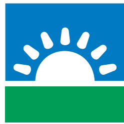


Empire East

Empire East Land Holdings, Inc.

COMMITMENT and ACCOMPLISHMENT:

Empire East Marks 20 Years of Success

TABLE OF CONTENTS

01 Introduction
02 President's Message
04 Transit-oriented Developments
06 Little Baguio Terraces
10 Pioneer Woodlands
14 San Lorenzo Place
18 Urban Resort Developments
20 The Sonoma
24 The Rochester
28 Kasara
32 New Projects
34 Mango Tree Residences
38 Covent Garden
42 Statement of Management's Responsibility for Financial Statements
43 Report of Independent Auditors
44 Consolidated Statements of Financial Position
45 Consolidated Statements of Comprehensive Income
46 Consolidated Statements of Changes in Equity
47 Consolidated Statements of Cash Flows
48 Notes to Consolidated Financial Statements
110 Board of Directors
111 Empire East Land Holdings, Inc. Officers
112 Corporate Profile

COMMITMENT and ACCOMPLISHMENT:

Empire East Marks 20 Years of Success

Longevity has always been the mark of Empire East Land Holdings Inc., a company that has forged ahead, year after year, under the banner of steadfast commitment and focused accomplishment. In celebrating its 20th anniversary in 2014, Empire East continues to reinforce its dominance in the property industry. The company is constantly compelled to infuse exceptional value into its real estate developments, with the singular emphasis on offering positive, transformative lifestyle experiences to middle-income Filipinos that dream of owning a home. It is this kind of dedication to the comfort and satisfaction of its customers that strengthens the visibility, relevance and reliability of the Empire East brand. Indeed, with the company's business anchored on solid values of integrity and excellence, the sky's the limit for its future achievements.

EMPIRE EAST LAND HOLDINGS INC. concluded yet another successful year in 2014. We marked record highs in our performance as a company—a milestone fitting for our 20th anniversary in the property industry. Our commitments to our stakeholders translated to noteworthy accomplishments. We are pleased to report a growth in profitability, robust market share, operational efficiency and accelerated development activities.

The company and its subsidiaries posted strong financial results. Net income grew to P484.5 million in 2014, up 61.3 percent from P300.4 million in 2013. Real estate sales jumped to P3.48 billion, an impressive 104 percent increase from P1.71 billion. Meanwhile, reservation sales, on the back of new development achievements, phase roll-outs and project launches, reached P22 billion, the highest in the industry in 2014.

Our stellar performance last year informed our results in 2015. For the first quarter of the year, we posted a net income of P138.1 million, up 86 percent from the same period last year. Indeed, our accomplishments, against the backdrop of a bullish economy, have allowed us to funnel our resources into lucrative growth opportunities and tap a variety of profitable segments in the market.

AN EVEN STRONGER BRAND

Empire East's mother company, Megaworld, announced last year the consolidation of all its real estate interests. It is a move that bolstered the position of the Empire East brand in the market. This, together with our strong and strategic orientation toward customer value, has reinforced our leadership over our peers. Similarly, the accessibility of our real estate offerings in terms of cost has continued to fuel demand.

Supported by a robust selling platform, our portfolio of transit-oriented developments, or TODs, continues to resonate with homebuyers. Over 6,400 residential units in our three TODs have been put on stream. Sales takeup for these projects have been exceptional across the board, with Little Baguio Terraces at 42 percent, Pioneer Woodlands at 52 percent, and San Lorenzo Place at 72 percent.

We emphasize utmost efficiency in all stages of our projects' life cycles. We are currently handing over the residential units of the first and fourth towers of Little Baguio Terraces. With the exception of Tower 1, which is already complete, work on the remaining three towers of the project is proceeding on schedule. Tower 4 is nearly finished, and its delivery will add to the company's construction accomplishments within the year.

Tower 1 of Pioneer Woodlands is also complete, with turnover ongoing. To date, we are handing over the residential units of Tower 2. Work on the third tower has reached the 93 percent mark. To maintain the high standard of quality and innovation of our deliverables, we partnered with topnotch contractor DATEM Inc. for the construction of Tower 4. Its first concrete pouring ceremony took place at the project site in May 2015.

The continued warm reception of San Lorenzo Place has affirmed that Empire East's CBD residences are indeed meeting a very specific need among younger, savvier homebuyers. In this vein, we are steadfast in our dedication to fast-track our turnover schedules so clients can enjoy the CBD lifestyle much sooner. Towers 1 and 2 of the project are 96 and 88 percent complete, respectively.

'LUXURY' AS LIFESTYLE

The Sonoma township, one of our urban resort developments, is performing well in sales alongside our TODs. It has a 92 percent takeup rate for over 1,500 residential and commercial units. We have completed all four residential phases—The Enclave, The Country Club, The Esplanade and The Pavilion—and we are currently turning them over. The project's upscale commercial strip, 1433 West Row, is set to cater to the captive market within the community.

With The Rochester 30 percent sold, and Kasara 32 percent taken up, Empire East's real estate offerings in Pasig City are capturing their own share in the market. The Rochester's Garden Villa 1 and 2 are being handed over, while Breeze Tower 1 is sold out and past the halfway mark in terms of construction. Work for Kasara, meanwhile, is proceeding satisfactorily. Sold-out towers 1 and 2 are both nearing the 15 percent completion mark.

Our urban resort developments showcase the importance of bringing balance back into the home. They are carefully designed to address the lifestyle shift that is being experienced by Filipino families today. Providing these communities with family-oriented and health-focused recreational amenities has allowed us to infuse a sense of diversity into our overall portfolio, underlining the kind of privileged lifestyles we offer to a wide demographic of customers.

PRESIDENT'S **MESSAGE**

20 YEARS OF DELIVERING RESULTS

Throughout its history, Empire East has successfully tapped the pulse of the market while leveraging on unique growth opportunities in order to deliver on its commitments. Our existing developments continue to enjoy high demand, but we are cognizant of the need to refresh our inventory and introduce new and exciting real estate concepts to the public. In 2014, we launched two residential projects: Mango Tree Residences and Covent Garden.

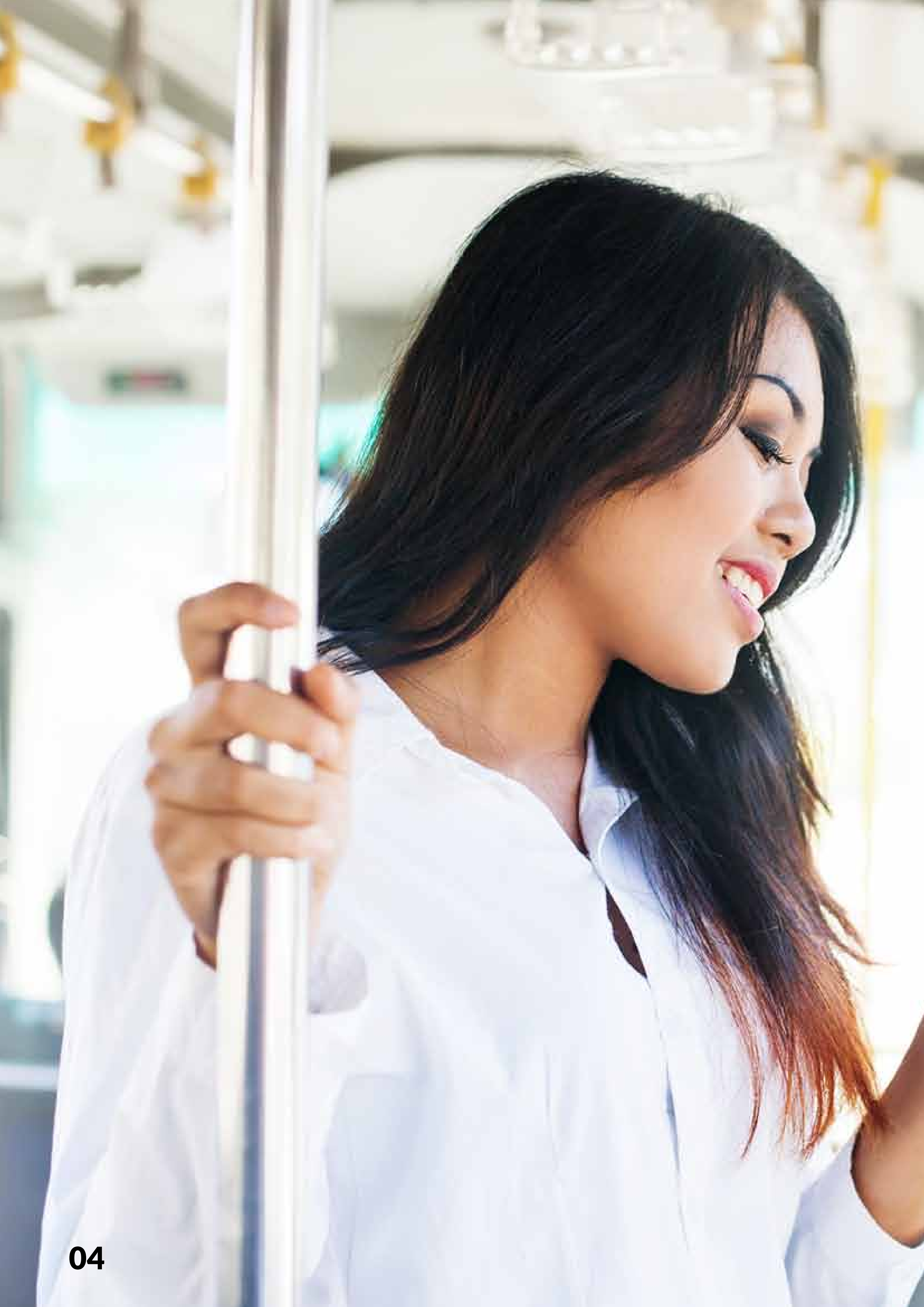
Mango Tree Residences was unveiled in January last year. Marketing initiatives for the project were more innovative, as we offered an Italian-inspired garden as an alternative to the usual showroom. The site has now become a popular events venue, and it helps us drive awareness for the kind of lifestyle offered in this community. Covent Garden, for its part, was unveiled in October to much renown, as the first of the project's two towers were sold out very quickly.

To be able to deliver our projects within the commitment timetable, we spent P3.45 billion for construction and development activities in 2014. We expect to pour P5 billion into such activities this year, as we make sure that work on our new and ongoing communities progresses at a steady pace. Meanwhile, our land banking efforts have allowed us to secure P2.2 billion worth of properties with an aggregate area of 403 hectares.

Looking forward, we are very excited to embark on a new journey. Already in the planning stages is a mixed-use project in Broadway Centrum, Quezon City, which will boost our recurring income. We are also set to launch a "city within a city" in the Pasig-Cainta area, a master-planned development spanning 23 hectares. In addition, we are fortifying our international selling network, tapping newly affluent economies in Asia to expand the reach of our brand.

To our shareholders, business partners, customers and employees—thank you for your unwavering trust and support. We are confident that in the next 20 years and beyond, we will be able to improve on Empire East's value proposition, create investment-worthy communities, upgrade the client experience, and innovate in the name of growth. We aim for loftier goals in the future, and we are very committed to achieve them.

Anthony Charlemagne C. Yu
President



TRANSIT-ORIENTED **DEVELOPMENTS**

Empire East's commitment to create value for Filipinos through an innovative lifestyle concept has never been more pronounced than with its portfolio of transit-oriented developments, or TODs. The company first introduced this kind of residential community in 2007. This opened to people the exciting lifestyle possibilities afforded by an address linked to a mass transit line. Today, Empire East's three TODs continue to rise in the best locations in the metro, from San Juan City and Mandaluyong City to the central business district of Makati: Little Baguio Terraces, Pioneer Woodlands and San Lorenzo Place.

Little Baguio Terraces

PROJECT HIGHLIGHTS

Four-tower residential condominium community

—

Between Aurora Boulevard and N. Domingo Street in San Juan City

—

Near the J. Ruiz and Gilmore stations of the LRT-2 mass transit line

LITTLE BAGUIO TERRACES enjoys many advantages in mobility, as it has been designed by Empire East to reap the benefits of a superior location close to two LRT-2 train stations. The project has been identified and marketed as an ideal home base for students because of its proximity to the university district in Katipunan, Quezon City, as well as Manila's very own university belt. The LRT-2 links up to the MRT-3 and LRT-1 train lines, which allows convenient travel to a diversity of destinations in Quezon City, Pasig, Makati, Ortigas and the Araneta Center.

Among 1,226 residential units available in the four towers of Little Baguio Terraces, 520 have been sold. Turnover is ongoing at the 15th level of Tower 1, which is fully complete, and the 17th level of Tower 4.

Tower 2 of the project is 36 percent complete. Ongoing are electrical wiring works and branchline installation for fire protection at the 19th level, as well as ceiling framing from the ninth to 19th levels. Meanwhile, construction for Tower 3 is at 58 percent. Roughing-in for water lines at the seventh to ninth levels are under way, as are interior painting at the seventh level, and exterior painting at the machine room. Tile installation continues for units at the 14th to 17th levels.

Tower 4 is nearly finished. Water meter installation is under way at the 17th to 18th levels, and flush testing works at the sixth level.

The two- and three-bedroom homes of Little Baguio Terraces are 30 to 60 square meters in size. Amenities include a swimming pool, sunbathing lounge, children's pool, spa, playground, landscaped area with benches, gym and day care center, all hosted at the first level of Towers 1 and 3.

Pioneer Woodlands

PROJECT HIGHLIGHTS

Six-tower residential condominium community

—

Located along EDSA corner Pioneer Street, Mandaluyong City

—

Linked to the Boni Station of the MRT-3 mass transit line

With its physical link to the transport hub of the MRT-3 station in Boni via the MRT-3 Interlink Bridgeway, **PIONEER WOODLANDS** is a project of Empire East that truly visualizes for the public the benefits of a transit-oriented lifestyle. The project's location along the main thoroughfare of EDSA also reinforces the kind of convenience homeowners can enjoy from such a community. To date, the warm reception for Pioneer Woodlands continues, with 1,585 out of 3,054 residential units currently taken up.

Tower 1 is complete, with turnover ongoing at the 30th floor. Construction has been concluded at the third and fourth parking levels. The fifth parking level is substantially complete, while finishing works are ongoing for the sixth parking level. Landscaping continues at Tower 2, along with punchlisting and turnover of completed units at the 29th level.

Construction accomplishment for the third tower, named Woodland Park 1, is at 93 percent. Masonry and window installation is nearly finished. Punchlisting is under way at the 11th level. Final interior painting works have reached the 14th level, while installation of toilet fixtures and electrical devices continue at the 18th level.

Pioneer Woodlands features executive studios, one- and two-bedroom units and three-bedroom combined units, as well as recreational amenities at the fifth-level podium of the Woodland Park towers. A two-story retail arcade is also part of the project's offerings.

San Lorenzo Place

PROJECT HIGHLIGHTS

Four-tower residential condominium community

–

Set at the junction of EDSA and Chino Roces Avenue in the Makati central business district

–

Connected to the Magallanes Station of the MRT-3 mass transit line

Empire East's final transit-oriented community to date, **SAN LORENZO PLACE** offers what the company dubs as "CBD residences," modern homes that cater to urban professionals in Makati that are looking not only to live where they work, but also appreciate the commuting convenience offered by a strategic link to the MRT-3 trains.

Out of the project's 2,173 residential units, 1,554 have been sold. The project's first tower to be constructed, Tower 4, is complete, with turnover currently at the 36th level. Waterproofing and hardscaping works are ongoing at the ground level.

Approaching completion, Tower 1 has a few remaining works under way. Work is ongoing for the lavatory countertops as well as the floor and wall tiles for the toilets and bathrooms. Interior design for the ground-level lobby is being finished. At the 23rd level, electrical wiring devices are being installed. Toilet fixtures have been installed up to the 24th level, and main doors up to the 27th level.

Work for Tower 2 is at 88 percent. Installation of tiles for the toilets and bathrooms have reached the 15th level; tiles for the living, dining and bedroom areas, the 21st level; and drywall frame and board, the 26th level. Putty application continues from the 25th to 28th levels. Painting works are on schedule for the tower's side exterior wall facing EDSA.

Excavation for Tower 3 has commenced. Under way are soil treatment and rebar installation works for mat foundation, formworks installation for retaining walls and columns, and concreting of ground-level columns, beams and slabs, and basement columns and retaining walls.

Homes at San Lorenzo Place come in one- to three-bedroom layouts, and offer 25.50 to 77 square meters of space. Landscaped paths, a swimming pool complex, an outdoor spa, a clubhouse, children's playground and tennis court are the attractions of the sixth-level amenity area.

URBAN RESORT **DEVELOPMENTS**

In focusing on family-oriented recreation in a private self-contained residential community, Empire East paved the way yet again for the evolution of its real estate offerings. Urban resort developments became the company's next most popular products in its portfolio, especially with the market's increased awareness in maintaining the health of the family and preserving work-life balance. In 2010, The Sonoma in the South was unveiled as Empire East's first urban resort development. Two such other communities were launched afterwards, The Rochester and Kasara, which are both located in Pasig City.

The Sonoma

PROJECT HIGHLIGHTS

50-hectare master-planned township with residential lot, house-and-lot and retail offerings

—

Located in Sta. Rosa, Laguna
Sprawling community with a Modern Asian theme

THE SONOMA, Empire East's first venture into large-scale urban resort development, continues to attract homeowners looking to put down roots in the increasingly progressive Sta. Rosa area in Laguna, south of Metro Manila. The township's integrated live-and-play lifestyle concept is a major draw, with 1,401 of 1,528 units taken up in its residential and commercial phases.

All four residential phases of the township—The Enclave, The Country Club, The Esplanade and The Pavilion—are complete and being turned over. House construction is ongoing at The Enclave and The Country Club, while punchlisting continues for the pavements, sidewalks and service pedestal posts of the last two phases.

Residential lots at The Sonoma range from 150 to 670 square meters in size. House types for the township's house-and-lot offerings include the two-storey Banyan, Cassia, Atria, Dara, Evira and Atria II.

Among the play amenities being offered are a 25-meter-long lap pool, children's pool, dip pool, children's playground, basketball court, tennis court, jogging path, pocket gardens and sunken deck, as well as a clubhouse that features a multi-purpose area ideal for 200 guests, a mini bar, game room and fitness center.

A commercial strip named 1433 West Row showcases18 units of high-end restaurants and retail shops.

The Rochester

PROJECT HIGHLIGHTS

10-cluster residential condominium community

—

Set along Elisco Road in San Joaquin, Pasig City

—

Modern-Asian-themed development with fully functional leisure amenities

Ten mid- to high-rise buildings comprise **THE ROCHESTER,** a community already showcasing a full range of recreational facilities. As an urban resort development, it has enjoyed renown among individuals with a preference for tropical-inspired condominium living amid greenery and open spaces.

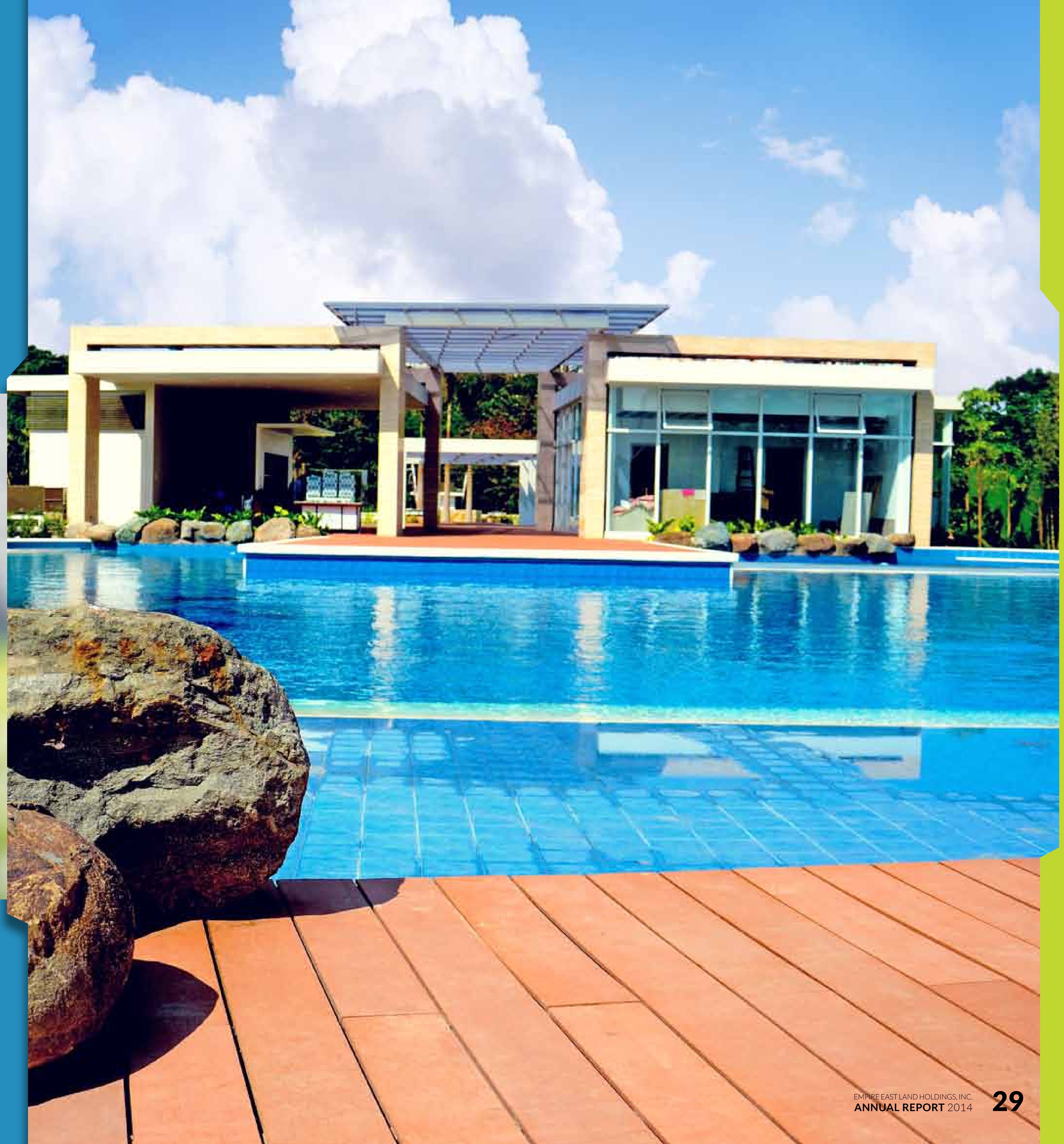
Of the project's 2,652 residential units, 791 have been taken up. Construction for Garden Villa 1 is complete, while work for Garden Villa 2 is at the 99 percent mark. Handover started in 2014 for both clusters. The sixth level of Garden Villa 2 is awaiting inspection and acceptance.

Breeze Tower 1 is sold out and 64 percent complete. Architectural, electrical, mechanical and plumbing works are on schedule. Window installation is 94 percent finished, with ongoing ceiling frame installation and tiling works for the living and bedroom areas as well as the toilets and bathrooms. Construction is slated for completion by end-2015.

Homes at The Rochester range from 24.20 to 93 square meters to size, and are available in suites with one to three bedrooms and bi-level suites.

The completed clubhouse hosts a bar with lounge, a game area for billiards and darts, a gym and function hall that can comfortably accommodate up to 100 guests. It also features a property administration office, business center, convenience shop and laundry pick-up station. Also complete are a 25-meter-long lap pool, children's pool, children's playground, gazebo, basketball/tennis court, jogging paths and pocket gardens.

Kasara



PROJECT HIGHLIGHTS

Six-tower residential condominium community

—

Bounded by Eagle and P.E. Antonio streets in Ugong, Pasig City

—

A lake-inspired swimming pool is the centerpiece of its high-end resort amenities

With 65 percent of the community dedicated to greenery, open spaces and amenities, **KASARA** is thoughtfully designed to bring multifaceted recreational experiences to homeowners.

The centerpiece of the leisure area is a large lake-inspired swimming pool. Also nearby are a pool deck, clubhouse, mini-bar, turtle and koi ponds and bubblers. Other amenities under development include waterfalls that start from the fourth level, infinity pools, open courts, a playground, fitness gym and jogging paths.

Homebuyers have taken up 1,012 of Kasara's 3,192 residential units. Construction is in full swing for sold-out Towers 1 and 2, which are 14 percent and 13 percent complete, respectively.

Rebar works and formworks are under way in both towers, with concreting works ongoing for columns, shearwalls, beams and slabs up to the fourth level. Concreting of pressure slabs at the sewage treatment plant area are continuing, along with electrical roughing-in, and the installation of plumbing, fire protection and mechanical sleeves and blockouts in conjunction with structural works.

NEW PROJECTS

Mango Tree Residences

PROJECT HIGHLIGHTS

Two-tower residential condominium community

—

Set at the junction of M. Paterno and Ledesma streets in San Juan City

—

An elevated project, surrounded by mango trees, and hosts an Italian-inspired garden

Launched in January 2014, **MANGO TREE RESIDENCES** is one of Empire East's newest residential offerings in the metro. True to its name, an abundance of mango trees encircling the development is one of its main features. The project boasts an elevated design as well as an "on-stilts" concept—pillars at the ground level are visible from different angles.

The two towers of Mango Tree Residences, the 38-storey West Residences and the 34-storey East Residences, host only six to 10 residential units per floor, each ranging from 30.76 to 92.64 square meters in size. The layouts vary from one- and two-bedroom suites, with select units offering patios, to one- and two-bedroom penthouse suites. Parking spaces are provided at the five-level podium, from the second to sixth floors.

The ground-level fitness deck showcases a 25-meter-long lap pool, a children's pool, alfresco lounge, gym, yoga station and shower/changing rooms. There is also a function room with a capacity of around 100 guests. At the seventh-level is a garden deck.

In March 2014, Empire East unveiled the project's Italian-inspired garden, positioning it as a venue for events such as weddings, parties and fashion shows.

Covent Garden

PROJECT HIGHLIGHTS

Two-tower residential condominium community

—

Located in Sta. Mesa, Manila

—

About 70 percent of the development is dedicated to open spaces

COVENT GARDEN was launched in October 2014 as a contemporary two-tower development rising 30 storeys. The project's central location in Sta. Mesa brings it close to Manila's university belt.

The residential options in the North and South towers range from studios, suites with one to two bedrooms and bi-level units. The units offer 23.42 to 122.15 square meters of thoughtfully designed space.

At the fifth-level podium of Covent Garden are a 22-meter-long lap pool, a children's pool, children's playground, an outdoor bar and lounge, a jogging path, fitness gym and function hall. Commercial spaces have been provided at the ground level.

Statement of Management's Responsibility for Financial Statements

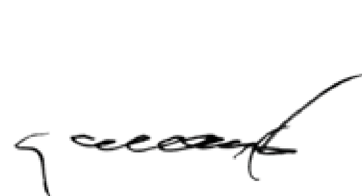
The management of **Empire East Land Holdings, Inc. and subsidiaries** (the Group) is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2014 and 2013, in accordance with Philippine Financial Reporting Standards, including the following additional supplemental information filed separately from the basic financial statements:

a. Supplementary Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68
b. Reconciliation of Retained Earnings Available for Dividend Declaration
c. Schedule of PFRS Effective as of December 31, 2014
d. Schedule of Financial Indicators for December 31, 2014 and 2013
e. Map Showing the Relationship Between and Among the Company and its Related Entities
f. Schedule of Proceeds and Expenditures for the Recent Stock Rights Offering;

Management responsibility on the 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.

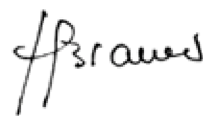
The Board of Directors reviews and approves the financial statements, including the additional supplemental information, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the Financial statements of the Company 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

ANTHONY CHARLEMAGNE C. YU
Chief Executive Officer

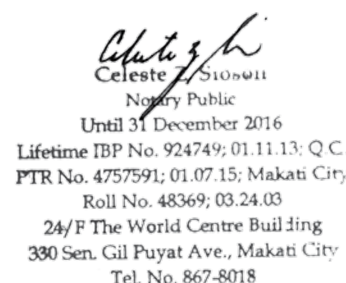


EVELYN G. CACHO
Chief Financial Officer

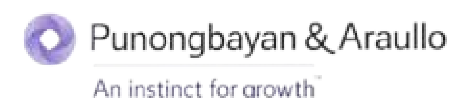
SUBSCRIBED AND SWORN to me before this 25th day of March 2015 affiant exhibiting to me their Community Tax Certificate No. as follows:

Andrew L. Tan	00076725	January 06, 2015	Quezon City
Anthony Charlemagne C. Yu	02421185	January 12, 2015	Makati City
Evelyn G. Cacho	02412696	January 05, 2015	Makati City

Doc. No. 018;
Page No. 004;
Book No. XXVIII;
Series of 2015



Report of Independent Auditors



The Board of Directors and Stockholders
Empire East Land Holdings, Inc. and Subsidiaries
(A Subsidiary of Megaworld Corporation)
21st Floor, The World Centre Building
330 Sen. Gil Puyat Avenue, Makati City

We have audited the accompanying consolidated financial statements of Empire East Land Holdings, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

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 Empire East Land Holdings, Inc. and Subsidiaries as at December 31, 2014 and 2013, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: **Nelson J. Dinio**
Partner
CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 4748313, January 5, 2015, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-1 (until Aug. 21, 2016)
Firm - No. 0002-FR-3 (until Apr. 30, 2015)
BIR AN 08-002511-32-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

March 13, 2015

Consolidated Statements of Financial Position

December 31, 2014 and 2013
(Amounts in Philippine Pesos)

	Notes	2014	2013
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	P 821,513,652	P 504,471,331
Trade and other receivables - net	6	4,021,021,060	2,979,566,315
Advances to related parties	22	1,956,360,549	2,053,791,774
Residential and condominium units for sale	7	16,765,013,572	12,824,659,670
Property development costs	7	2,428,011,799	2,902,642,906
Prepayments and other current assets	2	658,003,473	760,206,175
Total Current Assets		26,649,924,105	22,025,338,171
NON-CURRENT ASSETS			
Trade and other receivables - net	6	2,412,999,198	2,421,692,485
Available-for-sale financial assets	8	2,539,130,000	2,905,080,000
Advances to landowners and joint ventures	9	775,835,465	787,075,245
Land held for future development	10	2,218,661,983	4,088,300,118
Investment in an associate	11	293,290,510	293,372,235
Property and equipment - net	12	153,529,494	160,370,094
Investment property - net	13	168,747,693	185,552,516
Other non-current assets		84,612,960	84,458,536
Total Non-current Assets		8,646,807,303	10,925,901,229
TOTAL ASSETS		P 35,296,731,408	P 32,951,239,400
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	P 58,691,642	P 71,200,342
Trade and other payables	15	709,271,471	438,132,758
Deferred gross profit on real estate sales	2	37,796,605	49,703,647
Customers' deposits	16	3,608,515,425	2,957,368,755
Advances from related parties	22	2,170,359,594	1,643,353,984
Reserve for property development	2	243,836,218	132,642,060
Income tax payable		20,641,970	7,267,113
Other current liabilities	17	450,672,211	305,700,294
Total Current Liabilities		7,299,785,136	5,605,368,953
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	77,829,911	148,530,809
Deferred gross profit on real estate sales	2	115,497,634	125,286,085
Reserve for property development	2	1,185,419,892	815,738,947
Retirement benefit obligation	20	433,173,474	288,880,437
Deferred tax liabilities - net	21	1,343,085,670	1,177,480,246
Total Non-current Liabilities		3,155,006,581	2,555,916,524
Total Liabilities		10,454,791,717	8,161,285,477
EQUITY			
Capital stock	23	14,803,455,238	14,803,455,238
Additional paid-in capital		4,307,887,996	4,307,887,996
Treasury stock - at cost	23	(102,106,658)	(102,106,658)
Revaluation reserves		1,548,097,532	1,980,515,883
Retained earnings	23	3,668,638,956	3,186,793,388
Equity attributable to parent company's shareholders		24,225,973,064	24,176,545,847
Non-controlling interest		615,966,627	613,408,076
Total Equity		24,841,939,691	24,789,953,923
TOTAL LIABILITIES AND EQUITY		P 35,296,731,408	P 32,951,239,400

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2014, 2013 and 2012 *(Amounts in Philippine Pesos)*

	Notes	2014	2013	2012
REVENUES AND INCOME				
Real estate sales	2	P 3,480,191,566	P 1,705,620,061	P 1,381,413,611
Realized gross profit on prior years' sales	2	113,810,909	193,650,909	80,660,991
Finance income	19	381,185,394	492,576,792	531,444,542
Commissions	22	134,923,506	147,636,430	149,623,356
Rental income	13	111,812,748	121,363,871	45,025,948
Equity share in net earnings (losses) of associates	11	(81,725)	34,635,124	83,770,918
Other income	18	353,854,913	255,633,125	250,814,251
		4,575,697,311	2,951,116,312	2,522,753,617
COSTS AND EXPENSES				
Cost of real estate sales	2	2,300,438,219	1,152,377,269	906,264,248
Deferred gross profit on current year's sales	2	92,115,417	53,293,704	144,324,450
Salaries and employee benefits	20	302,327,535	255,508,254	191,024,216
Taxes and licenses	13	268,431,334	125,442,799	39,573,594
Commissions		193,938,329	190,078,824	176,184,120
Finance costs	19	127,855,308	126,572,738	96,630,630
Travel and transportation		106,764,956	108,794,974	117,177,770
Advertising and promotion		98,878,593	101,628,164	196,150,807
Depreciation and amortization	12, 13	37,777,025	37,015,034	38,394,105
Loss from dilution of investment in subsidiary	11	-	-	37,501,256
Other expenses	18	298,231,868	329,796,416	268,719,399
Tax expense	21	264,418,347	170,136,355	74,787,036
		4,091,176,931	2,650,644,531	2,286,731,631
NET PROFIT		484,520,380	300,471,781	236,021,986
OTHER COMPREHENSIVE LOSS				
Item that will not be reclassified subsequently through profit or loss:				
Remeasurements on retirement benefit obligation	20	(94,939,688)	(96,792,260)	(3,699,968)
Tax income on remeasurement	21	28,355,076	28,805,985	929,818
		(66,584,612)	(67,986,275)	(2,770,150)
Item that will be reclassified subsequently through profit or loss:				
Fair value gains (losses) on available-for-sale financial assets	8	(365,950,000)	1,017,904,000	722,892,000
Reclassification of unrealized fair value gains on disposed AFS financial assets to profit and loss		-	-	(221,000,000)
		(365,950,000)	1,017,904,000	501,892,000
TOTAL COMPREHENSIVE INCOME		P 51,985,768	P 1,250,389,506	P 735,143,836
Net profit attributable to:				
Parent company's shareholders		P 481,845,568	P 299,466,849	P 234,603,385
Non-controlling interest		2,674,812	1,004,932	1,418,601
		P 484,520,380	P 300,471,781	P 236,021,986
Total comprehensive income attributable to:				
Parent company's shareholders		P 49,427,217	P 1,249,596,958	P 733,890,393
Non-controlling interest		2,558,551	792,548	1,253,443
		P 51,985,768	P 1,250,389,506	P 735,143,836
EARNINGS PER SHARE - Basic and Diluted	24	P 0.033	P 0.021	P 0.021

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2014, 2013 and 2012 *(Amounts in Philippine Pesos)*

	Notes	Attributable to Parent Company's Shareholders							
		Capital Stock	Additional Paid-in-Capital	Treasury Stock	Revaluation Reserves	Retained Earnings	Total	Non-controlling Interest	Total
Balance at January 1, 2014		P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 1,980,515,883	P 3,186,793,388	P 24,176,545,847	P 613,408,076	P 24,789,953,923
Total comprehensive income for the year									
Net profit for the year		-	-	-	-	481,845,568	481,845,568	2,674,812	484,520,380
Fair value losses on available-for-sale financial assets	8	-	-	-	(365,950,000)	-	(365,950,000)	-	(365,950,000)
Remeasurements on retirement benefit obligation	20	-	-	-	(94,823,427)	-	(94,823,427)	(116,261)	(94,939,688)
Tax income on remeasurement	21	-	-	-	28,355,076	-	28,355,076	-	28,355,076
Balance at December 31, 2014	23	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 1,548,097,532	P 3,668,638,956	P 24,225,973,064	P 615,966,627	24,841,939,691
Balance at January 1, 2013		P 13,603,455,238	P 4,247,887,996	(P 102,106,658)	P 1,030,385,774	P 2,887,326,539	P 21,666,948,889	P 612,615,528	P 22,279,564,417
Transaction with owners:									
Additional subscription during the year	23	1,200,000,000	60,000,000	-	-	-	1,260,000,000	-	1,260,000,000
Total comprehensive income for the year:									
Net profit for the year		-	-	-	-	299,466,849	299,466,849	1,004,932	300,471,781
Fair value gains on available-for-sale financial assets	8	-	-	-	1,017,904,000	-	1,017,904,000	-	1,017,904,000
Remeasurements on retirement benefit obligation	20	-	-	-	(96,579,876)	-	(96,579,876)	(212,384)	(96,792,260)
Tax income on remeasurement	21	-	-	-	28,805,985	-	28,805,985	-	28,805,985
Balance at December 31, 2013	23	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 1,980,515,883	P 3,186,793,388	P 24,176,545,847	P 613,408,076	P 24,789,953,923
Balance at January 1, 2012		P 10,908,215,404	P 4,281,564,705	(P 116,233,808)	P 452,715,833	P 2,652,723,154	P 18,178,985,288	P 853,472,453	P 19,032,457,741
Transactions with owners:									
Additional subscription during the year	23	2,695,239,834	-	-	-	-	2,695,239,834	-	2,695,239,834
Direct costs in issuance of shares of stock		-	(33,676,709)	-	-	-	(33,676,709)	-	(33,676,709)
Reduction in non-controlling interest representing the shares held by a deconsolidated subsidiary		-	-	14,127,150	-	-	14,127,150	-	14,127,150
Deconsolidation of balance related to GPMAI		-	-	-	78,382,933	-	78,382,933	-	78,382,933
Total comprehensive income for the year:									
Net profit for the year		-	-	-	-	234,603,385	234,603,385	1,418,601	236,021,986
Available-for-sale financial assets:									
Fair value gains on available-for-sale financial assets		-	-	-	722,892,000	-	722,892,000	-	722,892,000
Reclassification to profit or loss		-	-	-	(221,000,000)	-	(221,000,000)	-	(221,000,000)
Remeasurements on retirement benefit obligation	20	-	-	-	(3,534,810)	-	(3,534,810)	(165,158)	(3,699,968)
Tax income on remeasurement	21	-	-	-	929,818	-	929,818	-	929,818
Reduction in non-controlling interest		-	-	-	-	-	-	(242,110,368)	(242,110,368)
Balance at December 31, 2012	23	P 13,603,455,238	P 4,247,887,996	(P 102,106,658)	P 1,030,385,774	P 2,887,326,539	P 21,666,948,889	P 612,615,528	P 22,279,564,417

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2014, 2013 and 2012 *(Amounts in Philippine Pesos)*

	Notes	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 748,938,727	P 470,608,136	P 310,809,022
Adjustments for:				
Finance income	19	(338,397,394)	(449,788,792)	(490,908,542)
Finance costs	19	127,855,309	126,572,738	96,630,630
Dividend income	19	(42,788,000)	(42,788,000)	(40,536,000)
Depreciation and amortization	12, 13	37,777,025	37,015,034	38,394,105
Equity share in net losses (earnings) of associates	11	81,725	(34,635,124)	(83,770,918)
Impairment loss - LBASSI	6	62,244	79,820	18,300
Loss from sale of investment in an associate	11	-	35,422,273	-
Gain on sale of property and equipment	12	-	(4 87,890)	-
Loss from dilution of investment in subsidiary	11	-	-	37,501,256
Operating profit (loss) before working capital changes		533,529,636	141,998,195	(131,862,147)
Increase in trade and other receivables		(885,019,119)	(593,261,118)	(548,433,029)
Decrease (increase) in advances to related parties		97,431,225	(133,230,631)	(654,297,479)
Increase in residential and condominium units for sale		(3,924,472,242)	(1,456,829,490)	(1,854,871,188)
Decrease (increase) in property development costs		474,631,107	(243,026,014)	(235,827,882)
Decrease (increase) in prepayments and other current assets		102,089,591	(93,961,622)	(172,118,201)
Decrease in advances to landowners and joint ventures		11,239,780	35,509,548	117,631,400
Decrease (increase) in land held for future development		1,869,638,135	(425,547,777)	(551,246,238)
Decrease (increase) in other non-current assets		(1 54,430)	287,614	16,151,725
Increase (decrease) in trade and other payables		164,193,169	(510,308,745)	630,744,307
Increase (decrease) in deferred gross profit on real estate sales		(21,695,493)	(140,357,205)	63,663,460
Increase in customers' deposits		651,146,670	217,826,347	393,712,546
Increase (decrease) in reserve for property development		480,875,103	(134,045,868)	227,469,858
Increase in other current liabilities		144,971,919	108,429,012	35,141,875
Increase in retirement benefit obligation		34,125,993	32,328,471	14,820,055
Cash used in operations		(2 67,468,956)	(3,194,189,283)	(2,649,320,938)
Interest received		185,446,993	301,396,245	291,250,824
Cash paid for income taxes		(57,082,990)	(77,894,360)	(52,039,412)
Net Cash Used in Operating Activities		(139,104,953)	(2,970,687,398)	(2,410,109,526)
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received	19	42,788,000	42,788,000	40,536,000
Acquisitions of property and equipment	12	(14,227,073)	(11,815,910)	(16,125,846)
Interest received		5,145,818	17,228,413	24,447,560
Proceeds from sale of property and equipment	12	208,585	2,789,118	-
Proceeds from sale of investment in shares of stock	11	-	471,236,862	-
Net Cash From Investing Activities		33,915,330	522,226,483	48,857,714
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from advances from related parties	22	556,226,387	142,239,176	1,979,020,494
Payments of interest-bearing loans and borrowings	14	(83,209,598)	(170,152,311)	(249,364,217)
Payments of advances from related parties	22	(28,439,048)	(1,286,978,539)	(80,417,177)
Interest paid		(22,345,797)	(25,399,062)	(43,776,313)
Proceeds from issuance of shares of stock	23	-	1,260,000,000	2,695,239,834
Direct costs in issuance of shares of stock	23	-	-	(33,676,709)
Net Cash From (Used in) Financing Activities		422,231,944	(80,290,736)	4,267,025,912
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		317,042,321	(2,528,751,651)	1,905,774,100
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		504,471,331	3,033,222,982	827,666,321
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF DECONSOLIDATED SUBSIDIARIES	11	-	-	(195,406,748)
PREACQUISITION CHANGES IN CASH AND CASH EQUIVALENTS OF DECONSOLIDATED SUBSIDIARY	11	-	-	495,189,309
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 821,513,652	P 504,471,331	P 3,033,222,982

Supplemental Information on Non-cash Investing and Financing Activities:

In the normal course of business, the Group enters into non-cash transactions which include the following:

- Capitalization of interest expense as part of Residential and condominium units for sales account (see Note 7) and
- Settlements of Advances to Landowners through receipt of certain parcels of land and reclassification to real estate assets upon full payment (see Note 10).

See Notes to Consolidated Financial Statements.

1. CORPORATE INFORMATION

Empire East Land Holdings, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 15, 1994. The Company is presently engaged in the development and marketing of mid-cost housing projects in the form of condominium communities, subdivision lots and house and lot packages, and commercial units to a limited extent. The Company also leases out commercial and industrial properties.

The shares of common stock of the Company are listed at the Philippine Stock Exchange (PSE).

As of December 31, the Company holds ownership interests in the following entities:

Subsidiaries/ Associates	Explanatory Notes	Percentage of Ownership		
		2014	2013	2012
Subsidiaries:				
Eastwood Property Holdings, Inc. (EPHI)	(a)	**100%**	100%	100%
Valle Verde Properties, Inc. (VVPI)	(b)	**100%**	100%	100%
Sherman Oak Holdings, Inc. (SOHI)	(c)	**100%**	100%	100%
Empire East Communities, Inc. (EECI)	(d)	**100%**	100%	100%
Laguna BelAir Science School, Inc. (LBASSI)	(e)	**73%**	73%	73%
Sonoma Premier Land, Inc. (SPLI)	(f)	**60%**	60%	60%
Associates:				
Gilmore Property Marketing Associate, Inc. (GPMAI)	(g)	**47%**	47%	47%
Suntrust Properties Inc. (SPI)	(h)	-	-	33%

Explanatory Notes:

(a) Subsidiary incorporated in 1996 and serves as the marketing arm of the Company for the latter's projects, as well as those of other related parties.
(b) Subsidiary incorporated in 2006; additional shares were acquired in November 2008 through assignment of shares from a third party.
(c) Subsidiary incorporated in 2007; shares acquired through assignment of shares from Yorkshire Holdings Inc., a related party, in January 2008.
(d) Subsidiary incorporated in 2008 to primarily engage in the purchase, development, sale and lease of real properties but is currently engaged in the marketing of real estate properties.
(e) Subsidiary incorporated in 1996 to primarily engage in operating a school for primary and secondary education.
(f) Subsidiary incorporated in 2007 as a holding entity to primarily engage in the development and marketing of all kinds of real estate. Additional shares were acquired from First Centro, Inc. in March and June 2008.
(g) Entity incorporated in 1996. In 2012, the entity was deconsolidated and treated as an associate of the Company.
(h) Entity incorporated in 1997. In 2011, the entity was deconsolidated and treated as an associate of the Company. In 2013, the Company's remaining ownership interest was sold to Megaworld Corporation.

The registered office, which is also the place of operations of the Company's subsidiaries and associates, is located at 21st Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City except for EPHI, LBASSI and SPI. The registered office, which is also the place of operations, of EPHI, LBASSI and SPI are summarized below.

(a) EPHI – 28th Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City
(b) LBASSI – Brgy. Don Jose, Sta. Rosa, Laguna
(c) SPI – Ground Floor, One World Square Bldg., No. 2 Upper Mc Kinley Road, Town Center, Fort Bonifacio Taguig City

Prior to March 25, 2011, the Company held 80% ownership interest in SPI and, thus, was a consolidated subsidiary in 2010. On March 25, 2011, the percentage ownership of the Company over SPI was reduced to 33% due to the subscription by Megaworld to SPI's increase in authorized capital stock. Accordingly, SPI was treated as an associate in 2012 and 2011. On June 7, 2013, the Company sold its 33% ownership interest in SPI to Megaworld. A total of 315,000,008 shares were sold for a total consideration of P471.2 million (see Note 11.1). As a result of the sale, SPI ceased to be an associate of the Company.

On December 26, 2012, GPMAI issued additional 5,000,000 shares of stock at P1 par, value which were purchased by a third party. As a result, the percentage of ownership of the Company over GPMAI was reduced from 52% to 47%. In addition, the Company is no longer part of the Board of Directors (BOD) of GPMAI, thereby losing its control over the financial and operating policies of GPMAI. Starting that date, GPMAI is treated as an associate of the Company.

In prior years, the Company increased its ownership interest in VVPI and LBASSI resulting to 100% and 73% ownership control over the respective subsidiaries. This resulted to the recognition of goodwill which amounted to P78.3 million as of December 31, 2014 and 2013, and shown as part of Other non-current assets account in the consolidated statements of financial position.

The Company is a subsidiary of Megaworld Corporation (Megaworld). Megaworld is engaged in the development of large scale mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. The parent company is presently engaged in property-related activities, such as, project design, construction and property management. Megaworld is 67.25% owned by Alliance Global Group, Inc. (AGI), the Company's ultimate parent company. AGI is a holding company with diversified investments in food and beverage, real estate, tourism-entertainment and gaming and quick service restaurant businesses. The shares of common stock of both Megaworld and AGI are listed at the PSE.

The Company's registered office is located at the 21st Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City. Megaworld's registered office is at the 28th Floor of the same building. On the other hand, AGI's registered office is located at the 7th Floor 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriquez Jr. Avenue, Bagumbayan, Quezon City. These entities' registered offices are also their respective principal places of business.

The consolidated financial statements of Empire East Land Holdings, Inc. and Subsidiaries (the Group) as of and for the year ended December 31, 2014 (including the comparative financial statements for December 31, 2013 and 2012) were authorized for issue by the Company's BOD on March 13, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses in a single statement of comprehensive income.

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

(c) Functional and Presentation Currency

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

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

2.2 Adoption of New and Amended PFRS

(a) Effective in 2014 that are Relevant to the Company

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

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

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

(i) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities.* The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that an entity must currently have a right of set-off that is not contingent on a future event, and must be legally enforceable in the normal course of business; in the event of default; and, in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies that gross settlement mechanisms (such as through a clearing house) with features that both eliminate credit and liquidity risks and process receivables and payables in a single settlement process will satisfy the criterion for net settlement. The amendment has been applied retrospectively in accordance with its transitional provisions. The Group's existing offsetting and settlement arrangements for its financial instruments with its counterparties are not affected by the amendment; hence, such did not have an impact on the presentation of financial assets and financial liabilities on the Group's consolidated financial statements for any periods presented. The details and outstanding balances of financial assets and financial liabilities that are subject to offsetting, enforceable master netting arrangements and similar arrangements are disclosed in Note 27.2.

(ii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets.* The amendment clarifies that disclosure of information about the recoverable amount of individual asset (including goodwill) or a cash-generating unit is required only when an impairment loss has been recognized or reversed during the reporting period. If the recoverable amount is determined based on the asset's or cash-generating unit's fair value less cost of disposal, additional disclosures on fair value measurement required under PFRS 13, *Fair Value Measurement*, such as but not limited to the fair value hierarchy, valuation technique used and key assumptions applied should be provided in the consolidated financial statements. This amendment did not result in additional disclosures in the financial statements since there were no impairment losses recognized on the Group's non-financial assets during the years presented.

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

(iv) PFRS 10 (Amendment), *Consolidated Financial Statements*, PFRS 12 (Amendment), *Disclosure of Interests in Other Entities, and* PAS 27 (Amendment), *Separate Financial Statements.* The amendments define the term "investment entity" and provide to such an investment entity an exemption from the consolidation of particular subsidiaries and instead require to measure investment in each eligible subsidiary at fair value through profit or loss in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*, both in its consolidated or separate financial statements, as the case maybe. The amendments also require additional disclosures about the details of the entity's unconsolidated subsidiaries and the nature of its relationship and certain transactions with those subsidiaries. These amendments did not have a significant impact on the Group's consolidated financial statements as there were no transactions entered into by the Group involving an investment entity.

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

(b) Effective Subsequent to 2014 but not Adopted Early

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

(i) PAS 19 (Amendment), *Employee Benefits: Defined Benefit Plans – Employee Contributions* (effective from July 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit.

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

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

(iv) PAS 27 (Amendment), *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective from January 1, 2016). This amendment introduces a third option which permits an entity to account for its investments in subsidiaries, joint ventures and associates under the equity method in its separate financial statements in addition to the current options of accounting those investments at cost or in accordance with PAS 39 or PFRS 9. As of the end of the reporting period, the Group has no plan to change the accounting policy for its investments in its subsidiaries and associate.

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

(vi) PFRS 10 (Amendment), *Consolidated Financial Statements* and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective from January 1, 2016). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, 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.

(vii) IFRS 15, *Revenue from Contract with Customers* (effective from January 1, 2017). This standard will replace PAS18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and *Standing Interpretations Committee 31, Revenue – Barter Transactions Involving Advertising Services*, effective January 1, 2017. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard has not yet been adopted in the Philippines; however, management is currently assessing the impact of this standard on the Group's consolidated financial statements in preparation for the adoption of this standard in the Philippines.

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

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

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

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

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

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

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

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

Annual Improvements to PFRS (2010-2012 Cycle)

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

(b) PAS 24 (Amendment), *Related Party Disclosures.* The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also 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.

(c) 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.

(d) 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 segment 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.

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

Annual Improvements to PFRS (2011-2013 Cycle)

(a) 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.

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

(c) PAS 40 (Amendment), *Investment Property.* The amendment clarifies the interrelationship of PFRS 3 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.

Annual Improvements to PFRS (2012-2014 Cycle)

(a) 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.

(b) 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 and Interests in Joint Ventures

The Group's consolidated financial statements comprise the accounts of the Company and its subsidiaries as enumerated in Note 1, after the elimination of 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. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting principles.

The Company accounts for its investments in subsidiaries, associates, non-controlling interests and interests in joint ventures as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Company controls an entity when (i) it has power over the entity, (ii) it is exposed, or has rights to, variable returns from its involvement with the entity, and (iii) it has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Company obtains control.

The Company reassesess whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred 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 identifiable 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 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 also Note 2.9).

(b) Investments in an Associate

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. Investment in an associate are initially recognized at cost and subsequently accounted for 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 associates.

All subsequent changes to the ownership interest in the equity of the associate 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 Share in Net Earnings (Losses) of Associates in the Group's consolidated statement of comprehensive 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 associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Company, as applicable. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, 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 associate are accounted for as a reduction of the carrying value of the investment.

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

(c) 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 also recognized in equity.

When the Group 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 amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group 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.

(d) Interests in Joint Ventures

For interests in jointly controlled operations, the Group recognizes in its consolidated financial statements its share of the jointly controlled assets, any liabilities that it has incurred, its share of any liabilities incurred jointly with the other venturers in relation to the joint venture, any income from the sale or use of its share of the output of the joint venture, and any expenses that it has incurred in respect of its interest in the joint venture. 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.

The Company holds interests in various subsidiaries and associates as presented in Note 1.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. 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 directly attributable transaction costs. Financial assets carried at FVTPL are initially recognized at fair value and the related transaction costs recognized in profit or loss. A more detailed description of the categories of financial assets currently relevant to the Group is as follows:

(a) 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 include Cash and Cash Equivalents, Trade and Other Receivables (excluding Advances to suppliers and contractors), and Advances to Related Parties accounts in the consolidated statements 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. Impairment loss is provided when there is any objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. 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 amount of the reversal is recognized in the profit or loss.

(b) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets in the statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

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

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

The fair value of AFS financial asset is determined by direct reference to published price quoted in an active market for traded securities. On the other hand, unquoted AFS financial assets are carried at cost because the fair value cannot be reliably determined either by reference to similar financial instruments or through valuation technique.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs in the consolidated statement of comprehensive income.

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

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

2.5 Prepayments and Other Assets

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

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

2.6 Property and Equipment

Property and equipment are stated cost less accumulated depreciation, amortization and any impairment in value.

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

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

Building and other improvements	5-25 years
Transportation equipment	5 years
Office furniture and equipment	3-5 years

Leasehold improvements are amortized over the term of the lease or lives of the improvements, whichever is shorter.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those 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 of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation and any impairment losses, is derecognized upon disposal or when no future econo ic 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.

2.7 Investment Property

Investment property consists of building and office/commercial units held for lease and a parcel of land held for capital appreciation. Land held for capital appreciation is measured at cost less any impairment while building and office/commercial units held for lease are stated at cost less accumulated depreciation and any impairment in value.

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

Depreciation for building and office/commercial units classified as investment property is computed on the straight-line basis over the estimated useful life of 20 years.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those 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).

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal.

2.8 Financial Liabilities

Financial liabilities which include interest-bearing loans and borrowings, trade and other payables (except tax-related liabilities), advances from related parties and other current liabilities are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as an expense in the consolidated profit or loss under the caption Finance Costs in the consolidated statement of comprehensive income.

Interest-bearing loans and borrowings 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 on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables, advances from related parties and other current liabilities are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

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

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

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

2.9 Business Combinations

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 Group'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 Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

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 carryingamount of goodwill relating to it.

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

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

2.10 Offsetting of 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 a 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.

2.11 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 pre-tax 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, possible 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.

2.12 Real Estate Transactions and Revenue and Expense Recognition

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title to the property to the Group, are charged to the Land Held for Future Development account. These costs are reclassified to the Property Development Costs account as soon as the Group starts the development of the property. Related property development costs are then accumulated in this account. Once revenue transaction occurred, on a per project basis, up to the stage the unit is sold, the related costs are reclassified to Residential and Condominium Units for Sale. Interest on certain loans incurred during the development of the real estate properties are also capitalized as part of the Property Development Costs or Residential and Condominium Units for Sale account (see Note 2.19).

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

For financial reporting purposes, revenues on sales of residential and condominium units are recognized using the percentage-of-completion method. Under this method, revenue 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. Uncompleted portion of gross profit in condominium and residential units sold are recognized in the Deferred Gross Profit on Real Estate Sales in the consolidated statement of financial position. Completed portion during the year from Deferred Gross Profit on Real Estate of prior year is recognized as income under Realized Gross Profit on Prior Years' Sales in the consolidated statement of comprehensive income. Collections, which have not yet met the threshold (determined as a certain percentage of the net contract price) before a sale is recognized, are initially recorded as Advances from customers under the Customers' Deposits account in the consolidated statement of financial position.

Revenue and cost relating to forfeited or backed-out sales are reversed in the current year as they occur. Any collections received from customers which will not be refunded are recognized as Forfeited collections and deposits, included as part of Other Income in the consolidated statement of comprehensive income.

For tax purposes, revenue on sales of condominium units is recognized in full in the year of sale when a certain percentage of the net contract price has been received. Otherwise, the taxable income for the year is computed based on collections from the sales.

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 real estate property sold, as determined by the entities' project engineers, are charged to the cost of residential and condominium units sold with a corresponding credit to the Reserve for Property Development account, which pertains to the remaining costs that will be incurred relative to the development/construction of the sold units.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate project is charged to operations in the period in which the loss is determined.

Revenues, other than those originating from real estate transactions, are recognized to the extent that it is probable that the future economic benefits will flow to the Group; revenue can be measured reliably; and, the costs incurred or to be incurred can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

(a) *Forfeited collections and deposits* – Revenue is recognized in the year the contract was cancelled.

(b) *Rendering of services* – Revenue is recognized upon substantial rendition of the services required.

(c) *Rental* – Lease income from operating lease is recognized on a straight-line basis over the lease term [see Note 2.14 (b)].

(d) *Marketing fees* – Revenue is recognized when the performance of contractually agreed services have been substantially rendered.

(e) *Tuition fees and miscellaneous fees on tuition fees* – Revenue is recognized over the corresponding school term.

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

(g) *Dividends* – Revenue is recognized when the stockholders' right to receive the payment is established.

Other costs and expenses are recognized in profit or loss upon utilization of the services, receipt of goods or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.19).

2.13 Commissions

Commissions represent a certain percentage of contract price given to the real estate brokers and/or agents who handle the sales and marketing of the Group's residential and high-rise projects. Commissions are recognized as expense in the period in which they are incurred.

2.14 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 are recognized as expense in the consolidated 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. Lease income from operating leases 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.

2.15 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments.

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

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

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

- post-employment benefit expenses;
- research costs, if any, relating to new business activities; and
- revenue and costs from investment property.

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.

2.16 Foreign Currency Transactions and Translation

The accounting records of the Group 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 in profit or loss in the consolidated statement of comprehensive income.

2.17 Impairment of Non-financial Assets

The Group's advances to landowners and joint ventures, investment in an associates investment property, property and equipment, goodwill and other non-financial 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, some assets are tested individually for impairment and some are tested at 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 amounts 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 and defined contribution plans, and other employee benefits which are recognized as follows:

(a) Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of pension 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 defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory 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 for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bond as published by Philippine Dealing and 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 interest) are reflected immediately in the consolidated statement of financial position with a charge or creit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs or Finance Income account in the consolidated statement of comprehensive income.

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

(b) Defined Contribution Plans

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

(c) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. They are included in 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 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. For financial reporting purposes, interest and other costs on certain borrowings that are attributable to the acquisition, construction or development 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 Property Development Costs and Residential and Condominium Units for Sale accounts in the consolidated statement of financial position (see Note 2.12). The capitalization of borrowing costs commences when expenditures for the asset 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.

2.20 Income Taxes

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

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of each reporting period. They are calculated according to 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 the consolidated profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each 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 carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences 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 and tax laws 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 income 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 profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in the consolidated 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.

2.21 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its 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. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associate; (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 retirement fund.

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

2.22 Earnings Per Share

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

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. As of December 31, 2014, 2013 and 2012, the Company does not have dilutive potential shares outstanding; hence, the diluted earnings per share is equal to the basic earnings per share.

2.23 Equity

Capital stock represents the nominal value of shares that have been issued.

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

Treasury stock 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.

Revaluation reserves arise from remeasurements on retirement benefit obligation and unrealized gains and losses arising from fair value changes of AFS financial assets, net of applicable taxes.

Retained earnings represent all current and prior period results of operations as reported in the profit or loss section of the consolidated statement of comprehensive income.

2.24 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated 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 JUDGMENTS AND ESTIMATES

The preparation of the 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 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) Distinguishing Investment Property, Owner-managed Properties and Land Held 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 independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process while land held 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 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 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 inmaking its judgment.

Based on management's assessment, properties held for lease and for capital appreciation qualifies as investment property.

(b) Distinguishing Operating and Finance Leases

The Group has entered into various lease agreements as either a lessor or lessee. 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's assessment, all of the Group's current lease agreements are classified as operating leases.

(c) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.11 and disclosures on relevant contingencies are presented in Note 25.

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) Impairment of Trade and Other Receivables

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Group's relationship with the counterparties, their current credit status, 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.

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

In determining the net realizable value of residential and condominium units for sale, property development costs and land held 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 these assets is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation and uncertainty and may cause significant adjustments to the Group's Residential and Condominium Units for Sale, Property Development Costs and Land Held for Future Development within the next reporting period.

Considering the Group's pricing policy, the net realizable values of real estate, residetial and condominium units for sale, property development costs and land held for future development are higher than their related carrying values as of the end of the reporting periods.

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

The Group estimates the useful lives of property and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment property are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment and investment property are analyzed in Notes 12 and 13, respectively. Based on management's assessment as at December 31, 2014 and 2013, there is no change in estimated useful lives of investment property and property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) Determining Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The carrying values of the Group's deferred tax assets as of December 31, 2014 and 2013 are disclosed in Note 21.

(e) Impairment of Non-financial Assets

In assessing impairment, the Group 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 uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.17). Though the Group believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment losses were recognized on advances to landowners and joint ventures, investments in an associate, property and equipment and investment property in 2014, 2013 and 2012 (see Notes 9, 11, 12 and 13).

(f) Valuation of Post-Employment Defined Benefit

The determination of the Group's obligation and cost of post-employment benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary increase 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 20.2.

(g) Revenue Recognition Based on 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 to date as a proportion of the total budgeted cost of the project. Should the proportion of the percentage of completed projects differ by 10% from management's estimates, the amount of revenue recognized in 2014 and 2013 would have increased by P99.37 million and P28.9 million, respectively, if percentages of completion were increased by 10%. Consequently, revenue would have decreased by P123.17 million and P56.1 million in 2014 and 2013, respectively, if the percentages of completion were decreased by 10%.

(h) *Basis for Revenue Recognition Benchmark*

As discussed in Note 2.12, the Group recognizes its revenue in full when a certain percentage of the net contract price is received /collected. Management believes that the revenue recognition criterion on percentage of collection is appropriate based on the Group's collection history of customers and number of back out sales in prior years. A buyer's interest in the property is considered to have vested when a defined percentage of the net contract price has been received from the buyer and the Group ascertained the buyer's commitment to complete the payment of the total contract price.

(i) *Determination of Fair Value of Investment Property*

Investment property is measured using the cost model. The fair value disclosed in Note 28.4 to the consolidated financial statements is determined by the Group using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations.

The fair values of the properties were derived using the observable recent prices of the reference properties and were adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value of the properties.

The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting periods. A significant change in these elements may affect prices and the value of the assets.

4. SEGMENT REPORTING

4.1 *Business Segments*

The Group's operating businesses are organized and managed separately according to the 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 and marketing of mid-cost housing projects in the form of condominium communities, subdivision lots and house and lot packages, and commercial units to a limited extent. It classifies and monitors its projects into high-rise and horizontal. High-rise projects refer to condominiums and other medium scale properties while the horizontal projects refer to house and lot packages and subdivision lots. Both are intended for middle income market.

4.2 *Segment Assets and Liabilities*

Segment assets include all operating assets used by a segment and consist principally of operating receivables, property development costs and residential and condominium units for sale. Segment liabilities include all operating liabilities incurred by management in each particular segment.

4.3 *Intersegment Transactions*

There are no intersegment transactions. In case of inter-segment sales and transfers, the Group generally accounts for them as if the sales or transfers were made to third parties at current market prices. Intersegment sales and transfers, if any, are eliminated in the preparation of the financial statements.

4.4 *Analysis of Segment Information*

Segment information for the years ended December 31, 2014, 2013 and 2012 is analyzed in the succeeding pages.

	High Rise Projects			Horizontal Projects			Total		
	2014	2013	2012	**2014**	2013	2012	**2014**	2013	2012
REVENUES									
Real estate sales	**P 2,606,331,123**	P 1,393,785,610	P 1,134,391,661	**P 873,860,443**	P 311,834,451	P 247,021,950	**P 3,480,191,566**	P 1,705,620,061	P 1,381,413,611
Realized gross profit on prior years' sale	**62,338,430**	111,914,555	54,887,331	**51,472,479**	81,736,354	25,773,660	**113,810,909**	193,650,909	80,660,991
Finance income	**216,913,253**	335,211,278	323,695,054	**(5,855,810)**	(16,461,227)	29,823,710	**211,057,443**	318,750,051	353,518,764
Rental income	**91,652,776**	99,522,551	36,497,835	**17,133,640**	18,805,389	4,743,136	**108,786,416**	118,327,940	41,240,971
Other income	**214,791,657**	139,366,064	163,610,459	**42,144,945**	48,657,616	29,548,470	**256,936,602**	188,023,680	193,158,929
Total revenues	3,192,027,239	2,079,800,058	1,713,082,340	978,755,697	444,572,583	336,910,926	4,170,782,936	2,524,372,641	2,049,993,266
COSTS AND OTHER OPERATING EXPENSES									
Cost of real estate sales	**1,822,392,339**	988,400,529	739,162,660	478,045,880	163,976,740	167,101,588	2,300,438,219	1,152,377,269	906,264,248
Deferred gross profit on current year's sales	**91,662,975**	37,359,174	94,773,101	**452,442**	15,934,530	49,551,349	**92,115,417**	53,293,704	144,324,450
Salaries and employee benefits	**4,856**	-	5,486	**473,242**	471,320	596,865	**478,098**	471,320	602,351
Commissions	**125,878,411**	103,382,383	96,922,750	**31,038,978**	42,622,296	24,679,728	**156,917,389**	146,004,679	121,602,478
Rentals	**103,940,256**	102,227,942	65,760,076	**10,112,477**	16,087,532	32,881,024	**114,052,733**	118,315,474	98,641,100
Taxes and licenses	**16,858,491**	29,025,731	15,929,200	**10,437,720**	21,537,594	17,001,389	**27,296,211**	50,563,325	32,930,589
Advertising and promotion	**62,287,965**	42,673,406	103,827,731	**16,321,735**	31,426,143	29,965,682	**78,609,700**	74,099,549	133,793,413
Association dues	**24,323,939**	18,927,486	22,608,540	-	4,526,170	7,441,309	**24,323,939**	23,453,656	30,049,849
Others	**20,179,055**	21,167,818	17,119,555	**9,686,452**	13,440,746	12,232,515	**29,865,507**	34,608,564	29,352,070
Cost and other operating expenses excluding depreciation and amortization	**2,267,528,287**	1,343,164,469	1,156,109,099	**556,568,926**	310,023,071	341,451,449	**2,824,097,213**	1,653,187,540	1,497,560,548
Depreciation and amortization	**3,360,116**	3,395,290	3,674,999	**13,990,685**	14,061,920	14,209,915	**17,350,801**	17,457,210	17,884,914
	2,270,888,403	1,346,559,759	1,159,784,098	**570,559,611**	324,084,991	355,661,364	**2,841,448,014**	1,670,644,750	1,515,445,462
SEGMENT OPERATING PROFIT (LOSS)	**P 921,138,836**	P 733,240,299	P 553,298,242	**P 408,196,086**	P 120,487,592	(P 18,750,438)	**P 1,329,334,922**	P 853,727,891	P 534,547,804
SEGMENT ASSETS AND LIABILITIES									
Segment assets	**P 16,657,976,354**	P 14,074,551,368		**P 6,611,226,516**	P 4,990,407,147		**P 23,269,202,870**	P 19,064,958,515	
Segment liabilities	**1,397,195,150**	798,100,219		**185,355,199**	325,270,520		**1,582,550,349**	1,123,370,739	

Sales to any of the Group's major customers did not exceed 10% of the Group's revenues in all of the years presented.

4.5 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its financial statements

	2014	2013	2012
Revenues			
Total segment revenues	**P 4,170,782,936**	P 2,524,372,641	P 2,049,993,266
Unallocated revenues:			
Rental income from investment property	**3,026,332**	3,035,931	3,784,977
Finance income	**170,127,951**	173,826,741	177,925,778
Commissions	**134,923,506**	147,636,430	149,623,356
Equity share in net earnings of associate	**(81,725)**	34,635,124	83,770,918
Other income	**96,918,311**	67,609,445	57,655,322
	404,914,375	426,743,671	472,760,351
Revenues as reported in the consolidated statements of comprehensive income	**P 4,575,697,311**	P 2,951,116,312	P 2,522,753,617
Profit or loss			
Segment operating profit	**P 1,329,334,922**	P 853,727,891	P 534,547,804
Other unallocated income	**404,914,375**	426,743,671	472,760,351
Other unallocated expense	**(985,310,570)**	(809,863,426)	(696,499,133)
Profit before tax as reported in the consolidated statements of comprehensive income	**P 748,938,727**	P 470,608,136	P 310,809,022

	2014	2013
Assets		
Segment assets	**P 23,269,202,870**	P 19,064,958,515
Unallocated assets:		
Cash and cash equivalents	**821,513,652**	504,471,331
Trade and other receivables	**2,357,842,759**	2,063,602,861
Advances to related parties	**1,956,360,549**	2,053,791,774
Prepayments and other current assets	**658,003,473**	760,206,175
Advances to landowners and joint ventures	**775,835,465**	787,075,245
Land held for future development	**2,218,661,983**	4,088,300,118
Investment in an associate	**293,290,510**	293,372,235
Available for sale financial assets	**2,539,130,000**	2,905,080,000
Property and equipment – net	**153,529,494**	160,370,094
Investment property – net	**168,747,693**	185,552,516
Other non-current assets	**84,612,960**	84,458,536
	12,027,528,538	13,886,280,885
Total assets as reported in the consolidated statements of financial position	**P 35,296,731,408**	P 32,951,239,400
Liabilities		
Segment liabilities	**P 1,582,550,349**	P 1,123,370,739
Unallocated liabilities:		
Interest-bearing loans and borrowings	**136,521,553**	219,731,151
Trade and other payables	**709,271,471**	438,132,758
Customers' deposits	**3,608,515,425**	2,957,368,755
Advances from related parties	**2,170,359,594**	1,643,353,984
Income tax payable	**20,641,970**	7,267,113
Other current liabilities	**450,672,211**	305,700,294
Retirement benefit obligation	**433,173,474**	288,880,437
Deferred tax liabilities – net	**1,343,085,670**	1,177,480,246
	8,872,241,368	7,037,914,738
Total liabilities as reported in the consolidated statements of financial position	**P 10,454,791,717**	P 8,161,285,477

5. CASH AND CASH EQUIVALENTS

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

		2014		2013
Cash on hand and in banks	**P**	**524,100,973**	P	410, 026,705
Short-term placements		**297,412,679**		94,444,626
	P	**821,513,652**	P	504,471,331

Cash in banks generally earn interest at rates based on the daily bank deposit rates.

Peso-denominated short-term placements are made for varying periods of up to 60 days in 2014 and 2013, and 91 days in 2012 and earn annual effective interest ranging from 0.15% to 3.60% in 2014, 0.25% to 3.00% in 2013 and 0.50% to 4.25% in 2012. Dollar-denominated short-term placements are made for varying periods of up to 91 days in 2014, 118 days in 2013 and 93 days in 2012 and earn annual effective interest ranging from 0.25% to 1.5% in 2014, 0.50% to 2.00% in 2013 and 0.25% to 1.50% in 2012 (see Note 19.1).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

		2014		2013
Current:				
Trade receivables	**P**	**2,478,920,095**	P	1,571,441,013
Advances to suppliers and contractors		**937,015,136**		865,590,629
Interest receivable		**330,228,876**		378,930,113
Rent receivable		**125,542,439**		66,977,121
Others		**149,886,104**		97,186,469
		4,021,592,650		2,980,125,345
Allowance for impairment	(	**571,590)**	(	559,030)
		4,021,021,060		2,979,566,315
Non-current:				
Trade receivables		**2,283,831,537**		2,313,206,474
Refundable security deposits		**65,347,310**		44,665,660
Others		**63,820,351**		63,820,351
		2,412,999,198		2,421,692,485
	P	**6,434,020,258**	P	5,401,258,800

The Group's trade and other receivables have been reviewed for indications of impairment. Certain trade receivables were found to be impaired; hence, adequate amounts of allowance for impairment have been recognized.

A reconciliation of the allowance for impairment on current and non-current trade and other receivables at the beginning and end of 2014 and 2013 is shown below.

		2014		2013
Balance at beginning of year	**P**	**559,030**	P	518,498
Impairment losses during the year		**62,244**		79,820
Recovery of accounts previously provided with allowance	(	**49,684)**	(	39,288)
Balance at end of year	**P**	**571,590**	P	559,030

Trade receivables of the Group are either interest-bearing or noninterest-bearing. The installment period of interest-bearing sales contracts ranges from 2 to 15 years. Interest-bearing receivables bear nominal interest rates, which are equal to the effective interest rates ranging from 16% to 22% in 2014, 14% to 19% in 2013 and 14% to 18% in 2012. The related finance income earned on these sales contracts amounting to P145.4 million in 2014, P267.5 million in 2013 and P319.2 million in 2012 are reported as part of Finance Income in the consolidated statements of comprehensive income (see Note 19.1).

The installment period of noninterest-bearing sales contracts ranges from 3 to 5 years. The fair values of the noninterest-bearing trade receivables as of December 31, 2014 and 2013 were determined by calculating the present value of the cash flows anticipated to be received until the end of the installment term using 9% discount rate in 2014 and 10% discount rate in 2013. Amortization of day one loss amounting to P65.7 million in 2014, P51.3 million in 2013 and P34.4 million in 2012 are presented as part of Finance Income in the consolidated statements of comprehensive income (see Note 19.1).

All trade receivables are subject to credit risk exposure. 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. In addition, certain accounts receivable from trade customers are covered by post-dated checks. The Group also retains the titles to the property until such time that the trade receivables are fully collected. Repossessed properties are offered for sale to other customers.

The Group partially finances its real estate projects and other business undertakings through discounting of its trade receivables on a with-recourse basis with certain local banks. The carrying amount of discounted trade receivables amounted to P136.5 million and P219.7 million as of December 31, 2014 and 2013, respectively, while the related liability is presented as part of Bank Loans under Interest-bearing Loans and Borrowings in the consolidated statements of financial position (see Note 14.1).

Advances to suppliers and contractors represent downpayments made by the Group to the suppliers and contractors based on a certain percentage of the contract price, construction materials purchased by Group that are used by the contractors, and utility consumption that are chargeable to contractors. The initial payment will eventually be recouped or deducted from the amount payable of the Group either in a pro-rated basis or in full once billed by the suppliers and contractors.

Refundable security deposits include various deposits to third parties for electrical, internet subscription, exhibits and other utilities, and equipment needed in the development of the projects. All deposits, except for deposits to an electric company, do not earn interest. Such deposits are only refundable upon completion of the projects or upon return of the equipment used. However, the exact date or period of completion of projects or return of equipment is indeterminable. Accordingly, refundable deposits are accounted for at cost.

7. REAL ESTATE PROPERTIES

7.1 Residential and Condominium Units for Sale

This account represents the accumulated costs incurred, net of recognized cost of real estate sales in the consolidated statements of comprehensive income, on house and lots and condominium units available for sale. The subdivision houses include houses that are ready for occupancy, house models and units under construction.

Total capitalized borrowing cost during the year amounted to P15.8 million, P25.4 million and P43.8 million in 2014, 2013 and 2012, respectively (see Note 14.2).

Certain properties presented as part of Residential and Condominium Units for Sale with total estimated carrying value of P497.8 million and P654.7 million as of December 31, 2014 and 2013, respectively are used as security for the Group's interest-bearing loans and borrowings (see Note 14).

7.2 Property Development Costs

This account pertains to accumulated costs incurred on projects which are not yet offered for sale as of the end of the reporting periods.

7.3 Net Realizable Value

Management believes that the net carrying amounts of these assets are lower than their net realizable values considering present market rates; hence, no provisions for write-down of real estate inventories have been recognized in the consolidated financial statements.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The movements of the carrying amounts of AFS financial assets are as follows:

	2014	2013
Balance at beginning of year	**P 2,905,080,000**	P 1,887,176,000
Fair value gains (losses) – net	**(365,950,000)**	1,017,904,000
Balance at end of year	**P 2,539,130,000**	P 2,905,080,000

AFS financial assets mainly consist of investments held by EPHI in equity securities of the ultimate parent company listed in the PSE. The fair value of these securities has been determined directly by reference to published prices in an active market. The fair value of these investments, amounting to P2.5 billion, is categorized as Level 1 in the fair value hierarchy.

The net accumulated fair value gains or losses in AFS financial assets is shown as part of Revaluation Reserves in the equity section of the consolidated statements of financial position.

Dividends earned amounted to P42.8 million in 2014 and 2013 and P40.5 million in 2012 and are presented as Dividend income under Finance Income in the consolidated statements of comprehensive income (see Note 19.1).

9. ADVANCES TO LANDOWNERS AND JOINT VENTURES

The cash advances made by the Group relate to a number of joint venture agreements entered into with landowners covering the development of certain parcels of land. 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 condominium units to be constructed on the properties. Costs incurred by the Group for these projects are recorded under the Residential and Condominium Units for Sale and Property Development Costs accounts in the consolidated statements of financial position (see Note 7). In addition to providing specified portion of the total project development costs, the Group also commits to advance mutually agreed-upon amounts to the landowners which will then be used for purposes such as reconsolidation/separation/subdivision of mother titles and relocation of existing occupants. Repayments of these advances may be made upon completion of the project development either in the form of residential condominium, commercial units or developed lots corresponding to the landowners' share in the projects or in the form of cash to be derived from the sales of the landowners' share in the saleable lots and residential condominium units.

The details of advances to landowners and joint ventures as of December 31, 2014 and 2013 are as follows:

	2014	2013
Advances to landowners:		
Balance at beginning of year	**P 25,000,029**	P 25,000,029
Additional advances granted	**66,143,750**	-
Balance at end of year	**91,143,779**	25,000,029
Advances to joint ventures:		
Balance at beginning of year	**762,075,216**	797,584,764
Additional advances granted	**7,671,817**	3,185,932
Collections	**(85,055,347)**	(38,695,480)
Balance at end of year	**684,691,686**	762,075,216
	P 775,835,465	P 787,075,245

The Group commits to develop the properties based on the terms agreed with the joint venture partners. The Group has no existing commitment for cash advances under the joint venture agreements as this commitment has been fully complied with by the Company as of December 31, 2014 and 2013.

The net commitment for construction expenditures amounts to:

	2014	2013
Total commitment for construction expenditures	**P 7,465,887,664**	P 7,465,887,664
Total expenditures incurred	**(4,354,160,487)**	(3,067,637,235)
Net commitment	**P 3,111,727,177**	P 4,398,250,429

The Group's interest in jointly controlled operations and projects ranges from 55% to 82% in 2014 and 2013. The Group's jointly controlled projects are as follows:

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

As of December 31, 2014 and 2013, the Group has no other material contingent liabilities with regard to these joint ventures.

10. LAND HELD FOR FUTURE DEVELOPMENT

This account includes cost of several parcels of land acquired by the Group and other costs incurred to effect the transfer of the title of the properties to the Group. Most of these properties are located in Metro Manila and Calabarzon areas and are intended for future development. Real estate taxes paid relating to these properties amounted to P2.0 million, P9.4 million and P4.8 million in 2014, 2013 and 2012, respectively, and is presented as part of Taxes and Licenses in the consolidaed statements of comprehensive income. Considering the Group's pricing policy, management believes that the net realizable value of land held for future development is higher than its related carrying value as of the end of the reporting periods.

11. INVESTMENTS IN AN ASSOCIATE

The components of investments in an associate as of December 31, 2014 and 2013 are as follows:

	% Interest Held	2014	% Interest Held	2013
Investments in an associate –				
at equity				
Acquisition costs:				
GPMAI	47%	**P 293,960,618**	47%	P 293,960,618
Accumulated equity in				
net earnings:				
Balance at beginning of year		**(588,383)**		100,280,810
Equity share in net earnings (losses)				
for the year		**(81,725)**		34,635,124
Equity in net earnings on				
investment in SPI				
sold during the year		-		(135,504,317)
Balance at end of year		**(670,108)**		(588,383)
		P 293,290,510		P 293,372,235

11.1 Sale of Investment in SPI

On June 7, 2013, the Company sold its 33% ownership interest in SPI to Megaworld. A total of 315,000,008 shares were sold for a total consideration of P471.2 million. The carrying amount of investment in SPI at the time of sale is P506.7 million. Accordingly, loss on the sale of investment amounting to P35.4 million was recognized and presented as part of Other Expenses in the 2013 consolidated statement of comprehensive income (see Note 18.2).

11.2 Dilution of Ownership Interest in GPMAI and SPI

On December 26, 2012, GPMAI issued additional 5,000,000 shares of stock at P1 par value which was purchased by a third party. As a result, the percentage of ownership of the Company over GPMAI was diluted from 52% to 47%, thereby losing control over the latter. The fair value from the remeasurement of the Company's investment in GPMAI amounting to P294.0 million was recognized as the deemed cost of the new investment in associate. The related balances of GPMAI's assets and liabilities as of December 26, 2012 were deconsolidated in 2012 and were no longer in the consolidated statement of financial position as of December 31, 2012. Accordingly, loss from dilution amounting to P37.5 million was recognized in the 2012 consolidated statement of comprehensive income.

11.3 Summarized Financial Information

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

	Assets	Liabilities	Revenues	Net Profit (Loss)
2014:	**P 606,947,764**	**P 11,989,961**	**P 5,404,122**	**P 77,338**
2013:	P 606,925,269	P 12,044,804	P 6,100,708	(P 10,390,561)

As of December 31, 2014 and 2013, the related book values of these investments amounted to P294.0 million.

12. PROPERTY AND EQUIPMENT

As of December 31, 2014 and 2013, this account includes land amounting to P81,095,000 which is used as LBASSI's school site. The gross carrying amounts and accumulated depreciation and amortization of other items of property and equipment at the beginning and end of 2014 and 2013 are shown below.

	Building and Other Improvements	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
December 31, 2014					
Cost	P 74,190,122	P 121,858,719	P 51,703,111	P 61,489,309	P 309,241,261
Accumulated depreciation and amortization	(28,094,085)	(105,570,906)	(45,738,945)	(57,402,831)	(236,806,767)
Net carrying amount	**P 46,096,037**	**P 16,287,813**	**P 5,964,166**	**P 4,086,478**	**P 72,434,494**
December 31, 2013					
Cost	P 73,617,523	P 110,449,797	P 51,677,754	P 59,561,765	P 295,306,839
Accumulated depreciation and amortization	(25,130,765)	(98,267,819)	(42,325,796)	(50,307,365)	(216,031,745)
Net carrying amount	P 48,486,758	P 12,181,978	P 9,351,958	P 9,254,400	P 79,275,094
January 1, 2013					
Cost	P 73,144,723	P 104,133,832	P 55,886,319	P 57,990,193	P 291,155,067
Accumulated depreciation and amortization	(22,195,567)	(92,500,052)	(43,614,764)	(42,874,061)	(201,184,444)
Net carrying amount	P 50,949,156	P 11,633,780	P 12,271,555	P 15,116,132	P 89,970,623

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

	Building and Other Improvements	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
Balance at January 1, 2014, net of accumulated depreciation and amortization	P 48,486,758	P 12,181,978	P 9,351,958	P 9,254,400	P 79,275,094
Additions	572,599	11,432,429	294,500	1,927,545	14,227,073
Reclassification	-	113,114	-	-	113,114
Disposals	-	-	(208,585)	-	(208,585)
Depreciation and amortization charges for the year	(**2,963,320**)	(**7,439,708**)	(**3,473,707**)	(**7,095,467**)	(**20,972,202**)
Balance at December 31,2014, net of accumulated depreciation and amortization	P 46,096,037	P 16,287,813	P 5,964,166	P 4,086,478	P 72,434,494
Balance at January 1, 2013, net of accumulated depreciation and amortization	P 50,949,156	P 11,633,780	P 12,271,555	P 15,116,132	P 89,970,623
Additions	472,800	6,419,491	3,100,482	1,823,137	11,815,910
Disposals	-	(67,434)	(2,108,346)	(125,448)	(2,301,228)
Depreciation and amortization charges for the year	(2,935,198)	(5,803,859)	(3,911,733)	(7,559,421)	(20,210,211)
Balance at December 31,2013, net of accumulated depreciation and amortization	P 48,486,758	P 12,181,978	P 9,351,958	P 9,254,400	P 79,275,094

The amount of depreciation and amortization of property and equipment is presented as part of the Depreciation and Amortization under Costs and Expenses in the consolidated statements of comprehensive income.

The cost of fully depreciated assets still used in business amounted to P176.5 million and P152.0 million as of December 31, 2014 and 2013, respectively.

13. INVESTMENT PROPERTY

The Group's investment property pertains to building and office/commercial units for lease and a parcel of land held for capital appreciation. Rental revenues recognized for the years ended December 31, 2014, 2013 and 2012 amounted to P111.8 million, P121.4 million and P45.0 million, respectively, and are presented as Rental Income in the consolidated statements of comprehensive income. Real estate taxes and depreciation substantially represent direct costs related to these properties. Real estate tax amounting to P1.4 million, P1.1 million and P1.6 million was recognized as a related expense in 2014, 2013 and 2012, respectively, and presented as part of Taxes and Licenses in the consolidated statements of comprehensive income.

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

	2014	2013	2012
Cost	**P 337,136,458**	P 337,136,458	P 351,596,080
Deconsolidation of balance related to GPMAI	**-**	-	(14,459,622)
Accumulated depreciation	(**168,388,765**)	(151,583,942)	(134,779,119)
Net carrying amount	**P 168,747,693**	P 185,552,516	P 202,357,339

A reconciliation of the carrying amount of investment property at the beginning and end of 2014 and 2013 is as follows:

	2014	2013
Balance at January 1, net of accumulated depreciation	**P 185,552,516**	P 202,357,339
Depreciation charges for the year	(**16,804,823**)	(16,804,823)
Balance at December 31, net of accumulated depreciation	**P 168,747,693**	P 185,552,516

The amount of depreciation of investment property is presented as part of Depreciation and Amortization under Costs and Expenses in the consolidated statements of comprehensive income.

Other information relating to fair value measurements and disclosures of investment property are disclosed in Note 28.4.

14. INTEREST-BEARING LOANS AND BORROWINGS

14.1 Bank Loans

As at December 31, 2014 and 2013, the Group's short-term and long-term interest bearing loans and borrowings consist only of bank loans. These loans bear annual interest rates ranging from 7.8 to 9.5% in 2014, 7.8% to 10.5% in 2013 and 2012. Bank loans also include proceeds received from certain trade receivables that were discounted on a with-recourse basis (see Note 6).

The Group's interest-bearing loans and borrowings are secured by trade receivables and certain properties presented as part of Residential and Condominium Units for Sale with total estimated carrying value of P497.8 million and P654.7 million as of December 31, 2014 and 2013, respectively.

Finance costs that are directly attributable to construction of the Group's projects are capitalized as part of Residential and Condominium Units for Sale (see Note 14.2).

Certain bank loans require the Group to maintain a debt-to-equity ratio of not more than 1:1 and a current ratio of not less than 2:1. As of December 31, 2014 and 2013, the Group is in compliance with such financial covenant obligation.

14.2 Interests

Total interests on these interest-bearing loans and borrowings in 2014, 2013 and 2012 amounted to P15.8 million, P25.4 million and P43.8 million respectively, and are directly attributable to the construction of the Group's projects; hence, capitalized as part of the Residential and Condominium Units for Sale account in the consolidated statements of financial position. The Company's capitalization rate is 8.8%, 9.2% and P9.5% in 2014, 2013 and 2012, respectively (see Note 7.1). Unpaid interest as of December 31, 2014 and 2013 amounted to P0.4 million and P0.7 million, respectively, and is presented as Interest payable under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

15. TRADE AND OTHER PAYABLES

This account consists of:

	Note	2014	2013
Trade payables		P 601,285,258	P 295,606,188
Accrued expenses		26,809,500	66,381,919
Taxes payable		68,473,961	60,829,266
Commissions		11,759,017	13,759,017
Interest payable	14.2	433,498	676,235
Miscellaneous		510,237	880,133
		P 709,271,471	P 438,132,758

Accrued expenses include the Group's obligations to its suppliers that are expected to be settled within 12 months from the end of the reporting period. These liabilities arise mainly from accrual of construction expenditures incurred during the year.

16. CUSTOMERS' DEPOSITS

Presented below are the details of this account.

	2014	2013
Advances from customers	P 3,329,730,939	P 2,752,160,241
Other deposits	278,784,486	205,208,514
	P 3,608,515,425	P 2,957,368,755

Advances from customers represent cash received from customers for real estate property purchases has not yet reached the sales recognition threshold of the Group. The advances are deducted from the contract price once the related real estate sales are recognized by the Group.

Other deposits mainly pertain to cash received from customers for miscellaneous fees and other related expenses to process the transfer of title to customers.

Notes to Consolidated Financial Statements
December 31, 2014, 2013 and 2012 *(Amounts in Philippine Pesos)*

Empire East Land Holdings, Inc. and Subsidiaries
(A Subsidiary of Megaworld Corporation)

17. OTHER CURRENT LIABILITIES

As of December 31, other current liabilities include the following:

	2014	2013
Retention payable	P 410,254,495	P 262,364,441
Refundable tenant rental deposits	23,903,098	23,057,330
Deferred income	13,115,533	17,787,624
Miscellaneous	3,399,085	2,490,899
	P 450,672,211	P 305,700,294

Retention payable pertains to amounts withheld from payments made to contractors to ensure compliance and completion of contracted projects, which ranges from 5% to 10% of every billing made by the contractor. Upon completion of the contracted projects, submission of required bonds and final acceptance of works, the amounts are returned to contractors.

Deferred income represents unearned tuition, miscellaneous and other fees relating to the portion of the school year applicable to the succeeding financial year.

18. OTHER INCOME AND EXPENSES

18.1 Other Income

The details of this account are shown below.

	2014	2013	2012
Forfeited collections and deposits	P 258,958,962	P 188,025,808	P 193,158,929
Tuition and miscellaneous fees	46,424,880	40,659,477	39,950,878
Marketing fees	12,237,144	5,560,753	4,424,538
Miscellaneous	36,233,927	21,387,087	13,279,906
	P 353,854,913	P 255,633,125	P 250,814,251

Forfeited collections and deposits include reservation fees and all payments made by delinquent buyers. This also include portion of payments received by the Group upon approval of buyer's request to transfer to other units.

Miscellaneous fees include registration fees, medical and dental fees, laboratory fees, energy fees, and other fees charged to students upon enrolment.

Miscellaneous income mostly includes manning costs charged by the Company for the construction project of its related party.

18.2 Other Expenses

The breakdown of other operating expenses is shown below.

	Notes		2014		2013		2012
Rentals	25.2	P	**157,719,595**	P	162,986,752	P	137,407,335
Association dues			**28,714,377**		29,087,260		34,312,370
Utilities			**26,856,166**		26,148,135		27,145,364
Security services			**17,650,157**		17,529,361		14,060,312
Professional fees			**9,596,697**		7,244,942		5,531,073
Repairs and maintenance			**5,648,126**		7,097,326		5,305,360
Office supplies			**6,715,505**		5,248,190		8,786,138
Representation			**4,654,045**		646,371		524,485
Documentation			**4,544,472**		8,065,249		10,159,405
Janitorial services			**3,740,024**		5,368,875		3,646,844
Outside services			**3,628,675**		3,824,093		3,263,566
Insurance			**3,385,706**		3,234,555		3,136,770
Marketing events and awards			**2,320,101**		1,201,920		649,537
Loss on sale of investment	8		**-**		35,422,273		-
Miscellaneous			**23,058,222**		16,691,114		14,790,840
		P	**298,231,868**	P	329,796,416	P	268,719,399

Miscellaneous expenses include bank charges, donations and contributions, trainings and seminars, motor vehicle registration and others.

19. FINANCE INCOME AND FINANCE COSTS

The details of this account are shown below.

19.1 Finance Income

	Notes		2014		2013		2012
Interest income:							
Trade and other receivables	6	P	**145,397,708**	P	267,456,702	P	319,203,884
Advances to related parties	22.1		**122,027,646**		108,034,380		109,628,132
Cash and cash equivalents	5		**2,889,125**		16,201,060		24,447,560
Tuition fees			**2,423,180**		1,027,354		1,006,313
			272,737,659		392,719,496		454,285,889
Amortization of day one loss on noninterest – bearing financial instruments	6		**65,659,735**		51,293,349		36,622,653
Dividend income	8		**42,788,000**		42,788,000		40,536,000
Foreign currency gains – net			**-**		5,775,947		-
		P	**381,185,394**	P	492,576,792	P	531,444,542

19.2 Finance Costs

The breakdown of Finance costs is shown below.

	Note		2014		2013		2012
Interest expense on advances from related parties	22.1	P	**112,101,093**	P	117,115,432	P	84,211,966
Net interest expense on post-employment defined benefit obligation	20.2		**15,227,357**		9,457,306		7,799,450
Foreign currency losses – net			**526,858**		-		4,619,214
		P	**127,855,308**	P	126,572,738	P	96,630,630

20. SALARIES AND EMPLOYEE BENEFITS

20.1 Salaries and Employee Benefits Expense

Expenses recognized for employee benefits are presented below.

	Note		2014		2013		2012
Short-term benefits		P	**265,201,543**	P	219,979,783	P	173,004,160
Post-employment benefits	20.2		**37,125,992**		35,528,471		18,020,056
		P	**302,327,535**	P	255,508,254	P	191,024,216

20.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

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

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

(b) Explanation of the Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation reports obtained from an independent actuary in 2014 and 2013.

The amounts of post-employment defined benefit obligation recognized in the consolidated statements of financial position are determined as follow:

	2014	2013
Present value of the obligation	**P 447,721,635**	P 300,366,865
Fair value of the assets	**(14,548,161)**	(11,486,428)
	P 433,173,474	P 288,880,437

The movements in the present value of the post-employment defined benefit obligation recognized in the books are as follows:

	2014	2013
Balance at beginning of year	**P 300,366,865**	P 158,756,207
Current service cost	**37,125,992**	35,528,471
Interest expense	**15,780,613**	9,942,846
Remeasurements:		
Actuarial losses (gains) arising from		
- changes in financial assumptions	**69,607,504**	98,849,047
- experience adjustments	**24,840,661**	(2,709,706)
Balance at end of year	**P 447,721,635**	P 300,366,865

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

	2014	2013
Balance at beginning of year	**P 11,486,428**	P 8,453,807
Contributions to plan	**3,000,000**	3,200,000
Interest income	**553,256**	485,540
Return on plan assets (excluding amounts included in net interest	**(491,523)**	(652,919)
Balance at end of year	**P 14,548,161**	P 11,486,428

The Group's plan assets only consist of cash and cash equivalents as of December 31, 2014 and 2013 and do not comprise any of the Group's financial instruments or any of its assets occupied and/or used in its operations.

The plan assets earned a return of P0.06 million in 2014 and incurred a negative return of P0.17 million in 2013.

The components of amounts recognized in the consolidated statements of comprehensive income in respect of the post-employment defined benefit plan are as follows:

	Notes	**2014**	2013	2012
Reported in profit or loss:				
Current service cost	20.1	**P 37,125,992**	P 35,528,471	P 18,020,056
Net interest expense	19.2	**15,227,357**	9,457,306	7,799,450
		P 52,353,349	P 44,985,777	P 25,819,506
Reported in other comprehensive income:				
Actuarial losses (gains) arising from:				
- changes in financial assumptions		**P 69,607,504**	P 98,849,047	P 3,224,238
- experience adjustments		**24,840,661**	(2,709,706)	317,408
Return on plan assets (excluding amounts included in net interest)		**491,523**	652,919	158,322
		P 94,939,688	P 96,792,260	P 3,699,968

Current service cost is presented as part of Salaries and Employee Benefits under Costs and Expenses in the consolidated statements of comprehensive income (see Note 20.1) while the amounts of net interest expense is included as part of Finance Costs under Costs and Expenses in the consolidated statements of comprehensive income (see Note 19.2).

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

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

	2014	2013	2012
Company			
Discount rates	**4.49%**	5.32%	6.44%
Expected rate of salary increases	**10.00%**	10.00%	8.00%
EPHI			
Discount rates	**4.88%**	5.65%	6.18%
Expected rate of salary increases	**8.20%**	6.00%	8.00%
LBASSI			
Discount rate	**4.73%**	5.17%	5.64%
Expected rate of salary increases	**6.00%**	6.00%	5.00%

The other subsidiaries currently do not have employees and their accounting and other administrative functions are being handled by the Company; hence, there was no cost of retirement benefits recognized.

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working life of an individual retiring at the age of 60 for both males and females are as follows:

	Retirement Age	Average Remaining Working Life
Company	60	28
LBASSI	60	23
EPHI	65	21

These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bonds with terms to maturity approximating to the terms of the retirement 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 interest rate risk, longevity risk and salary risk.

Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after 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.

Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2014 and 2013:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
2014			
Company			
Discount rate	+0.50%/-1.00%	(P 64,189,242)	P 80,767,663
Salary increase rate	+0.75%/-1.25%	71,528,291	(58,979,949)
LBASSI			
Discount rate	+/-1.00%	(102,847)	1,642,963
Salary increase rate	+/-1.00%	1,566,888	(62,254)
EPHI			
Discount rate	+/-0.50%	(3,693,771)	4,100,666
Salary increase rate	+/-1.00%	8,044,281	(6,710,441)
2013			
Company			
Discount rate	+0.50%/-1.00%	(P 41,570,957)	P 51,824,555
Salary increase rate	+0.75%/-1.25%	46,249,221	(38,411,489)
LBASSI			
Discount rate	+/-1.00%	(557,697)	693,575
Salary increase rate	+/-1.00%	641,647	(530,851)
EPHI			
Discount rate	+/-0.50%	(2,355,692)	2,604,416
Salary increase rate	+/-2.00%	15,588,813	(9,414,363)

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

Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its BOD, ensures that the investment positions are 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 strategy aims to match the plan assets to the retirement obligations by investing in cash and cash equivalents with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

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

Funding Arrangements and Expected Contributions

The plan is currently underfunded by P433.17 million based on the 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 10 years' time when a significant number of employees is expected to retire.

The Company expects to make contribution of P5.0 million to the plan during the next financial year.

The maturity profile of undiscounted expected benefit payments from the plan follows for the next ten years:

	2014	2013
Within one year	**P 13,338,676**	P 1,299,026
More than one year to five years	**485,787**	12,551,481
More than five years to ten years	**155,593,805**	107,576,032
	P 169,418,268	P 121,426,539

The weighted average duration of the defined benefit obligation at the end of the reporting period is 20 to 22 years.

21. TAXES

The components of tax expense (income) reported in the consolidated statements of comprehensive income for the years ended December 31 are as follows:

	2014	2013	2012
Reported in profit or loss:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% and 10%	**P 69,997,949**	P 58,642,014	P 47,323,257
Final tax at 20% and 7.5%	**459,898**	3,131,633	4,749,031
Capital gains tax at 10%	**-**	16,334,686	-
	70,457,847	78,108,333	52,072,288
Deferred tax expense relating to origination and reversal of temporary differences	**193,960,500**	92,028,022	22,714,748
	P 264,418,347	P 170,136,355	P 74,787,036
Reported in other comprehensive loss – Deferred tax income at 30% and 10% relating to origination and reversal of temporary differences	**(P 28,355,076)**	(P 28,805,985)	(P 929,818)

LBASSI, as an educational institution, is subject to 10% tax on its taxable income as defined under the tax regulations of the National Internal Revenue Code (NIRC) Section 27(B).

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense as reported in the profit or loss section of the consolidated statements of comprehensive income is as follows:

	2014	2013	2012
Tax on pretax profit at 30% and 10%	**P 222,836,225**	P 171,138,247	P 89,231,241
Adjustment for income subjected to lower income tax rates:			
Final tax	**(298,891)**	(1,649,690)	(2,372,586)
Capital gains tax	**-**	(13,689,927)	-
Tax effects of:			
Nondeductible taxes and licenses	**49,627,001**	-	-
Nontaxable income	**(12,871,440)**	(12,856,959)	(23,299,281)
Unrecognized deferred tax assets	**4,945,348**	10,112,505	14,073,191
Nondeductible loss on discounting	**(3,112,490)**	-	-
Nondeductible expenses	**3,060,536**	17,082,179	6,766,579
Nondeductible interest expense	**232,058**	-	-
Deductible issuance costs	**-**	-	(10,103,013)
Others – net	**-**	-	490,905
Tax expense reported in profit or loss	**P 264,418,347**	P 170,136,355	P 74,787,036

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

	Consolidated Statements of Financial Position		Consolidated Statements of Comprehensive Income		
	2014	2013	**2014**	2013	2012
Deferred tax assets:					
Retirement benefit obligation	**P 128,570,691**	P 85,593,828	**(P 14,621,787)**	(P 12,407,640)	(P 6,667,694)
Unamortized past service cost	**2,877,000**	2,400,000	**(477,000)**	(627,000)	(423,000)
Unrealized foreign currency losses - net	**158,058**	-	**(158,058)**	-	(1,385,764)
Accrued rent	**14,446**	78,144	**63,698**	31,754	(59,674)
	131,620,195	88,071,972	**(15,193,147)**	(13,002,886)	(8,536,132)
Deferred tax liabilities:					
Uncollected realized gross profit	**(1,245,834,388)**	(1,026,966,308)	**218,868,080**	108,146,579	36,907,489
Capitalized borrowing cost	**(228,871,477)**	(236,853,126)	**(7,981,649)**	(6,234,219)	(5,656,609)
Unrealized foreign exchange gains – net	**-**	(1,732,784)	**(1,732,784)**	3,118,548	-
	(1,474,705,865)	(1,265,552,218)	**209,153,647**	105,030,908	31,250,880
Deferred Tax Expense			**P 193,960,500**	P 92,028,022	P 22,714,748
Net Deferred Tax Liabilities	**(P 1,343,085,670)**	(P 1,177,480,246)			

The deferred tax income recognized in other comprehensive income amounting to P28.4 million, P28.8 million and P0.9 million in 2014, 2013 and 2012, respectively, pertains to the tax effect of remeasurements of retirement benefit obligation.

The Group is subject to the MCIT which is computed at 2% of gross income, as defined under the tax regulations or RCIT, whichever is higher.

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.

Subsidiary	Year Incurred	Amount	Valid Until
EECI	2014	P 16,275,621	2017
	2013	33,552,513	2016
	2012	45,231,215	2015
SPLI	2014	166,158	2017
	2013	158,754	2016
	2012	165,981	2015
SOHI	2014	909,343	2017
	2013	1,332,016	2016
	2012	1,150,692	2015
VVPI	2014	142,908	2017
	2013	271,483	2016
	2012	262,501	2015

EECI, SPLI, SOHI and VVPI did not recognize deferred tax assets on their respective NOLCO as management believes that the related deferred tax assets may not be recovered within the prescriptive period. The amount of NOLCO for the year ended 2014 for which the related deferred tax asset has not been recognized amounted to a total of P17.5 million with a total tax effect of P5.2 million.

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

	Assets	Deficit	Revenues	Net Loss
2014				
EECI	P 27,771,361	P 194,338,757	P 13,917,726	P 26,446,421
SPLI	511,946,672	9,492,595	-	166,158
SOHI	17,007,166	8,191,618	-	909,343
VVPI	90,889,549	3,417,986	-	142,908
	P 647,614,748	**P 215,440,956**	**P 13,917,726**	**P 27,664,830**
2013				
EECI	P 28,397,146	P 167,892,337	P 20,746,854	P 33,549,522
SPLI	511,899,161	9,326,437	-	158,754
SOHI	16,936,665	7,282,275	-	1,505,855
VVPI	90,918,618	3,275,078	-	271,483
	P 648,151,590	P 187,776,127	P 20,746,854	P 35,485,614

In 2014, 2013 and 2012, the Group opted to claim itemized deductions in computing for its tax due.

22. RELATED PARTY TRANSACTIONS

The Group's related parties include its associate, parent company, ultimate parent company, stockholders, related parties under common ownership, key management personnel, and the Group's retirement plan as described below.

The summary of the Group's significant transactions and outstanding balances with its related parties follows:

Related Party Category	Notes	Amounts of Transaction			Outstanding Balance	
		2014	2013	2012	**2014**	2013
Ultimate Parent:						
AFS financial assets	8	**(P 365,950,000)**	P 1,017,904,000	P 464,392,000	**P 2,539,130,000**	P 2,905,080,000
Dividend income	19.1	**42,788,000**	42,788,000	40,536,000	**42,788,000**	-
		(P 323,162,000)	P 1,060,692,000	P 504,928,000	**P 2,581,918,000**	P 2,905,080,000
Advances to related parties:						
Associates:	22.1					
Loans and interest		**P -**	(P 913,981,506)	P 102,712,258	**P -**	P -
Capital expenditure		**-**	(231,570,819)	-	-	-
Working capital		**31,989,602**	5,778,194	42,563,867	**316,190,329**	284,200,727
		P 31,989,602	(P 1,139,774,131)	P 145,276,125	**P 316,190,329**	P 284,200,727
Under common ownership:	22.1					
Loans and interest		**P 130,007,806**	P 1,029,390,050	P 2,219,097	**P 1,193,229,539**	P 1,063,221,733
Investment		**(36,875,000)**	242,250,000	-	**205,375,000**	242,250,000
Capital expenditure		**-**	231,570,819	-	**234,164,981**	234,164,981
Working capital		**(222,553,633)**	2,962,841	(91,285,366)	**7,400,700**	229,954,333
		(P 129,420,827)	P 1,506,173,710	(P 89,066,269)	**P 1,640,170,220**	P 1,769,591,047
Advances from related parties:						
Parent Company:	22.1					
Loans and interest		**(P 584,038,848)**	P -	(P 84,645,102)	**(P 1,125,657,122)**	(P 541,618,274)
Capital expenditure		**-**	1,125,828,215	(1,494,000,000)	**(577,248,542)**	(577,248,542)
Working capital		**34,297,062**	8,154,691	68,052,310	**(37,281,399)**	(71,578,461)
		(P 549,741,786)	P 1,133,982,906	(P 1,510,592,792)	**(P 1,740,187,063)**	(P 1,190,445,277)
Associates:	22.1					
Capital expenditure		**P -**	P -	(P 380,770,134)	**(P 380,770,134)**	(P 380,770,134)
Working capital		**(2,775,769)**	(493,543)	(6,432,028)	**(9,701,340)**	(6,925,571)
		(P 2,775,769)	(P 493,543)	(P 387,202,162)	**(P 390,471,474)**	(P 387,695,705)
Under common ownership:	22.1					
Loans and interest		**P -**	P -	(P 65,021)	**P -**	P -
Capital expenditure		**11,250,000**	11,250,000	10,921,754	**(52,117,245)**	(63,367,245)
Working capital		**14,261,944**	(37,500,000)	37,500,000	**12,416,187**	(1,845,757)
		P 25,511,944	(P 26,250,000)	P 48,356,733	**(P 39,701,058)**	(P 65,213,002)

The Group's outstanding receivables from and payables to related parties arising from interest-bearing loans, joint venture agreements, lease of property and cash advances to related party are unsecured and demandable anytime.

There were no impairment losses recognized on the outstanding receivables from related parties in 2014, 2013 and 2012.

22.1 Advances to and from Related Parties

Entities within the Group obtain advances from the related parties for working capital requirements and other purposes.

The details of Advances to Related Parties as presented in the consolidated statements of financial position are as follows:

	2014	2013
SPI	P 1,595,425,894	P 1,468,674,266
MCPI	291,776,004	284,200,726
First Oceanic Property Management, Inc.	34,449,016	34,449,016
Other related parties	34,709,635	266,467,766
	P 1,956,360,549	P 2,053,791,774

The movements in the advances to related parties are shown below.

	2014	2013
Balance at beginning of year	P 2,053,791,774	P 1,687,392,195
Additional advances	207,276,862	161,150,136
Reclassification	(3,272,528)	242,250,000
Collections received	(301,435,559)	(37,000,557)
Balance at end of year	P 1,956,360,549	P 2,053,791,774

The details of Advances from Related Parties are as follows:

	2014	2013
Advances from parent company:		
Balance at beginning of year	P 1,190,445,277	P 2,324,428,183
Additions	584,739,351	141,745,633
Repayments	(34,997,565)	(1,275,728,539)
Balance at end of year	P 1,740,187,063	P 1,190,445,277
Advances from associates and related parties under common ownership:		
Balance at beginning of year	P 452,908,707	P 426,165,164
Additions	2,819,201	493,543
Repayments	(24,773,648)	(11,250,000)
Reclassification	(781,729)	37,500,000
Balance at end of year	P 430,172,531	P 452,908,707
Total advances from related parties:		
Balance at beginning of year	P 1,643,353,984	P 2,750,593,347
Additions	587,558,552	142,239,176
Repayments	(59,771,213)	(1,286,978,539)
Reclassification	(781,729)	37,500,000
Balance at end of year	P 2,170,359,594	P 1,643,353,984

These advances to/from stockholders, associate and other related parties are generally unsecured. Some of these are interest-bearing (see Note 19.1). The amounts are generally collectible/payable in cash on demand or through offsetting arrangements with the related parties (see Note 27.2).

22.2 Marketing Fees

The Group earns marketing fees from the sale of Megaworld's real estate properties and also from the sale of landowners' share/units in the joint venture projects with the Group. The marketing fee recognized amounted to P 134.9 million, P147.6 million and P149.6 million in 2014, 2013 and 2012, respectively, which is presented as Commission in the consolidated statements of comprehensive income. The related receivables arising from marketing fees are offset against the advances received from Megaworld.

22.3 Deed of Assignment

In June 2011, Fil-Estate Properties, Inc. (FEPI), a related party under common ownership, has agreed to assign the right to develop a certain property. In consideration of the assignment, the Company shall pay FEPI a non-refundable cash consideration totaling P60.0 million. The consideration was presented as part of Property Development Costs in the statements of financial position. As of December 31, 2014 and 2013, the unpaid portion of the cash consideration amounting to P5.6 million and P16.8 million, respectively, is presented as part of the Advances from Related Parties account in the statement of financial position.

22.4 Key Management Personnel Compensation

The compensation of the Group's key management personnel are as follows:

	2014	2013	2012
Short-term benefits	P 27,578,218	P 25,295,848	P 23,386,710
Post-employment benefits	10,981,129	10,283,038	7,692,779
	P 38,559,347	P 35,578,886	P 31,079,489

These are presented as part of Salaries and Employee Benefits under Cost and Expenses in the consolidated statements of comprehensive income for the years ended December 31, 2014, 2013 and 2012 (see Note 20.1).

22.5 Retirement Plan

The Group's retirement fund for its post-employment defined benefit plan is administered and managed by a trustee bank. The plan assets consist of cash and cash equivalents and investment in debt securities amounting to P14.5 million and P11.5 million as of December 31, 2014 and 2013, respectively (see Note 20.2).

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

The details of the contributions of the Group and benefits paid out by the plan are presented in Note 20.2.

23. EQUITY

23.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2014	2013		**2014**		2013
Common shares – P1 par value						
Authorized:	**31,495,200,000**	31,495,200,000	**P**	**31,495,200,000**	P	31,495,200,000
Issued:						
Balance at beginning of year	**14,803,455,238**	13,603,455,238	**P**	**14,803,455,238**	P	13,603,455,238
Issuance during the year	**-**	1,200,000,000		**-**		1,200,000,000
Balance at end of year	**14,803,455,238**	14,803,455,238	**P**	**14,803,455,238**	P	14,803,455,238
Preferred shares – P1 par value						
Authorized:	**2,000,000,000**	2,000,000,000	**P**	**2,000,000,000**	P	2,000,000,000

On June 26, 2013, the Company issued additional 1.2 billion common shares to Megaworld at P1.05 per share for a total cash consideration of P1.3 billion resulting to additional paid in capital of P60.0 million. Megaworld's ownership interest in the Company as of December 31, 2014 and 2013 is 81.72% and 81.53%, respectively.

On April 24, 2012, the Company's BOD approved the offer for subscription of 2,695,239,834 new shares (the "right shares") by way of a pre-emptive offer (the "rights offer") to holders of its common shares at the proportion of one new share for every four existing common shares, at the offer/exercise price equivalent to their par value of P1 per share. This was approved by the SEC on August 30, 2012.

Also, on April 24, 2012, the BOD approved the increase in the Company's authorized capital stock from P23.5 billion divided into 21.5 billion common and 2.0 billion preferred shares both with par value of P1 each, to P33.5 billion divided into 31.5 billion common and 2.0 billion preferred shares both with par value of P1 per share. The application for the increase in authorized capital stock was approved by the SEC on October 17, 2012.

The Series B preferred shares are nonredeemable, convertible into common shares and are nonvoting. The shares have zero coupon rate and shall not be entitled to dividends. The Series B preferred shares shall be convertible to common shares anytime after the end of the 18 months from the implementation date, May 29, 1998, as defined in the subscription agreements.

On April 24, 1996, the Company obtained approval for the listing of its common stock on the PSE; thereafter, the shares were offered for the sale to the public. The initial public offering consists of 214,666,667 new common shares and the sale by a stockholder of the Group of 210,333,333 existing common shares at an offer price of P12.90 per share.

As of December 31, 2014 and 2013, the Company's outstanding number of shares totalled 14,676,199,167 with total of 127,256,071 treasury stock as of the end of both years in which 13,603,455,238 as of December 31, 2014 and 2013 were listed and closed at a price of P0.90 and P0.92 per share (as of December 29, 2014 and December 27, 2013, respectively). The Group has 12,775 and 12,894 holders of equity securities listed in PSE as of December 31, 2014 and 2013, respectively.

23.2 Treasury Stock

On March 23, 2006, the Company's BOD authorized the buy-back of up to P1.0 billion worth of Company's shares of common stock within a 24-month period under certain terms and conditions as the Company's senior management may deem beneficial to the Company and its stockholders.

As of December 31, 2014 and 2013, the Company's treasury shares amounted to P102.1 million, representing the cost of 127,256,071 shares reacquired by the Company.

23.3 Retained Earnings

Retained earnings is restricted in the amount of P102.1 million representing the cost of 127,256,071 shares held in treasury as of the end of the reporting periods.

24. EARNINGS PER SHARE

Basic and diluted earnings per share amounts were computed as follows:

		2014		2013		2012
Net profit attributable to parent company's shareholders	**P**	**481,845,568**	P	299,466,849	P	234,603,385
Divided by the weighted average number of issued and outstanding common shares		**14,676,199,167**		14,057,360,265		11,181,475,712
Basic and diluted earnings per share	**P**	**0.033**	P	0.021	P	0.021

25. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

25.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases covering real estate properties for commercial use. The leases have terms ranging from one to three years, with renewal options, and include annual escalation rates of 2% to 10%. The average annual rental covering these agreements amounts to about P111.8 million in 2014, P121.4 million in 2013 and P45.0 million in 2012.

The future minimum rental receivable under these non-cancellable operating leases are as follows as of December 31:

		2014		2013		2012
Within one year	**P**	**25,621,665**	P	24,439,210	P	18,699,525
After one year but not more than five years		**44,175,410**		66,825,230		5,499,839
More than five years		**-**		-		5,976,632
	P	**69,797,075**	P	91,264,440	P	30,175,996

25.2 Operating Lease Commitments – Group as Lessee

The Group is a lessee under non-cancellable operating leases covering certain offices, showroom and parking slots. The leases have terms ranging from one to four years, with renewal options and include annual escalation rate of 2% to 10%. The future minimum rental payable under these non-cancellable operating leases are as follows as of December 31:

		2014		2013		2012
Within one year	**P**	**43,193,006**	P	38,496,570	P	36,893,558
After one year but not more than five years		**3,844,014**		38,161,726		23,383,968
	P	**47,037,020**	P	76,658,296	P	60,277,526

Total rentals from these operating leases which was charged to Rentals under Other Expenses in the consolidated statements of comprehensive income amounted to P157.7 million, P163.0 million and P137.4 million in 2014, 2013 and 2012, respectively (see Note 18.2).

25.3 Legal Claims

As of December 31, 2014 and 2013, the Group is a party to a litigation arising in the normal course of business. No provision for contingency was recognized in the consolidated financial statements because the ultimate outcome of this litigation cannot be presently determined. In addition, the Group's management believes that its impact in the consolidated financial statements, taken as a whole, is not material.

25.4 Credit Lines

The Group has existing credit lines with local banks for a maximum amount of P2.9 billion as of December 31, 2014 and 2013. The Group has unused lines of credit amounting to P670.0 million as of December 31, 2014 and 2013.

25.5 Capital Commitments

As of December 31, 2014, the Group has fully utilized the balance of its stock rights offering, hence, no capital commitments pertaining to landbanking, project development and general corporate purposes were outstanding as of the end of the period.

25.6 Others

There are other commitments and contingent liabilities that may 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.

26. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. Risk management is carried out by a central treasury department under policies approved by the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

26.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, and interest rate risk which result from both its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Foreign exchange risk arises from the Group's United States (U.S.) dollar-denominated cash and cash equivalents (see Note 5).

The Group's U.S. dollar-denominated financial assets, translated into Philippine pesos at the closing rate, amounted to P55.3 million, P81.3 million and P77.1 million as of December 31, 2014, 2013 and 2012, respectively. There were no U.S. dollar-denominated financial liabilities as of December 31, 2014 and 2013.

At December 31, 2014, 2013 and 2012, if the Philippine peso had strengthened by 27.84%, 23.40% and 15.67% against the U.S. dollar with all other variables held constant, profit before tax for the year would have been lower by P15.4 million, P19.0 million and P12.1 million, respectively, mainly as a result of foreign currency loss on translation of U.S. dollar-denominated cash and cash equivalents.

On the other hand, if the peso had weakened by the same percentage, with all other variables held constant, profit before tax would have been higher by the same amount in each of those years.

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, estimated at 99% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the end of each reporting period.

Exposures to foreign exchange rates vary during the year depending on the volume of transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. The Group's interest rate risk largely arises from cash and cash equivalents and interest-bearing loans and borrowings, which are subject to variable interest rates. All other financial assets and liabilities have fixed rates.

The following paragraph presents the sensitivity of the Group's profit before tax for the year to a reasonably possible change in interest rate of +/- 1.42% and +/- 1.71% for cash and cash equivalents and interest-bearing loans and borrowings, respectively, in 2014, +/- 2.14% and +/- 2.16% for cash and cash equivalents and interest-bearing loans and borrowings, respectively, in 2013 and +/- 1.53% and +/- 3.65% for cash and cash equivalents and interest-bearing loans and borrowings, respectively in 2012. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on changes in the average market interest rates for each period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

If the interest rates were to increase, profit before tax would increase by P6.4 million, P5.3 million and P31.6 million in 2014, 2013 and 2012, respectively. If interest rates were to decrease, profit before tax would decrease in 2014, 2013 and 2012 by the same amounts.

The movements in interest rates used in the sensitivity analysis are considered reasonably possible and are based on observation of interest rate fluctuations for the past 12 months using a 99%-confidence level. The calculations are based on the Group's financial instruments held at the end of each reporting period, with effect estimated from the beginning of the year.

(c) *Other Price Risk*

The Group's market price risk arises from its investments carried at fair value (classified as AFS financial assets). 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, an average volatility of 21.49% and 73.12% has been observed during 2014 and 2013. If quoted price for these securities increased or decreased by that amount, profit before tax would have changed by P0.5 billion in 2014 and P2.1 billion in 2013.

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.

The Group is not subject to commodity price risk.

26.2 Credit Risk

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

	Notes	**2014**	2013
Cash and cash equivalents	5	**P 821,513,652**	P 504,471,331
Trade and other receivables – net excluding advances to suppliers and contractors)	6	**5,497,005,122**	4,535,668,171
Advances to related parties	22.1	**1,956,360,549**	2,053,791,774
		P 8,274,879,323	P 7,093,931,276

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

(a) *Cash and Cash Equivalents*

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

(b) *Trade and Other Receivables*

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Majority of the trade receivables are secured by postdated checks. Also, titles to residential units sold to buyers are retained to the Group until such time that the outstanding balance is collected in full. Based on historical information about customer default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good.

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

	2014	2013
Not more than 3 months	**P 65,706,815**	P 66,282,246
More than 3 months but not more than 6 months	**143,011,689**	126,380,754
More than 6 months but not more than one year	**162,198,252**	193,346,546
More than one year	**58,370,432**	60,038,070
	P 429,287,188	P 446,047,616

(c) Advances to Related Parties

The Group is not exposed to significant credit risk as advances are made to reputable entities.

The table below shows the credit quality by class of financial assets as of December 31, 2014.

	Neither Past Due nor Specifically Impaired			Past Due or Individually Impaired	
	High Grade	Standard Grade	Substandard Grade		Total
Cash and cash equivalents	P 821,513,652	P -	P -	P -	P 821,513,652
Trade and other receivables - net	3,084,005,924	2,412,999,198	-	-	5,497,005,122
Advances to related parties - net	1,956,360,549	-	-	-	1,956,360,549
	P 5,861,880,125	**P 2,412,999,198**	**P -**	**P -**	**P 8,274,879,323**

This compares with the credit quality by class of financial assets as of December 31, 2013.

	Neither Past Due nor Specifically Impaired			Past Due or Individually Impaired	
	High Grade	Standard Grade	Substandard Grade		Total
Cash and cash equivalents	P 504,471,331	P -	P -	P -	P 504,471,331
Trade and other receivables - net	2,113,975,686	2,421,692,485	-	-	4,535,668,171
Advances to related parties - net	2,053,791,774	-	-	-	2,053,791,774
	P 4,672,238,791	**P 2,421,692,485**	**P -**	**P -**	**P 7,093,931,276**

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. 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.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates are of good credit quality, including those that are past due.

26.3 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 basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for 6-month and one-year periods 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. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2014, the Group's financial liabilities have contractual maturities which are presented below.

	Within 6 Months	1 to 5 Years
Interest-bearing loans and borrowings	P 35,018,345	P 124,193,305
Trade and other payables	640,797,510	-
Advances from related parties	2,170,359,594	-
Other current liabilities	437,556,678	-
	P 3,283,732,127	**P 124,193,305**

This compares to the maturity of the Group's financial liabilities as of December 31, 2013.

	Within 6 Months	1 to 5 Years
Interest-bearing loans and borrowings	P 46,718,976	P 217,927,707
Trade and other payables	377,303,492	-
Advances from related parties	1,643,353,984	-
Other current liabilities	287,912,670	-
	P 2,355,289,122	**P 217,927,707**

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

27. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

27.1 Carrying Amounts and Fair Values by Category

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

		2014		2013	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets					
Loans and Receivables:					
Cash and cash equivalents	5	**P 821,513,652**	**P 821,513,652**	P 504,471,331	P 504,471,331
Trade and other receivables	6	**5,497,005,122**	**5,497,005,122**	4,535,668,171	4,535,668,171
Advances to related parties	22.1	**1,956,360,549**	**1,956,360,549**	2,053,791,774	2,053,791,774
		8,274,879,323	**8,274,879,323**	7,093,931,276	7,093,931,276
AFS Financial Assets	8	**2,539,130,000**	**2,539,130,000**	2,905,080,000	2,905,080,000
		P 10,814,009,323	**P 10,814,009,323**	P 9,999,011,276	P 9,999,011,276
Financial Liabilities at amortized cost					
Interest-bearing loans and borrowings	14	**P 136,521,553**	**P 136,521,553**	P 219,731,151	P 219,731,151
Trade and other payables	15	**640,797,510**	**640,797,510**	377,303,492	377,303,492
Advances from related parties	22.1	**2,170,359,594**	**2,170,359,594**	1,643,353,984	1,643,353,984
Other current liabilities	17	**437,556,678**	**437,556,678**	287,912,670	287,912,670
		P 3,385,235,335	**P 3,385,235,335**	P 2,528,301,297	P 2,528,301,297

See Notes 2.4 and 2.8 for a description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 26.

27.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets and financial liabilities with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	2014			2013		
	Gross amounts recognized in the statements of financial position		Net amount presented in the statement of financial position	Gross amounts recognized in the statements of financial position		Net amount presented in the statement of financial position
	Financial instruments	Financial instruments set off		Financial instruments	Financial instruments set off	
December 31, 2014:						
Advances to related parties	P 2,261,934,186	P 4,138,078	P 1,956,360,549	P 2,090,792,331	P 557	P 2,053,791,774
Advances from related parties	2,018,566,728	34,144,673	2,170,359,594	2,930,332,523	9,812,366	1,643,353,984
	P 4,280,500,914	**P 38,282,751**	**P 4,126,720,143**	P 5,021,124,854	P 9,812,923	P 3,697,145,758

	2014			2013		
	Related amounts not set off in the statements of financial position			Related amounts not set off in the statements of financial position		
	Financial liabilities	Collateral received	Net amount	Financial instruments	Collateral received	Net amount
December 31, 2014:						
Interest-bearing loans and borrowings	**P 136,521,553**	**P 136,521,553**	**P -**	P 219,731,151	P 219,731,151	P -

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements, each agreement between the Group and counterparties (i.e., related parties including subsidiaries and associates) allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

28. FAIR VALUE MEASUREMENT AND DISCLOSURES

28.1 Fair Value Hierarchy

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

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

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

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

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

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

28.2 Financial Instruments Measured at Fair Value

As of December 31, 2014 and 2013, only the equity securities classified as AFS financial assets in the consolidated statements of financial position is classified as Level 1. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period. There were no other financial assets measured at fair value on these dates. Further, the Group has no financial liabilities measured at fair value as of December 31, 2014 and 2013.

There were no transfers between Levels 1 and 2 in both years.

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

The table below summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the 2014 consolidated statement of financial position but for which fair value is disclosed.

	Notes	2014 Level 1	Level 2	Level 3	Total
Financial assets					
Loans and receivables:					
Cash and cash equivalents	5	P 821,513,652	P -	P -	P 821,513,652
Trade and other receivables	6	-	-	5,497,005,122	5,497,005,122
Advances to related parties	22	-	-	1,956,360,549	1,956,360,549
		P 821,513,652	**P -**	**P 7,453,365,671**	**P 8,274,879,323**
Financial Liabilities at amortized cost					
Interest-bearing loans and borrowings		P -	P -	P 136,521,553	P 136,521,553
Trade and other payables		-	-	640,797,510	640,797,510
Advances from related parties		-	-	2,170,359,594	2,170,359,594
Other current liabilities		-	-	437,556,678	437,556,678
		P -	**P -**	**P 3,385,235,335**	**P 3,385,235,335**

	Notes	2013 Level 1	Level 2	Level 3	Total
Financial assets					
Loans and receivables:					
Cash and cash equivalents	5	P 504,471,331	P -	P -	P 504,471,331
Trade and other receivables	6	-	-	4,535,668,171	4,535,668,171
Advances to related parties	22	-	-	2,053,791,774	2,053,791,774
		P 504,471,331	P -	P 6,589,459,945	P 7,093,931,276
Financial Liabilities at amortized cost					
Interest-bearing loans and borrowings		P -	P -	P 219,731,151	P 219,731,151
Trade and other payables		-	-	377,303,492	377,303,492
Advances from related parties		-	-	1,643,353,984	1,643,353,984
Other current liabilities		-	-	287,912,670	287,912,670
		P -	P -	P 2,528,301,297	P 2,528,301,297

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.

28.4 Fair Value Measurement of Non-Financial Assets

The table below shows the Levels within the hierarchy of non-financial assets for which fair value is disclosed as of December 31, 2014 and 2013.

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Investment property:				
Land	P -	P -	P 8,400,000	P 8,400,000
Buildings and office/commercial units	-	-	516,230,104	516,230,104
	P -	**P -**	**P 524,630,104**	**P 524,630,104**

	2013			
	Level 1	Level 2	Level 3	Total
Investment property:				
Land	P -	P -	P 8,400,000	P 8,400,000
Buildings and office/commercial units	-	-	513,206,740	513,206,740
	P -	P -	P 521,606,740	P 521,606,740

The Level 3 fair value of the investment property was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with adjustments on the price for differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3. On the other hand, if the observable recent prices of the reference properties were not adjusted, the fair value is included in Level 2. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value.

29. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Capital components for cost of capital purposes include loans and borrowings, preferred stock, common equity and retained earnings. The Group may issue new shares and may prepay some of its interest-bearing loans. Further, it intends to allocate its earnings and available cash in the acquisition and development of new/existing properties to ensure continuous business activities.

The Group monitors its capital gearing by measuring the ratio of interest-bearing loans and borrowings to total capital. As of December 31, 2014 and 2013, the Group's ratio of interest-bearing loans and borrowings to equity is as follows:

	2014	2013
Interest-bearing loans and borrowings	**P 136,521,553**	P 219,731,151
Total equity	**24,841,939,691**	24,789,953,923
Debt-to-equity ratio	**0.01 :1**	0.01 : 1

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for both years (see Note 14.1).

Board of Directors

ANDREW L. TAN
Chairman of the Board

GERARDO C. GARCIA
Independent Director and Vice Chairman

ANTHONY CHARLEMAGNE C. YU
Director and President

ENRIQUE SANTOS L. SY
Director

KATHERINE L. TAN
Director

ALEJO L. VILLANUEVA, JR.
Indepent Director

EVELYN G. CACHO
Director and Vice President for Finance

Empire East Land Holdings, Inc.
Officers

President

Anthony Charlemagne C. Yu

Senior Vice President

Ricky S. Libago

Vice Presidents

Evelyn G. Cacho

Antonio E. Llantada, Jr.

Ricardo B. Gregorio

Jhoanna Lyndelou T. Llaga

Treasurer

Giovanni C. Ng

Corporate Secretary

Dennis E. Edaño

Assistant Corporate Secretary

Celeste Z. Sioson

Corporate Profile

Corporate Address

Empire East Land Holdings, Inc.
21/F The World Centre, 330 Sen. Gil Puyat Avenue
Makati City, Philippines
Tels: 867-8351 to 59 • 867-8013

Auditors

Punongbayan & Araullo
Grant Thornton International

Bankers

Banco de Oro Unibank
Metropolitan Bank and Trust Company
Philippine National Bank
Rizal Commercial Banking Corporation
United Coconut Planters Bank
Unionbank of the Philippines

Subsidiaries

Eastwood Property Holdings, Inc. (EPHI)
28/F The World Centre, 330 Sen. Gil Puyat Avenue
Makati City

Valle Verde Properties, Inc. (VVPI)
21/F The World Centre, 330 Sen. Gil Puyat Avenue
Makati City

Sherman Oak Holdings, Inc. (SOHI)
21/F The World Centre, 330 Sen. Gil Puyat Avenue
Makati City

Empire East Communities, Inc. (EECI)
21/F The World Centre, 330 Sen. Gil Puyat Avenue
Makati City

Laguna BelAir Science School, Inc. (LBASSI)
Laguna BelAir Subdivision
Barangay Don Jose, Sta. Rosa, Laguna

Sonoma Premier Land, Inc. (SPLI)
21/F The World Centre, 330 Sen. Gil Puyat Avenue
Makati City

Associate

Gilmore Property Management Associates, Inc. (GPMAI)
21/F The World Centre, 330 Sen. Gil Puyat Avenue
Makati City