 and 2013, respectively, (see Note 25.1).

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 trustee banks. 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 independent actuaries in 2015 and 2014.

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

	2015	2014
Present value of the obligation	P 1,065,773,374	P 1,191,591,023
Fair value of plan assets	(140,578,260)	(114,050,658)
Net defined benefit liability	P 925,195,114	P 1,077,540,365

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

	2015	2014
Balance at beginning of year	P 1,191,591,023	P 851,805,596
Current service costs	144,160,787	125,997,403
Interest costs	51,547,448	53,826,929
Remeasurements –		
Actuarial losses (gains) arising from changes in:		
Experience adjustments	(65,694,538)	52,928,254
Financial assumptions	(248,958,147)	114,089,539
Demographic assumptions	(3,955,741)	-
Benefits paid	(2,917,458)	(7,056,698)
Balance at end of year	P 1,065,773,374	P 1,191,591,023

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

	2015	2014
Balance at beginning of year	P 114,050,658	P 103,407,063
Contributions paid	22,000,000	14,000,000
Benefits paid	(2,917,458)	(7,056,698)
Interest income	5,450,192	5,186,056
Return on plan assets (excluding amount included in net interest cost)	1,994,868	(1,485,763)
Balance at end of year	P 140,578,260	P 114,050,658

The plan assets are composed of cash and cash equivalents and investment in debts and equity securities. Debt securities pertains to corporate and government securities while equity securities consists of investments in private corporation. 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 P7.4 million, P3.7 million and P4.2 million in 2015, 2014 and 2013, respectively.

The plan assets do not include any of the Company's and other related parties' 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		**2015**		2014		2013
Reported in consolidated statements of income:							
Post-employment defined benefit:							
Current service costs		**P**	**144,160,787**	P	125,997,403	P	116,785,988
Past service cost			**-**		-		10,719,804
	25.1		**144,160,787**		125,997,403		127,505,792
Net interest costs	24		**46,097,256**		48,640,873		36,968,625
		P	**190,258,043**	P	174,638,276	P	164,474,417
Reported in consolidated statements of comprehensive income:							
Actuarial gains (losses) arising from changes in:							
Financial assumptions		**P**	**248,958,147**	P	114,089,539	P	26,746,027
Demographic assumptions			**3,955,741**		-		-
Experience adjustments			**65,694,538**		52,928,254		1,066,279
Return on plan assets (excluding amounts included in net interest expense)			**(1,994,868)**		(1,485,763)		(815,509)
			316,613,558		165,532,030		26,996,797
Tax income (expense)	26		**(94,984,067)**		(49,659,609)		(8,099,039)
		P	**221,629,491**	P	115,872,421	P	18,897,758

Current service costs 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:

	2015	2014	2013
Discount rates	**4.89% - 5.40%**	4.49% - 7.81%	4.68% - 5.65%
Expected rate of salary increases	**5.00% - 10.00%**	6.00% - 10.00%	6.00% - 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 22 years 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, 2015 and 2014:

		Impact on Post-employment Benefit Obligation	
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2015			
Discount rate	0.50%	**(P 110,145,014)**	**P 63,048,969**
Salary increase rate	1.00%	**166,787,414**	**(21,338,142)**
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)

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 consolidated 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.

There has been no change in the Group's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

As at December 31, 2015, the plan is currently underfunded by P0.9 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 22 years' time when a significant number of employees is expected to retire.

The Group expects to make contributions of P12.0 million to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	2015	2014
Within one year	**P 9,270,690**	P 7,871,889
More than one year to 5 years	**50,525,978**	62,345,512
More than 5 years to 10 years	**453,305,787**	431,819,516
More than 10 years to 15 years	**392,676,385**	495,701,944
More than 15 years to 20 years	**664,392,058**	708,618,147
More than 20 years	**8,020,780,539**	13,126,936,421
	P 9,590,951,437	P 14,833,293,429

The weighted average duration of the DBO at the end of the reporting period is 22 years.

26. TAXES

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

	2015	2014	2013
Reported in consolidated statements of income:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% and 10%	**P 1,836,798,661**	P 1,529,076,945	P 1,449,871,581
Final tax at 20% and 7.5%	**50,655,309**	69,385,362	115,764,691
Preferential tax at 5%	**2,817,063**	40,955,848	23,604,978
Minimum corporate income tax (MCIT) at 2%	**1,761,980**	1,760,348	1,717,051
Capital gains tax at 5%	**-**	26,785,714	16,294,686
	1,892,033,013	1,667,964,217	1,607,252,987
Deferred tax expense relating to origination and reversal of temporary differences	**1,392,645,482**	1,452,366,009	964,199,025
	P 3,284,678,495	P 3,120,330,226	P 2,571,452,012
Reported in consolidated statements of comprehensive income –			
Deferred tax expense (income) relating to origination and reversal of temporary differences	**P 115,945,063**	(P 80,348,207)	P 23,370,891

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:

	2015	2014	2013
Tax on pretax profit at 30%	P 4,157,844,101	P 7,402,513,722	P 3,481,930,725
Adjustment for income subjected to lower income tax rates	(59,524,349)	(705,832,346)	(612,457,778)
Tax effects of:			
Non-taxable income	(1,212,893,361)	(4,074,676,381)	(723,679,133)
Non-deductible expenses	361,286,164	405,000,251	358,275,556
Unrecognized deferred tax assets on temporary differences	35,830,382	96,763,874	60,734,553
Miscellaneous	2,135,558	(3,438,894)	6,648,089
	P 3,284,678,495	P 3,120,330,226	P 2,571,452,012

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

	2015	2014
Deferred tax assets - net:		
Retirement benefit obligation	P 12,488,746	P 25,332,934
NOLCO	11,187,800	1,326,790
Allowance for impairment of receivables	9,087,303	9,087,303
MCIT	5,448,915	165,772
Allowance for property development cost	-	9,227,732
Accrued rental expense	-	8,945,996
Others	28,895,110	23,180,572
	P 67,107,874	P 77,267,099
Deferred tax liabilities - net:		
Uncollected gross profit	P 8,884,257,510	P 7,617,315,708
Capitalized interest	1,431,498,138	998,345,338
Unrealized foreign currency losses – net	(663,877,612)	(323,783,911)
Difference between the tax reporting base and financial reporting base of investment properties	258,790,669	234,176,793
Retirement benefit obligation	(245,597,333)	(303,220,582)
Translation adjustments	(96,732,669)	(117,693,665)
Share options	(27,488,206)	(12,028,966)
Bond issuance cost	23,511,908	28,923,105
Uncollected rental income	7,882,177	16,731,124
Others	64,951,682	-
	P 9,637,196,264	P 8,138,764,944

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

	Consolidated Statements of Income			Consolidated Statements of Comprehensive Income		
	2015	2014	2013	2015	2014	2013
Changes in deferred tax assets:						
Accrued rental expense	P 8,945,996	(P 9,954,299)	P 8,723,634	P -	P -	P -
Retirement benefit obligation	12,844,188	(2,226,432)	(16,324,502)	-	-	-
NOLCO	(9,861,010)	1,332,859	(2,659,649)	-	-	-
Allowance for property development cost	9,227,732	(9,227,732)	-	-	-	-
MCIT	(5,283,143)	608,046	(122,605)	-	-	-
Allowance for impairment of receivables	-	-	89,669	-	-	-
Others	(5,714,538)	(14,184,203)	8,128,048	-	-	-
Changes in deferred tax liabilities:						
Uncollected gross profit	1,266,941,802	1,694,029,381	1,178,147,317	-	-	-
Capitalized interest	433,152,800	(111,644,539)	142,511,478	-	-	-
Unrealized foreign currency losses	(340,093,701)	(28,828,585)	(294,955,326)	-	-	-
Difference between tax reporting base and financial reporting base of:						
Investment properties	24,613,876	16,365,670	(1,605,411)	-	-	-
Property and equipment	-	18,998,485	251,430	-	-	-
Retirement benefit obligation	(37,360,818)	(34,785,062)	(38,743,082)	94,984,067	(49,659,609)	8,099,039
Translation adjustments	-	-	-	20,960,996	(30,688,598)	15,271,852
Share options	(15,459,240)	(2,914,330)	(9,114,636)	-	-	-
Bond issuance cost	(5,411,197)	(5,086,967)	13,255,384	-	-	-
Uncollected rental income	(8,848,947)	(67,180,852)	(43,066,222)	-	-	-
Others	64,951,682	7,064,569	19,683,498	-	-	-
Deferred Tax Expense (Income)	P 1,392,645,482	P 1,452,366,009	P 964,199,025	P 115,945,063	(P 80,348,207)	P 23,370,891

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	2015	P 116,720	2018
	2014	120,319	2017
	2013	242,098	2016
API	2015	69,690	2018
	2014	123,051	2017
	2013	112,883	2016
PIPI	2013	2,744	2016
GPMAI	2015	5,884	2018
	2014	37,063	2017
	2013	40,728	2016

Subsidiaries	Year incurred	Amount	Valid Until
MCPI	2015	P 385,058	2018
	2014	1,194,150	2017
	2013	1,403,798	2016
OPI	2015	338,261	2018
	2013	86,208	2016
MNPHI	2015	187,680	2018
MCP	2015	4,847	2018

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
API	2015	P 4,869,362	2018
	2014	2,165,572	2017
	2013	21,382,586	2016
GPMAI	2015	2,771,046	2018
	2014	404,617	2017
	2013	1,670,920	2016
MCP	2015	64,022	2018
DPDHI	2014	3,520,503	2017
LCCI	2013	9,870	2016
LGHLI	2013	886,544	2016

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 Loss
2015				
API	P 85,825,255	(P 60,115,923)	P 4,201,321	(P 4,935,628)
GPMAI	598,975,336	271,557,116	3,349,927	(7,955,481)
MCP	1,007,011,146	71,986,041	17,055,876	(68,488,236)
	P 1,691,811,737	**P 283,427,234**	**P 24,607,124**	**(P 81,379,345)**

	Assets	Retained Earnings (Deficit)	Revenues	Net Profit (Loss)
2014				
API	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)

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 2015, 2014 and 2013, the Group opted to continue claiming itemized deductions, except for MDC which opted to use OSD in those years, in computing for their income tax dues.

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 and May 2014, the Board of Investments approved SPI's application for registration on Suntrust Adtriatico Gardens and Suntrust Sentosa projects, respectively. SPI shall be entitled to income tax holiday for three years from November 2011 and May 2014, respectively, or actual start of commercial operations/selling, whichever is earlier but in no case earlier than the date of registration, with certain terms. In 2015, ITH for Suntrust Adriatico Gardens has expired.

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 in the succeeding pages.

The summary of the Group's transactions with its related parties as of and for the years ended December 31, 2015 and 2014 are as follows:

Related Party Category	Notes	2015 Amount of Transaction	2015 Outstanding Balance	2014 Amount of Transaction	2014 Outstanding Balance
Parent Company:					
Dividends paid	27.6	(P 857,700,557)	P -	(P 456,070,226)	P -
Investments in AFS securities	27.4	(565,270,000)	1,973,860,000	(1,200,383,754)	2,539,130,000
Dividend income	27.4	38,006,000	-	46,595,425	-
Sale of investment	27.5	-	-	10,431,650,000	-
Purchase of investment	11	-	-	(10,431,650,000)	-
Associates:					
Cash advances	27.2, 27.3	(277,684,848)	1,042,891,786	(156,075,758)	1,320,576,634
Rendering of services	27.1	3,000,778	4,409,086	2,412,448	-
Related Parties Under Common Ownership:					
Cash advances	27.2, 27.3	(435,439,990)	1,425,105,182	2,002,646,085	1,860,545,172
Collection on sale of land and rendering of services	27.1	86,466,075	56,912,802	(528,944,699)	17,062,500
Investment in AFS securities	27.4	(1,517,602,124)	1,340,695,800	2,669,056,587	2,858,297,924

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		
	2015	2014	2013
Associates	P 3,000,778	P 2,412,448	P 33,623,683
Other related parties under common ownership	86,466,075	(528,944,699)	9,223,864
	P 89,466,853	(P 526,532,251)	P 42,847,547

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 properties to certain related parties with rental payments mutually agreed before commencement of the lease. The leases have terms ranging from 1 to 25 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 (see Note 12). 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 P17.1 million as at December 31, 2014 and was fully collected in 2015. These are presented as part of Trade under Trade and Other Receivables account in the consolidated statements of financial position (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.

The Group's outstanding receivables from related parties arising from the above transactions are unsecured, noninterest-bearing, and payable in cash or through offsetting arrangement.

There were no impairment losses recognized on the trade and other receivables from related parties.

27.2 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 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:

	2015	2014
Advances to associates	P 1,325,503,852	P 1,277,781,909
Advances to other related parties	2,633,653,945	2,806,492,140
	P 3,959,157,797	P 4,084,274,049

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

	2015	2014
Balance at beginning of year	P 4,084,274,049	P 2,808,216,620
Repayments	(507,860,575)	(86,788,697)
Additions	382,744,323	433,938,450
Advances granted by newly-acquired subsidiaries	-	928,907,676
Balance at end of year	P 3,959,157,797	P 4,084,274,049

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 2015, 2014 and 2013 based on management's assessment.

27.3 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 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:

	2015	2014
Advances from associates	P 282,612,066	P 1,331,560
Advances from other related parties	1,208,548,763	901,820,683
	P 1,491,160,829	P 903,152,243

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

	2015	2014
Balance at beginning of year	P 903,152,243	P 120,487,829
Additions	693,250,959	288,167,471
Repayments	(105,242,373)	(20,315,115)
Advances granted to newly-acquired subsidiaries	-	514,812,058
Balance at end of year	P 1,491,160,829	P 903,152,243

27.4 Investments in Equity Securities

The Group's equity securities mainly consist of investment in shares of the Parent Company and related parties under common ownership. 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 Note 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.

27.5 Sale of Investments in an Associate

In 2014, the Company sold significant portion of its ownership interest in TIHGI 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). Accordingly, the remaining TIHGI shares amounting to P2.7 billion were reclassified to AFS securities at the time of sale (see Note 9).

27.6 Others

The Company declared dividend to the Parent Company amounting to P0.9 billion and P0.5 billion in 2015 and 2014, respectively. There is no outstanding liability arising from this transaction on both years (see Note 28.4).

27.7 Key Management Personnel Compensation

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

	2015	2014	2013
Short-term benefits	**P 144,906,631**	P 168,632,604	P 130,245,735
Post-employment benefit	**31,398,166**	28,779,904	18,949,576
Share-based expense	**146,272,133**	40,096,554	30,382,120
	P 322,576,930	P 237,509,062	P 179,577,431

27.8 Post-employment Plan

The Group has a formal retirement plan established separately for the Company and each of the significant subsidiaries, particularly GERI, EELHI, and PHRI. The Group's retirement fund for its defined benefit post-employment plan is administered and managed by trustee banks. The fair value and the composition of the plan assets as of December 31, 2015 and 2014 are presented in Note 25.3.

The Company's transactions with the fund mainly pertain to contribution, benefit payments and interest income.

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		
	2015	2014	2013	**2015**	2014	2013
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	40,140,000,000	**P 40,140,000,000**	P 40,140,000,000	P 40,140,000,000
Issued and outstanding:						
Balance at beginning 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
Issuances during the year	**7,987,924**	262,202,843	3,221,812,120	**7,987,924**	262,202,843	3,221,812,120
Balance at end of year	**32,370,865,872**	32,362,877,948	32,100,675,105	**P 32,370,865,872**	P 32,362,877,948	P 32,100,675,105
Total Capital Stock				**P 32,430,865,872**	P 32,422,877,948	P 32,160,675,105

On June 15, 1994, the SEC 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 of December 31, 2015, there are 2,582 holders of the listed shares, which closed at P4.25 per share as of that date.

The following also illustrates the additional listings made by the Company: May 23, 1996 – 1.6 billion; January 8, 1997 – 2.1 billion; November 23, 1998 – 2.0 billion; August 19, 1999 – 3.0 billion; October 12, 2005 – 7.0 billion; November 21, 2006 – 10.0 billion and July 17, 2007 – 3.9 billion; 2012 –3.1 billion shares. The Company also listed 700.0 million shares in 2013, 300.0 million shares in 2014 and 8.0 million shares in 2015.

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 2015 and 2014.

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 at 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 at 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, 7,987,924, 262,202,843, and 721,812,120 warrants were exercised at P1 per share in 2015, 2014, and 2013, respectively. Prior to 2013, there were 3,109,659,359 share warrants also exercised at P1. As at December 31, 2015, a total of 383,118 warrants have expired.

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 account in 2015 and 2014.

28.4 Cash Dividends

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

	2015	2014	2013
Declaration date/date of approval by BOD	**June 17, 2015**	June 16, 2014	July 3, 2013
Date of record	**July 1, 2015**	June 30, 2014	July 17, 2013
Date paid	**July 27, 2015**	July 24, 2014	August 12, 2013
Amounts declared and paid	**P 1,936,160,028**	P 1,246,941,619	P 1,030,083,639
Common dividends per share	**P 0.06**	P 0.04	P 0.04

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, 2015. 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.

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. There were no additional share options granted in 2015.

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. As at December 31, 2015 and 2014, a total of 200.0 million and 100.0 million options have vested but none of these have been exercised yet by any of the option holders as at the end of both reporting periods.

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 P146.3 million, P40.1 million and 30.4 million share option benefits expense in 2015, 2014 and 2013, respectively, is recognized and presented as part of Salaries and employee benefits under Operating Expenses in the consolidated statements of income (see Note 25.2).

29. EARNINGS PER SHARE

EPS amounts were computed as follows:

	2015	2014	2013
Net profit attributable to Company's shareholders	P 10,215,095,444	P 21,219,577,584	P 8,970,664,010
Dividends on cumulative preferred shares Series "A"	(600,000)	(600,000)	(600,000)
Profit available to Company's common shareholders	P 10,214,495,444	P 21,218,977,584	P 8,970,064,010
Divided by weighted average number of outstanding common shares	31,816,158,923	31,678,808,588	29,131,044,450
Basic EPS	P 0.321	P 0.670	P 0.308
Divided by weighted average number of outstanding common shares and potential dilutive shares	31,977,462,945	31,834,293,509	29,440,788,285
Diluted EPS	P 0.319	P 0.667	P 0.305

The potential dilutive common shares relating to the unexercised share warrants were considered in the computation of diluted EPS totaling 8,037,811 in 2014 (see Note 28.2). In 2015, unexercised share warrants expired; hence, were no longer included in the computation. In addition, as of end of 2015 and 2014, the potentially dilutive outstanding share options totaling 280,000,000 were also considered in the computations (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 P10.8 billion for the consolidated balances. Future minimum lease payments receivable under these agreements are as follows:

	2015	2014	2013
Within one year	P 7,687,114,102	P 6,757,739,227	P 5,709,494,083
After one year but not more than five years	43,476,147,159	35,491,931,862	29,646,014,378
More than five years	13,795,188,452	11,199,502,286	9,365,860,586
	P 64,958,449,713	P 53,449,173,375	P 44,721,369,047

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 P34.7 million for the consolidated balances. The future minimum rental payables under these non-cancelable leases as at December 31 are as follows:

	2015	2014	2013
Within one year	P 55,832,292	P 48,658,023	P 61,865,533
After one year but not more than five years	62,907,791	49,101,909	99,110,534
More than five years	56,662,793	60,505,793	3,697,674
	P 175,402,876	P 158,265,725	P 164,673,741

30.3 Others

As at December 31, 2015 and 2014, the Group has unused lines of credit as follows:

	2015	2014
SPI	P 2,100,000,000	P -
EELHI	1,023,000,000	670,000,000
	P 3,123,000,000	P 670,000,000

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, 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 peso, 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:

	2015		2014	
	U.S. Dollars	Pesos	U.S. Dollars	Pesos
Financial assets	$ 169,321,563	P7,986,220,825	$ 204,748,076	P9,135,244,930
Financial liabilities	(514,971,354)	(24,289,138,883)	(450,019,200)	(20,078,506,664)
	($ 345,649,791)	(P16,302,918,058)	($ 245,271,124)	(P 10,943,261,734)

The following table illustrates the sensitivity of the Group's consolidated net results for the year with respect to changes in Philippine Peso against U.S. dollar exchange rate. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 68% confidence level.

	2015			2014		
	Reasonably possible change in rate	Effect in profit before tax	Effect in equity	Reasonably possible change in rate	Effect in profit before tax	Effect in equity
PhP - USD	+/-3.67%	(P 598,965,597)	(P 419,275,918)	+/-3.94%	(P 430,635,868)	(P 301,445,108)

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 25.74:1.00, 51.63:1.00, and 33.46:1.00 as of December 31, 2015, 2014 and 2013, 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 2015 and 2014. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant.

	2015		2014	
	+1%	-1%	+1%	-1%
Consolidated net results for the year	(P 19,675,000)	P 19,675,000	(P 7,479,953)	P 7,479,953
Consolidated equity	(13,772,500)	13,772,500	(5,235,967)	5,235,967

31.3 Credit Risk

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	2015	2014
Cash and cash equivalents	5	**P 22,763,063,173**	P 25,142,949,887
Trade and other receivables	6	**55,148,505,013**	49,606,034,905
Advances to associates and other related parties	11, 27.2	**3,959,157,797**	4,084,274,049
AFS debt securities	9	**65,334,355**	108,602,601
Guarantee and other deposits	14	**822,930,111**	541,591,807
		P 82,758,990,449	P 79,483,453,249

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:

	2015	2014
Not more than 3 months	**P 1,152,518,898**	P 1,028,989,404
More than 3 months but not more than 6 months	**445,589,200**	429,474,456
More than 6 months but not more than one year	**267,533,633**	209,339,801
More than one year	**104,813,390**	141,958,783
	P 1,970,455,121	P 1,809,762,444

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, 2015 and 2014 the Group's financial liabilities have contractual maturities which are presented below.

	2015			
	Current		**Non-current**	
	Within 6 Months	**6 to 12 Months**	**1 to 5 Years**	**Later 5 Years**
Interest-bearing loans and borrowings	P 1,344,170,072	P 2,900,765,105	P 26,241,799,050	P 1,185,897,435
Trade and other payables	7,186,027,320	4,883,392,537	-	-
Bonds payable	-	-	9,372,920,546	11,556,999,583
Redeemable Preferred Shares	-	-	-	1,257,987,900
Advances from associates and other related parties	-	-	1,491,160,829	-
	P 8,530,197,392	**P 7,784,157,642**	**P 37,105,880,425**	**P 14,000,884,918**

	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	P5,357,765,914	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	-
	P12,704,663,575	P 5,541,261,779	P 15,104,854,747	P 12,968,195,827

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

31.5 Other Price Risk Sensitivity

The Group's market price risk arises from its investments in AFS securities carried at fair value . 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, 2015 and 2014 are summarized as follows:

	Observed Volatility Rates		**Impact of Increase**		**Impact on Decrease**	
	Increase	**Decrease**	**Net Profit**	**Equity**	**Net Profit**	**Equity**
2015						
Investment in equity securities in a holding company	**+7.49%**	**-7.49%**	**P -**	**P 147,789,372**	**P -**	**(P 147,789,372)**
Investments in equity securities in tourism and leisure	**+31.47%**	**-31.47%**	**P -**	**P 264,181,970**	**P -**	**(P 264,181,970)**
Investments in equity securities in a manufacturing company	**+6.82%**	**-6.82%**	**P -**	**P 34,165,835**	**P -**	**(P 34,165,835)**
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 tourism and leisure	+23.44%	-23.44%	P -	P 665,625,935	P -	(P 665,625,935)

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.

	Notes	2015		2014	
		Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	5	**P 22,763,063,173**	**P 22,763,063,173**	P 25,142,949,887	P 25,142,949,887
Trade and other receivables - net	6	**55,148,505,013**	**55,148,505,013**	49,606,034,905	49,606,034,905
Advances to associates and other related parties	11, 27.2	**3,959,157,797**	**3,959,157,797**	4,084,274,049	4,084,274,049
Guarantee and other deposits	14	**822,930,111**	**822,930,111**	541,591,807	541,591,807
		P 82,693,656,094	**P 82,693,656,094**	P 79,374,850,648	P 79,374,850,648
AFS securities:	9				
Equity securities		**P 4,634,249,299**	**P 4,634,249,299**	P 6,037,664,828	P 6,037,664,828
Debt securities		**65,334,355**	**65,334,355**	108,602,601	108,602,601
		P 4,699,583,654	**P 4,699,583,654**	P 6,146,267,429	P 6,146,267,429
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	15	**P 31,672,631,662**	**P 31,672,631,662**	P 8,752,734,618	P 8,752,734,618
Bonds payable	16	**20,929,920,130**	**20,929,920,130**	24,784,913,748	24,784,913,748
Redeemable preferred shares	18	**1,257,987,900**	**1,257,987,900**	1,257,987,900	1,257,987,900
Trade and other payables	17	**9,407,713,404**	**9,407,713,404**	8,562,703,728	8,562,703,728
Advances from associates and other related parties	27.3	**1,491,160,829**	**1,491,160,829**	903,152,243	903,152,243
		P64,759,413,925	**P64,759,413,925**	P 44,261,492,237	P 44,261,492,237

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 2015 and 2014 and does not have relevant offsetting arrangements, except as disclosed in Notes 27.2 and 27.3. 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. Further, certain trade receivables that were assigned on a with-recourse basis may be offset against the related outstanding borrowings from local banks (see Note 15.2).

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:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- 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,
- 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 AFS Securities measured at fair value in the statements of financial position on a recurring basis as at December 31, 2015 and 2014 (see Note 9).

	Level 1	Level 2	Level 3	Total
2015				
Equity securities	P 4,606,799,401	P -	P 27,449,898	P 4,634,249,299
Debt securities	65,334,355	-	-	65,334,355
2014				
Equity securities	P 6,010,214,930	P -	P 27,449,898	P 6,037,664,828
Debt securities	108,602,601	-	-	108,602,601

The Company has no financial liabilities measured at fair value as at December 31, 2015 and 2014.

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, 2015 and 2014, instruments included in Level 1 comprise equity securities classified as AFS securities. 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 and other 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 API 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 8%. On the other hand, the fair value of API 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, 2015 and 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 2015 and 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 economic conditions. It monitors capital using the debt-to-equity ratio.

	2015	2014
Interest-bearing loans and borrowings	P 31,672,631,662	P 8,752,734,618
Bonds payable	20,929,920,130	24,784,913,748
	P 52,602,551,792	P 33,537,648,366
Total equity	P 134,413,354,643	P 128,798,793,221
Debt-to-equity ratio	0.39 : 1.00	0.26 : 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 MATTER

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.

Corporate Information

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