

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A, AS AMENDED

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended
Dec 31, 2013
2. SEC Identification Number
AS094006430
3. BIR Tax Identification No.
003-942-108
4. Exact name of issuer as specified in its charter
EMPIRE EAST LAND HOLDINGS, INC.
5. Province, country or other jurisdiction of incorporation or organization
Metro Manila
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
21/F The World Centre, 330 Sen. Gil J. Puyat Avenue, Makati City, Philippines
Postal Code
1227
8. Issuer's telephone number, including area code
(632) 867-8351 to 55
9. Former name or former address, and former fiscal year, if changed since last report
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	14,676,199,167

11. Are any or all of registrant's securities listed on a Stock Exchange?
 Yes No
If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange
12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

Yes No

(b) has been subject to such filing requirements for the past ninety (90) days

Yes No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

Php2,268,566,471.08 based on the closing price of Php0.91 per share as of March 31, 2014

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY SUSPENSION OF PAYMENTS
PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

N/A

(b) Any information statement filed pursuant to SRC Rule 20

N/A

(c) Any prospectus filed pursuant to SRC Rule 8.1

N/A

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



Empire East

Empire East Land Holdings, Inc.

ELI

PSE Disclosure Form 17-1 - Annual Report
 References: SRC Rule 17 and
 Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2013
Currency (indicate units, if applicable)	Pesos

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2013	Dec 31, 2012
Current Assets	22,025,338,171	21,979,496,671
Total Assets	32,951,239,400	31,974,683,980
Current Liabilities	5,605,368,953	7,061,859,427
Total Liabilities	8,161,285,477	9,695,119,563
Retained Earnings/(Deficit)	3,186,793,388	2,887,326,539
Stockholders' Equity	24,789,953,923	22,279,564,417
Stockholders' Equity - Parent	24,176,545,847	21,666,948,889
Book Value per Share	1.65	1.61

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2013	Dec 31, 2012
Operating Revenue	2,168,271,271	1,656,723,906
Other Revenue	782,845,041	866,029,711
Gross Revenue	2,951,116,312	2,522,753,617
Operating Expense	2,024,139,022	1,809,093,310
Other Expense	456,369,154	402,851,285
Gross Expense	2,480,508,176	2,211,944,595
Net Income/(Loss) Before Tax	470,608,136	310,809,022
Income Tax Expense	170,136,355	74,787,036

Net Income/(Loss) After Tax	300,471,781	236,021,986
Net Income/(Loss) Attributable to Parent Equity Holder	299,466,849	234,603,385
Earnings/(Loss) Per Share (Basic)	0.021	0.021
Earnings/(Loss) Per Share (Diluted)	0.021	0.021

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2013	Dec 31, 2012
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	3.93	3.11
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	0.62	0.8
Solvency Ratio	Total Assets / Total Liabilities	4.04	3.3
Financial Leverage Ratios			
Debt Ratio	Total Debt/Total Assets	0.25	0.3
Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	0.33	0.44
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	4.12	3.09
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.33	1.44
Profitability Ratios			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.32	0.34
Net Profit Margin	Net Profit / Sales	0.18	0.17
Return on Assets	Net Income / Total Assets	0.01	0.01
Return on Equity	Net Income / Total Stockholders' Equity	0.01	0.01
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	43.81	47.14

Other Relevant Information

None

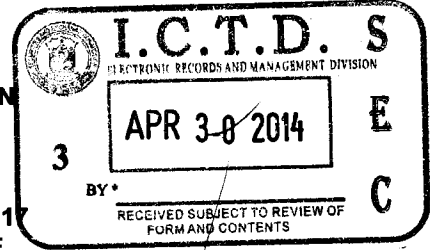
Filed on behalf by:

Name	Rhodora Edangalino
Designation	Authorized User

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE
AND SECTION 141 OF THE CORPORATION CODE



- 1. For the fiscal year ended 31 December 2013
- 2. SEC Identification Number: AS094-006430
- 3. BIR Tax Identification No.: 003-942-108
- 4. EMPIRE EAST LAND HOLDINGS, INC.
Exact name of issuer as specified in its charter
- 5. Metro Manila
Province, Country or other jurisdiction of incorporation or organization
- 6. (SEC Use Only)
Industry Classification Code
- 7. 21/F The World Centre
330 Sen. Gil J. Puyat Avenue
Makati City, Philippines 1227
Address of principal office
- 8. (632) 867-8351 to 55
Issuer's telephone number, including area code
- 9. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common	14,676,199,167

10. Are any or all of these securities listed on a Stock Exchange?

Yes No

Philippine Stock Exchange

Common Shares

11. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months.

Yes No

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes No

12. Aggregate Market Value of Voting Stock held by Non-Affiliates as of **31 March 2014** is **Php2,268,566,471.08** based on the closing price of **Php0.91** per share.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Business Development

Empire East Land Holdings, Inc. (the "Company") was incorporated under Philippine law on 15 July 1994. Prior to its incorporation, the Company was a division of Megaworld Corporation (formerly, Megaworld Properties & Holdings, Inc.) and was then known as its Community Housing Division. In 1994, Megaworld Corporation decided to spin off its Community Housing Division into what is now the Company for the purpose of separating its high-end residential and office business from its lower and middle-income housing business. As of December 2013, Megaworld holds 81.72% of the Company.

As of December 31, 2013, the Company holds 100% equity interest in Eastwood Property Holdings, Inc. (EPHI); Valle Verde Properties, Inc. ("VVPI"); Sherman Oak Holdings, Inc. ("SOHI") and Empire East Communities, Inc. ("EECI"); 73% in Laguna BelAir Science School, Inc. (LBAS); 60% in Sonoma Premier Land, Inc. ("SPLI") (formerly, "Galleria Corsini Holdings, Inc."); and 47% in Gilmore Property Marketing Associates, Inc. ("GPMAI").

EPHI, which was incorporated on September 5, 1996, serves as the marketing arm of the Company and markets the projects of the Company and those of other related parties.

SPI, which was incorporated on November 14, 1997, is a company that is engaged in the development and construction of affordable projects. In 2008, SPI increased its authorized capital stock and the Company subscribed to 262.5 million common shares at P1.00 par value, paid by way of conversion of advances into equity, resulting in an increase in the Company's ownership in SPI from 40% to 80%. In 2011, the percentage ownership of the Company in SPI was reduced to 33% due to Megaworld's subscription to SPI's increase in capital stock. On June 7, 2013, the Company sold its 33% ownership interest in SPI to Megaworld. As a result of the sale, SPI ceased to be an associate of the Company.

VVPI was incorporated on October 13, 2006. In 2008, the Company acquired shares of VVPI from another stockholder increasing the Company's ownership in VVPI to 100%.

SPLI was incorporated on February 26, 2007 and started its commercial operations in 2008. In 2008, 200 million shares in SPLI were acquired by the Company, increasing its ownership to 60% from 20%.

EECI was incorporated on October 14, 2008 and is wholly owned by the Company. It acts as a marketing arm of the Company.

SOHI was incorporated on February 2, 2007. In January 2008, the Company acquired 100% ownership in SOHI.

GPMAI was incorporated on September 5, 1996 to acquire, lease and construct or dispose of properties. In 2010, the Company acquired 52% ownership in GPMAI by subscribing to 27M shares by way of conversion of advances into equity. In 2012, GPMAI issued 5M shares of stock to a third party which resulted to the decrease of Company's ownership to 47%.

LBASSI (formerly Laguna BelAir School Inc. or LBASI) is a company incorporated on February 13, 1996 and is presently operating a school for primary and secondary education. The change in name was approved in August 2013. The Company owns 73% of LBASSI.

Neither the Company nor its subsidiaries has been the subject of a bankruptcy, receivership or similar proceeding or has been involved in any material reclassification, merger, consolidation,

or purchase or sale of a significant amount of assets not in the ordinary course of business except as otherwise stated herein.

Business of Issuer and Subsidiaries

Principal Products, Services and Markets

Empire East Land Holdings, Inc. is a real estate developer, builder and seller. Its core products are mid-rise to high-rise condominium towers within Metro Manila as well as single-detached homes and house-and-lot packages in progressive suburban areas.

The Company has set trends in residential concepts. It was the first to conceptualize **township developments** that weaved several households together in one fully functioning and fully equipped community that offers common use of facilities such as courts, pools, churches, stores and schools as evident in its 1994 project, the Laguna Bel-Air in Sta. Rosa City, Laguna.

Another trend would be its **Transit Oriented Developments** which consist of condominium clusters directly linked to mass transport systems. This includes the Metro Rail Transit (MRT) and Light Rail Transit (LRT) as well as major bus lines. This is popular among aspiring city dwellers today as it provides faster and more efficient mobility.

Recently, the Company launched its newest residential living concept **Urban Resorts** which highlights a community's indulging and unique amenities such as highly styled pools, ponds, voguish clubhouse, play areas and courts. Its aim is to invite aspiring homeowners to experience the "vacation lifestyle" by giving them access to resort facilities without having to physically leave the city.

Contribution to Sales and Revenues

In 2013, the income from sales of various condominium units and house-and-lot packages accounted for 58% of total revenues. Finance income, the bulk of which came from in-house financing of units sold to buyers, accounted for 17%. The commission income of a subsidiary of the Company realized from marketing of real properties of related parties, rentals and other business related sources accounted for the remaining 25% of total revenues. Foreign sales contributed minimally to the Group's consolidated sales and revenues for the year 2013.

The percentage of contribution to revenues of the above products and services differs from their percentage of contribution to net income since certain revenues do not have corresponding expenses and some expenses are not identifiable with projects.

Distribution Methods

The Company's core in-house sales team, Empire East Elite (EEE), can cross-sell all condominium and horizontal projects. Another in-house sales team, Empire East Communities (EEC), focuses in marketing one particular project. Both EEE and EEC sales teams are composed of Real Estate Consultants, Sales Managers and Directors for Sales who closely monitor current market conditions and help promote the Company's projects through various sales strategies including leafleting, showroom and exhibit manning, outdoor saturation, telemarketing, online selling, and open house activities.

Empire East also has a wide range of real estate brokers who help sell inventories and advertise to more extensive markets.

The Company is also engaged in below-the-line support through event sponsorship, billboards setup, print advertising, cable TV airtime, TV/video loops in high end restaurants, hotels and shops and online advertising, press releases via partner publications. Citywide promotion is also a priority by means of lamp post banners setup and directional signages.

Update on Projects

KASARA URBAN RESORT RESIDENCES is an approximately 1.8 hectare development located along Eagle Ave. & P.E. Antonio St., Brgy. Ugong, Pasig City. This location is a convenient walking distance from C5 Road, Tiendesitas, SM Center Pasig, and Valle Verde Subdivisions. Kasara is composed of 6 high-rise towers with water features in the middle of the development, including a lake-inspired pool, a clubhouse, mini bar, koi ponds, water fountains, man-made waterfalls and fitness trails. Site development works have been completed and construction of the clubhouse and swimming pool is on-going.

THE ROCHESTER is an approximately 3-hectare development located in Pasig City which features mid-rise and high-rise residential buildings equipped with stylish recreational facilities.

SAN LORENZO PLACE is an upscale high-rise development along EDSA corner Chino Roces Avenue in Makati City. It features a high-end shopping mall on a podium with a direct link to MRT-3 Magallanes station that can easily bring its future dwellers to the Makati central business district and the rest of Metro Manila. Completion of construction is expected by the end of 2014 for Tower 4, 2015 for Tower 1 and 2017 for Tower 2. Turn-over of the first tower is expected to take place in 2014.

PIONEER WOODLANDS is a 6-tower development on a 1.5 hectare terrain located along EDSA. Since it is linked by a bridge to the MRT Boni Station, it offers superior access to every vital point in Metro Manila. Within the development, one will find a swimming pool, basketball court, jogging trails, pocket gardens and gyms. Tower 1 has been completed and the units are currently being turned over to buyers. Tower 2 is near completion while the construction of Towers 3 and 4 are in full swing.

LITTLE BAGUIO TERRACES is a 4-tower community developed on a 1.8 hectare land located along N. Domingo Street in San Juan City. This property conveniently links N. Domingo St. from one side to Aurora Blvd. on the other side by a 177-m access road – making it highly accessible to the schools and establishments in both streets. It is also conveniently located between two main stations of the LRT2 namely J. Ruiz and Gilmore stations. Turnover of Tower 1 is ongoing. The remaining 3 towers are in various stages of construction.

SONOMA is a 50-hectare township development in Sta. Rosa City Laguna, the place where Empire East first set its roots via the development of its first township project, the Laguna BelAir. The Sonoma offers single-detached homes and house-and-lot packages to its aspiring homeowners in 6 house models. Turnover of two of its four phases, The Enclave and Country Club, is currently undergoing.

THE CAMBRIDGE VILLAGE is a multi-cluster, large-scale residential development located at the boundary of the Pasig-Cainta area. Some clusters have been completed while construction is still on-going for the remaining clusters.

SOUTHPOINT SCIENCE PARK is a 31-hectare property located at Gimalas, Balayan, Batangas which will be developed into a mixed-use development.

Competition

Empire East is aware of the notable number of real estate developments that continuously rise in Metro Manila as well as old and new developers who are active in penetrating the market. Empire East is confident in maintaining its advantage on account of location, concept and affordable payment terms.

The Rochester, The Kasara Urban Resort Residences and The Cambridge Village Central Park are surrounded by competitors namely Kirana by Suntrust, Cerritos Residences by Camella Homes, Arrezo Place by Phinma Properties, Levina Place by DMCI Homes, Sorrento Oasis by Filinvest Land, Inc, Bali Oasis by Filinvest Land, Inc, Amaia Steps by Ayala Land, The Grove by Rockwell and One Spatial by Filinvest Land. Empire East's Rochester

and Kasara are able to compete through diversity in facilities, impressive location and affordable payment terms.

San Lorenzo Place in Makati is surrounded by developments that claim superiority and luxury. These include Avida Towers San Lorenzo by Avida Land, Park Terraces by Ayala Land, The Beacon by Geo Estate, The Oriental Place, Oriental Garden – Lilac and Paseo de Roces by Federal Land, Jazz Residences by SMDC, Shell Residences, Sea Residences and Shore Residences by SMDC. San Lorenzo Place competes through its direct and physical link to the MRT 3 and the inclusion of a bi-level mall within the project.

An even wider competition is evident along EDSA and around **Mandaluyong City** where **Pioneer Woodlands** is located. Some of its competition are Light Residences by SMDC, Sheridan Towers, Tivoli Garden Residences and Flair Towers by DMCI, Avida Centera by Avida Land, Aqua Private Residences by Century Properties Group, Inc. Gateway Regency and Axis Residences by Robinsons Land and The Royalton by Ortigas and Company. Pioneer Woodlands competes thru its direct connection with the Boni station of MRT 3.

The Little Baguio Terraces in San Juan City also has its own competition among the following developments: Fortune Hill by Filinvest, One Castilla Place by DMCI, Viridian in Greenhills by Ortigas and Company, Princeton Residences by SMDC, One Wilson by Federal Land, Gilmore Tower by Gilmore Towers, Inc., Magnolia Residences by Robinsons Land and Clairemont Hills by Anchor Land. The superior location and access of Little Baguio Terraces to both N. Domingo and Aurora Blvd. as well as its proximity to both Gilmore station J. Ruiz Station of LRT 2 are its advantages.

Sources and Availability of Raw Materials/Suppliers

The Company has a broad base of suppliers of materials and services and is not dependent on any one supplier.

Dependence on Certain Customers

The Company has a broad customer base and is not dependent on a single customer or few customers.

Transactions with and/or Dependence on Related Parties

The Company paid a management/leasing fee of P1.2 million to an affiliate for the management/leasing of parking slots and some commercial units. In 2013, total commissions earned by a subsidiary from the sale of its parent company's real estate properties amounted to P147.6 million.

The Company, in the normal course of business, enters into transactions with related companies primarily consisting of lease of properties and advances for real estate transactions, working capital requirements and other business-related purposes. Rental for leased properties and interest on interest-bearing advances are within market rates. The related parties that have entered into transactions with the Company are identified in Schedules C & F of the SEC Supplementary Schedules as of December 31, 2013. Related parties are able to settle their obligations in connection with transactions with the Company and the Company does not foresee risks or contingencies arising from these transactions. Additional information on related party transactions is provided in Item 22 of the Notes to the Audited Consolidated Financial Statements of the Company and its Subsidiaries attached as Exhibit 1 hereof and incorporated herein by reference.

Other than those disclosed in the Company's Financial Statements, the Company has not entered into other related party transactions

Patents, Trademarks and Copyrights

The operations of the Company and its subsidiaries (the "Group") are not dependent on any copyright, patent, trademark, license, franchise, concession or royalty agreement.

Need for Government Approval of Principal Products and Services//Effect of Existing or Probable Government Regulations

Philippine land use laws regarding subdivisions and condominiums include zoning laws, which regulate land use, laws which specify standards and technical requirements for the development of subdivisions, and laws requiring licenses to be obtained before the sale of real estate property.

The municipal or city authority determines whether the plans of a proposed development comply with the applicable standards and conducts a preliminary inspection of the site. Local authorities are required to monitor the progress of subdivision projects and to inspect projects following their completion to determine whether or not they comply with the approved plans.

There are essentially two different types of residential subdivision developments, which are distinguished by different development standards issued by the HLURB. The first type of subdivision, aimed at low-cost housing, must comply with Batas Pambansa Blg. 220, which allows for a higher density of building and relaxes some of the construction standards. Other subdivisions must comply with Presidential Decree No. 957, which sets out standards for lower density developments. Both types of subdivision must comply with standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, the sewage disposal system, electricity supply, lot sizes, the length of the housing blocks and house construction.

Under Presidential Decree No. 957, which covers subdivision projects for residential, commercial, industrial or recreational purposes and condominium projects for residential or commercial purposes, the HLURB, together with local government units, has jurisdiction to regulate the real estate trade and business. All subdivision plans are required to be filed with and approved by the local government unit concerned, while condominium project plans are required to be filed with and approved by HLURB. Approval of such plans is conditioned on, among other things, completion of the acquisition of the project site and the developer's financial, technical and administrative capabilities. Alterations of approved plans that affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant government unit. Development must comply with standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, the sewage disposal system, electricity supply, lot sizes and house construction.

Owners or dealers of real estate projects are required to obtain licenses to sell before making sales or other disposition of lots or real estate projects.

In general, developers of residential subdivisions are required to submit project descriptions to regional offices of the Department of Environment and Natural Resources ("DENR"). This description sets out the background of the proposed project and identifies any significant environment risks and possible alternative sites. In environmentally critical projects or at the discretion of the regional office of the DENR, a detailed Environmental Impact Assessment may be required and the developer will be required to obtain an Environmental Compliance Certificate to certify that the project will not cause an unacceptable environmental impact.

The Company routinely applies for the required governmental approvals for its projects as provided above and some HLURB approvals such as but not limited to development permits and license to sell are pending for certain projects or project phases.

The Company is not aware of any pending legislation or governmental regulation that is expected to materially affect its business.

Research and Development Costs

Expenses incurred for research are minimal and do not amount to a significant percentage of revenues.

On the other hand, construction and development costs incurred and their percentage to revenues are as follows:

Year	Amount Spent	% to Revenue
2013	P3.15 billion	107%
2012	P2.54 billion	101%
2011	P2.17 billion	111%

Costs and Effects of Compliance with Environmental Laws

Expenses incurred by the Group for purposes of complying with environmental laws consist primarily of payments for government regulatory fees that are standard in the industry and are minimal.

Manpower

As of December 31, 2013, the Group employed a total of 514 employees. The Group will hire additional employees if and when the present workforce becomes inadequate to handle the growing operations of the Group. The Group has no collective bargaining agreements with its employees due to the absence of organized labor organizations in the Group. Aside from complying with the minimum compensation standards mandated by law, the Group makes available to qualified personnel supplemental benefits such as health insurance, retirement, housing plans and car plans.

The table below shows the breakdown of employees by rank:

Description	As of December 31, 2013	Projected Hiring for 2014
Executives	18	0
Managers	46	4
Supervisors	111	4
Rank & File	339	67
Total	514	75

Business Risks

The real estate industry is highly dependent on the performance of the national economy as the growth of the industry has a direct correlation with the state of the national income and effective disposable income of the people. As disposable income increases, expenditures on housing will increase proportionately. Furthermore, a stable economy brings about liquidity in the financial system, thus increasing the sources of funding for housing.

The growth and profitability of the Company are influenced by the general political and economic situation. Any political instability in the future may have a material effect on the financial results of the Company.

Increase in interest rates and unavailability of affordable financing options affect the demand for housing. The Company caters to the middle income market, a market which primarily considers the affordability of monthly amortizations through long term in-house or bank financing schemes.

The Company is engaged primarily in the development of land and construction of housing /condominium units. Its business is dependent on the availability of large tracts of land with potential for development. As major players and new ones continue to take advantage of the bullish condition of the real estate industry, prime properties may become less available to the Company.

Other risks related to property development are fluctuation in prices and availability of construction materials, changes in government regulations, increase in taxes and fees and intense competition.

The Company remains vigilant to factors affecting its business, such as fluctuations in interest rates on borrowings and end-buyers' financing, increasing costs of construction materials, labor and administrative expenses which may affect overall demand for housing. Fluctuations in foreign exchange have no adverse effect since the Company has very minimal importations of construction-related materials and has no foreign currency denominated loans.

The Company continuously monitors trends in the industry and regularly checks economic indicators. It constantly explores ways and means on how to be more cost effective and implements reasonable price increases to maintain certain profit margins while keeping its products competitive. To maintain the marketability of its products, it provides quality projects in convenient locations, keeps the price affordable, offers a variety of flexible payment terms for in-house financing and continues to maintain strong tie-up arrangements with various banks for the financing requirements of its buyers.

The Company remains prudent in managing its financial resources and has taken measures in controlling its available funds. Generally, the Company utilizes its internally generated funds for its operations and partly uses bank financing for purposes of acquiring properties with strong economic potential and meeting urgent development requirements. By identifying the risk areas and employing appropriate risk management tools, the Company believes that the related business risks could be managed properly.

Item 2. Properties

Description of Principal Properties

The principal properties of the Group are as follows:

Property	Location	Limitations on Ownership
Completed Projects:		
Little Baguio Gardens	San Juan, Metro Manila	Owned
Laguna BelAir 1 and 2	Don Jose, Sta. Rosa, Laguna	Joint Venture
Governors Place	Mandaluyong City	Joint Venture
Kingswood Tower	Makati City	Joint Venture
Gilmore Heights	Gilmore Ave. cor. N. Domingo Sts., Quezon City	Joint Venture
San Francisco Gardens	Mandaluyong City	Joint Venture
Greenhills Garden Square	Santolan Road, Quezon City	Owned
Central Business Park	Manggahan, Pasig City	Owned
Xavier Hills	Quezon City	Joint Venture
California Garden Square	Libertad St., Mandaluyong City	Owned

Laguna BelAir 3	Biñan, Laguna	Owned
Laguna BelAir 4	Sta. Rosa City	Owned
<i>On-Going Projects:</i>		
The Cambridge Village	Cainta, Rizal	Owned
Little Baguio Terraces	San Juan, Metro Manila	Joint Venture
Pioneer Woodlands	Mandaluyong City	Joint Venture
San Lorenzo Place	Makati City	Joint Venture
The Rochester	Pasig City	Owned
The Sonoma	Sta. Rosa City	Joint Venture
Kasara Urban Resort Residences	Eagle St., Pasig City	Owned
Southpoint Science Park	Gimalas Balayan Batangas	Owned

Most projects are for sale with the exception of Central Business Park, which is an office-warehouse complex for lease. It has a total of 9,870 square meters of leasable area, with lease rate of P145 per square meter subject to yearly escalation. Lease term is up to 5 years.

There is no mortgage, lien or encumbrance over the properties of the Company. The limitations on ownership and usage are disclosed in the table above and in the Notes of the Company's Audited Financial Statements.

Certain assets of the Company with a total carrying value of ₱ 654.7million are used as collateral to secure the payment of loans obtained from creditors. These are various units of Greenhills Garden Square, California Garden Square and Xavier Hills and lots of Laguna BelAir, which serve as a security for the CTS financing/Receivable Purchase Facility granted by creditor banks. This facility does not require annotation on individual titles.

The Company cannot identify the particular properties it intends to acquire in the next twelve (12) months as the opportunities, offers or prospects may come unexpectedly. It aims to continuously acquire properties in strategic/prime locations with good market potential. It may acquire interest on the land through either outright acquisition or joint venture arrangement with landowners. Depending on the value of the property, it may utilize its internal funds to finance the acquisition; it may partially borrow or raise funds through equity financing.

Item 3. Legal Proceedings

Description of Material Pending Legal Proceedings

There are no material pending legal proceedings to which the Company or any of its subsidiaries and affiliates is a party or of which any of their property is the subject.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted during the fourth quarter of 2013 to a vote of security holders.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

Market Information

The Company's common shares are traded on the Philippine Stock Exchange ("PSE"). The following table sets out, for the periods indicated, the high and low sales price for the Company's common shares as reported on the PSE:

Year		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2012	High	0.67	0.84	0.94	1.13
	Low	0.60	0.61	0.76	0.82
2013	High	1.10	1.21	1.02	0.98
	Low	0.98	0.92	0.92	0.90
2014	High	0.91			
	Low	0.90			
3/31/14	Close	0.91			

Holders

As of 31 March 2014, there were 12,868 holders of the Company's common shares. The following table sets forth the twenty largest shareholders of the Company as of 31 March 2014.

Rank	Name of Holder	Number of Shares	Percentage of Ownership
1.	Megaworld Corporation	11,993,426,438	81.7202%
2.	PCD Nominee Corporation (Filipino)	1,523,540,073 ¹	10.3836%
3.	PCD Nominee Corporation (Non-Filipino)	729,536,645	4.9709%
4.	The Andresons Group, Inc.	138,133,820	0.9412%
5.	Andrew L. Tan	24,277,777	0.1654%
6.	Simon Lee Sui Hee	16,685,206	0.1137%
7.	Ramon Uy Ong	14,950,000	0.1019%
8.	Lucio W. Yan	10,350,000	0.0705%
9.	Union Properties, Inc.	6,157,808	0.0420%
10.	Alberto Mendoza and/or Jeanie C. Mendoza	4,444,106	0.0303%
11.	Evangeline R. Abdullah	4,324,000	0.0295%
12.	George T. Yang	3,675,400	0.0250%
13.	Zheng Chang Chua	3,220,000	0.0219%
14.	Tiong C. Rosario	3,138,791	0.0214%
15.	Maximino S. Uy &/or Lim Hue Hua	3,105,000	0.0212%
16.	Trans-Asia Securities, Inc.	3,000,000	0.0204%
17.	Luisa Co Li	2,902,908	0.0198%
18.	Edward N. Cheok	2,875,000	0.0196%
19.	Aboitiz Equity Ventures, Inc.	2,813,843	0.0192%
20.	Carolina Ong Yu	2,415,000	0.0165%

The information provided above is not being presented in connection with securities to be issued pursuant to an acquisition, business combination or other reorganization initiated by or involving the Company.

Dividends

The payment of dividends, either in the form of cash or stock, will depend upon the Company's earnings, cash flow and financial condition, among other factors. The Company may declare dividends only out of its unrestricted retained earnings. These represent the net accumulated earnings of the Company, with its capital unimpaired, that are not appropriated for any other purpose.

The Company may pay dividends in cash, by the distribution of property, or by the issue of shares of stock. Dividends paid in cash are subject to the approval by the Board of Directors.

¹ This includes 375,000 shares beneficially owned by Megaworld Corporation.

Dividends paid in the form of additional shares are subject to approval by both the Board of Directors and at least two-thirds (2/3) of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose.

No stock dividends were declared on the Company's common shares for 2007 to 2012. The Company declared a 15% stock dividend on March 15, 2006, which was paid on August 8, 2006 to all shares of common stock outstanding as of July 13, 2006.

The Corporation Code prohibits stock corporations from retaining surplus profits in excess of one hundred per cent (100%) of their paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the Board of Directors, or when the corporation is prohibited under any loan agreement with any financial institution or creditor from declaring dividends without its consent, and such consent has not yet been secured, or when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation.

Recent Sales of Unregistered or Exempt Securities

On 30 October 2012, 2,695,239,834 new common shares issued to stockholders pursuant to a 1:4 pre-emptive stock rights offer were listed with the Philippine Stock Exchange. The rights shares were issued at Php1.00 per share.

Relative to the Company's pre-emptive rights offer, the Company filed with the Philippine Securities and Exchange Commission ("SEC") an Application for Confirmation of Exempt Transaction pursuant to the Securities Regulation Code (SRC). On August 24, 2012, the SEC issued an order confirming that the rights offer is an Exempt Transaction under Section 10.1 (e) and (i) of the SRC.

On 26 June 2013, One Billion Two Hundred Million (1,200,000,000) common shares of the capital stock of the Company were issued to Megaworld Corporation, at the price of One Peso & 05/100 centavos per share for an aggregate subscription price of One Billion Two Hundred Sixty Million (Php1,260,000,000.00).

Relative to the subscription of Megaworld Corporation, the Company filed on 05 July 2013 with the Philippine Securities and Exchange Commission ("SEC") a Notice of Exempt Transaction under Section 10.1(e) of the Securities Regulation Code.

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

Top Five (5) Key Performance Indicators

The Company posted growth in sales and other revenues. Sales and marketing efforts have been intensified. The aggressive selling activities in prior years resulted to increase in current year's sales.

Ability to repay loan obligations

All loans obligations were promptly settled. The Group maintains good credit standing with creditor banks and has considerable standby credit facilities which can be utilized for urgent capital requirements.

Increase in reservation sales

The Group's product concepts, project location, flexible payment scheme and aggressive selling have contributed to the increase in reservation sales. The Marketing team constantly evaluates the needs of the market to determine the suitability of projects being offered to buyers. Most of the Group's ongoing projects are connected to mass transit system while others are conveniently located in prime areas of Metro Manila and suburbs.

Continuous development of projects

The Group continuously undertakes construction and development activities and has been exerting efforts to deliver its projects within the commitment timetable. The Group's Project Development team works closely with outside contractors particularly in monitoring and supervising the progress of construction.

Landbanking

The Group aims to acquire properties with strong growth and market potential. It has been continuously acquiring interests in properties through either outright acquisitions or joint venture arrangements with landowners. It intends to have sufficient properties for future development.

RESULTS OF OPERATION

Review of 2013 versus 2012

During the twelve-month period, the consolidated net profit amounted to P300.47 million, 27% higher than the previous year's net profit of P236.02 million. Consolidated revenues, composed of real estate sales, interest income, commissions and other revenues which posted an increase of 17% from P2.52 billion to P2.95 billion. The increase in revenue is mainly due to increase in sales from various projects.

Real Estate Sales

The Group registered Real Estate Sales of P1.71 billion for twelve months ended December 31, 2013 compared with P1.38 billion in 2012. The sales generated were derived from various projects namely, Pioneer Woodlands, Little Baguio Terraces, San Lorenzo Place, The Rochester, Kasara Urban Resort Residences, Sonoma, The Cambridge Village, California Garden Square, Greenhills Garden Square, Xavier Hills and Laguna Bel Air Projects

The Cost of Real Estate Sales amounting to P1.15 billion in 2013 and P906.26 million in 2012, as a percentage of Real Estate Sales, was 68% and 66%, respectively. The change was primarily due to the type of products sold for each year.

Gross Profit was P553.24 million during the twelve months of 2013 and P475.15 million in 2012, or 32% and 34% of Real Estate Sales, respectively. The gross profit margin varies depending on the product mix and the competitiveness of prices of each product. Realized Gross Profit as a percentage of Real Estate Sales was recorded at 41% and 30% amounting to P693.60 million and P411.49 million in 2013 and 2012, respectively.

Other Revenues

The Finance income amounting to P492.58 million and P531.44 million in 2013 and 2012 respectively, were derived mostly from in-house financing and accounts for 17% and 21% of total revenues. Commission and other income totaling P559.27 million in 2013 and P529.23 million in 2012, represents 19% and 21% of total revenues, respectively. The other income includes rentals of investment property and residential/commercial spaces in various projects, equity in net earnings from associates and those obtained from other sources.

Operating Expenses

Operating Expenses posted an increase from P1.03 billion in 2012 to P1.15 billion in 2013. Other charges/expenses include Finance Cost of P126.57 million and P96.63 million in 2013 and 2012, respectively.

FINANCIAL CONDITION

Review of December 31, 2013 versus December 31, 2012

Total resources of the Group as of December 31, 2013 and December 31, 2012 amounted to P32.95 billion and P31.97 billion respectively. Cash and Cash Equivalents decreased from P3.03 billion to P504.47 million. The Group remained liquid with Total Current Assets of P22.03 billion in 2013 and P21.98 billion in 2012, which accounted for 67% and 69% of the Total Assets in 2013 and 2012, while its Total Current Liabilities amounted to P5.60 billion in December 31, 2013 as compared with P7.06 billion in December 31, 2012.

The Equity increase from P22.28 billion in the previous year to P24.79 billion as of December 31, 2013 was basically due to Group's Net Income for the twelve-month period, revaluation of equity investments held by a subsidiary and the additional subscription of shares by parent company.

For the year 2013, the Group sourced its major cash requirements from internally generated funds, subscription proceeds, disposal and sale of investment in associate and partly from borrowings.

The Group utilized its funds for construction and development of projects, land acquisition, settlement of loans and expenses for operations.

Material Changes in the 2013 Interim Financial Position (increase/decrease of 5% or more in the 2013 Financial Position)

Balance Sheets

- 83% decrease in Cash and cash equivalents
Mainly due to construction related payments and acquisition of properties
- 13% increase in Trade and other receivables
Due to increase in real estate sales
- 13% increase in Residential and condominium units for sale
Due to ongoing construction and development activities
- 9% increase in Property development cost
Due to ongoing construction and development activities
- 22% increase in Advances to related parties
Mainly due to reclassification of account
- 14% increase in Prepayments
Due to increase in Input Vat on purchases and prepaid taxes related to transfer of titles
- 12% increase in Land held for future development
Mainly due to acquisition of properties
- 54% increase in Available-for-sale financial assets
Primarily due to increase in fair market value of investment in securities held by a subsidiary
- 70% decrease in Investment in associates
Due to sale of the company's stake in associate to its parent company

- 8% decrease in Investment properties
Due to depreciation charges
- 6% decrease in Property and equipment-net
Mainly due to depreciation charges
- 44% decrease in Interest-bearing loans and borrowings
Due to payment of loans
- 54% decrease in Trade and other payables
Pertains to payments to contractors and suppliers
- 45% decrease in Deferred gross profit on real estate sales
Primarily due to increase in construction accomplishments
- 8% increase in Customers' deposit
Mainly due to increase in reservation sales and collection from various projects
- 40% decrease in Advances from related parties
Due to payment of advances from associates
- 12% decrease in Reserve for property development
Due to continuous construction works of various projects
- 55% increase in Other current liabilities
Primarily due to increase in retention payable applicable to contractors
- 6% increase in Deferred tax liabilities
Mainly due to increase in income subject to tax
- 92% increase in Retirement benefit obligation
Due to accrual of retirement obligation for the year and the effect of revised PAS 19 on Employee Benefits

Statements of Comprehensive Income

- 23% increase in Real estate sales
Due to higher sales recognized particularly for current projects
- 140% increase in Realized gross profit on prior years' sale
Primarily due to increase in construction accomplishment of ongoing projects
- 7% decrease in Finance income
Primarily due to varying payment terms of accounts under in-house financing
- 59% decrease in Equity in net earnings of associates
Primarily due to sale of the company's stake in associate to its parent company
- 170% increase in Rental income
Mainly due to rental income recognized from the existing retail component of a newly acquired property
- 27% increase in Cost of real estate sales
Mainly due to increase in sales

- 63% decrease in Deferred gross profit on current year's sales
Mainly due to construction accomplishments of ongoing projects
- 31% increase in Finance costs
Mainly due to additional construction related advances
- 12% increase in Operating expenses
Due to additional manpower and increase in other administrative/overhead expenses
- 127% increase in Tax expense
Mainly due to increase in taxable income

For the year 2014, the projected capital expenditures (construction/development) of roughly P4.0 billion is expected to be funded by collections, borrowings and equity financing.

Fluctuations in foreign exchange rate had no adverse effect on the Group's financial conditions since the Group has very minimal importations of construction-related materials and have no foreign denominated loans.

There are no other material changes in the Group's financial position and condition (5% or more) that will warrant a more detailed discussion. Likewise, there are no material events and uncertainties known to the management that would have material impact on reported financial information and normal operations of the Group.

The nature of all revenues and expenses disclosed in the statement of comprehensive income are business related transactions and arose from the Group's continuing operations. Also, no prior period adjustment was made during any period covered by statement of financial position.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

The Group is aggressively marketing its products specially the new projects. It continuously offers competitive prices, more lenient payment schemes under in-house financing and has strong tie-ups with reputable banks for the financing requirements of its buyers.

For 2012, the following are top key performance indicators of the Group:

	2012	2011
Sales	P1.38 Billion	P983 Million
Net Income	P235 Million	P186 Million
Earnings per share	P.021	P.017
Quick Ratio *	.79:1	.73:1
Debt to Equity Ratio **	.02:1	.03:1

* *Cash and Cash Equivalents+Financial Assets+Trade and Other Receivables/Total Current Liabilities*

** *Interest Bearing Loans Borrowings/ Equity*

Other indicators:

- **Increase in reservation sales**

The Group's marketing concepts and sales strategies, project location, flexible payment scheme and aggressive selling have contributed to the increase in

reservation sales. The Group's new projects are connected to mass transit system and are conveniently located in business districts of Metro Manila

- **Continuous construction and development activities**

The Group aggressively undertakes construction and development activities and has been exerting efforts to deliver its projects within the commitment timetable.

- **Landbanking**

The Group has been continuously acquiring interests in properties through either outright acquisitions or joint venture arrangements with landowners. It intends to have sufficient properties for development within the next 5 to 7 years.

RESULTS OF OPERATION

Review of 2012 versus 2011

During the twelve-month period, the consolidated net profit amounted to P235.35 million, 26% higher than the previous year's net income of P186.12 million. Consolidated revenues, composed of real estate sales, finance, commissions and other revenues which posted an increase of 29% from P1.95 billion to P2.52 billion. The increase in revenue is mainly due to increase in sales from various projects.

Real Estate Sales

The Group registered Real Estate Sales of P1.38 billion for twelve months ended December 31, 2012 compared with P.98 billion in 2011. The sales were derived from various projects namely, Pioneer Woodlands, San Lorenzo Place, The Sonoma, Little Baguio Terraces, The Cambridge Village, California Garden Square, Greenhills Garden Square and Laguna BelAir.

The Cost of Sales amounting to P906.3 million in 2012 and P746.1 million in 2011, as a percentage of Real Estate Sales, was 66% and 76%, respectively. The change was primarily due to the type of products sold for each year.

Gross Profit was P475.1 million during the twelve months of 2012 and P237.4 million in 2011, or 34% and 24% of Real Estate Sales, respectively. The gross profit margin varies depending on the product mix and the competitiveness of prices of each product. Realized Gross Profit as a percentage of Real Estate Sales was recorded at 30% and 25% amounting to P411.5 million and P243.1 million in 2012 and 2011, respectively.

Other Revenues

The Finance income amounting to P490.9 million and P381.4 million in 2012 and 2011 respectively, were derived mostly from in-house financing and accounts for 19% and 20% of total revenues. Commission and other income totaling P569.8 million in 2012 and P481.7 million in 2011, represents 23% and 25% of total revenues, respectively. The other income includes rentals of investment property and residential/commercial spaces in various projects, equity in net earnings from associates and those obtained from other sources.

Operating Expenses

Operating Expenses posted an increase from P0.78 billion in 2011 to P1.04 billion in 2012. Corporate overhead increased due to additional expenses incurred in promoting sales, additional manpower to support the operations and general increase in commodities/services. Other charges/expenses include Finance Cost of P84.2 million and P51.6 million in 2012 and 2011, respectively.

FINANCIAL CONDITION

Review of December 30, 2012 versus December 31, 2011

Total resources of the Group as of December 31, 2012 and December 31, 2011 amounted to P31.98 billion and P25.71 billion respectively. Cash and Cash Equivalents increased from P0.83 billion to P3.03 billion. The Group remained liquid with Total Current Assets of P21.98 billion in 2012 and P17.07 billion in 2011, which accounted for 69% and 66% of the Total Assets in 2012 and 2011, while its Total Current Liabilities amounted to P7.1 billion in December 31, 2012 as compared with P4.2 billion in December 31, 2011.

The Equity increase from P18.2 billion in the previous year to P21.7 billion as of December 31, 2012 was basically due to increase in capital stock.

For the year 2012, the Group sourced its major cash requirements from internally generated funds and partly from collections of certain advances and borrowings.

The Group utilized its funds for loan repayments, construction and development of projects, and settlement of various payables and other operating expenses.

Material Changes in the 2012 Interim Financial Statements (increase/decrease of 5% or more in the 2012 Financial Statements)

Balance Sheets

- 266% increase in Cash and Cash Equivalents
Mainly due to receipt of proceeds from stock rights offer
- 18% increase in Trade and Other Receivables
Mainly due to increase in sales
- 20% increase in Residential and Condominium Units for Sale
Primarily due to ongoing construction and development activities
- 10% increase in Property Development Costs
Mainly due to reclassification of account from Land for Future Development
- 100% decrease in Financial Assets at Fair Value through Profit or Loss
Mainly due to deconsolidation of a subsidiary
- 11% increase in Prepayments
Due to increase in prepaid taxes related to transfer of titles
- 43% increase in Other Current Assets
Mainly due to increase in input vat on various purchases and construction-related payments
- 13% decrease in Advances to Landowners and Joint Venture
Due to reclassification to Land for Future Development account
- 14% increase in Available for Sale Financial Assets
Mainly due to increase in fair value of investment in securities held by subsidiaries
- 18% increase in Land for Future Development
Due to additional acquisition of land
- 64% increase in Investment in Associates
Mainly due to deconsolidation of a subsidiary

- 13% decrease in Investment Property
Due to depreciation charges
- 100% increase in Deferred Tax Assets
Mainly due to reclassification of account of a subsidiary
- 72% decrease in Other Non-Current Assets
Mainly due to deconsolidation of a subsidiary
- 39% decrease in Interest-bearing Loans and Borrowings
Due to repayment of loans
- 195% increase in Trade and Other Payables
Various payables to contractors and suppliers due to increasing construction activities
- 17% increase in Customers' Deposits
Mainly due to increase in reservation sales and collections from various projects
- 25% increase in Deferred Gross Profit on Real Estate Sales
Due to increase in sales of projects with ongoing development
- 27% increase in Reserve for Property Development
Pertains to the estimated cost to complete the development/construction of sold units
- 209% increase in Advances from Related Parties
Mainly due to construction related advances
- 33% increase in Other Current Liabilities
Due to increase in payable to suppliers and contractors
- 26% increase in Retirement Benefit Obligation
Due to accrual of retirement obligation for the year

Income Statements

- 40% increase in Real Estate Sales
Due to aggressive selling of projects
- 24% decrease in Realized Gross Profit on Prior Years' Sale
Due to completion / increase in construction accomplishments of some projects
- 29% increase in Finance Income
Primarily due to increase in interest income realized from accounts under in-house financing
- 5% decrease in Rental Income
Due to expiration of contract of lease of certain tenant
- 9% increase in Other Income
Due to increase in income from other related sources
- 407% increase in Equity in Net Earnings of an Associate
Due to increase in earnings of an associate
- 21% increase in Cost of Real Estate Sales
Primarily due to increase in sales

- 43% increase in Deferred Gross Profit Current Year's Sales
Due to increase in sales of projects with ongoing development
- 35% decrease in Loss from Dilution of a Subsidiary
Mainly due to deconsolidation of a subsidiary
- 63% increase in Finance Cost
Due to additional interest-bearing advances
- 34% increase in Operating Expenses
Primarily due to increase in marketing, manpower and other administrative expenses
- 115% increase in Tax Expense
Due to increase in taxable income

For the year 2013, the projected capital expenditures (construction/development) of roughly P4.0 billion is expected to be funded by collections, borrowings and equity financing.

Fluctuations in foreign exchange rate had no adverse effect on the Group's financial conditions since the Group has very minimal importations of construction-related materials and have no foreign denominated loans.

There are no other material changes in the Group's financial position and condition (5% or more) that will warrant a more detailed discussion. Likewise, there are no material events and uncertainties known to the management that would have material impact on reported financial information and normal operations of the Group.

The nature of all revenues and expenses disclosed in the statement of comprehensive income are business related transactions and arose from the Group's continuing operations. Also, no prior period adjustment was made during any period covered by statement of financial position.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

The Group is aggressively marketing its products specially the new projects. It continuously offers competitive prices, more lenient payment schemes under in-house financing and has strong tie-ups with reputable banks for the financing requirements of its buyers.

Item 7. Information on Independent Accountant and other Related Matters

External Audit Fees and Services

The Company's external auditor, Punongbayan & Araullo, billed the amounts of Php1,600,000 in 2013 and Php1,560,000 in 2012 exclusive of VAT, in professional fees for services rendered by it for the audit of the Company's annual financial statements and services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for 2013 and 2012.

Apart from the foregoing, no other services were rendered or fees billed by the Company's external auditors for 2013 and 2012.

The engagement of Punongbayan & Araullo and the handling partner is approved by the Board of Directors in consultation with its Audit Committee and by the stockholders of the Company. The selection of external auditors is made on the basis of credibility, professional

reputation, accreditation with the Philippine Securities and Exchange Commission, and affiliation with a reputable foreign partner. The professional fees of the external auditors of the Company are approved by the Company's Audit Committee after approval by the stockholders of the engagement and prior to the commencement of each audit season.

Item 8. Financial Statements

Financial Statements meeting the requirements of SRC Rule 68, as amended, are attached hereto as Exhibit 1 and incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company complied with SRC Rule 68(3)(b)(iv) and the Company's Manual on Corporate Governance, which requires that the Company's external auditor be rotated or the signing partner changed after five (5) years of engagement. A two-year cooling off period shall be observed in the re-engagement of the same signing partner. In this regard, starting the year ending 31 December 2011, Mr. Nelson Dinio, one of the Audit and Assurance Partners of Punongbayan and Araullo (P&A), was designated as the signing partner for the audit of the Company's financial statements. Ms. Mailene Sigue-Bisnar, also one of the Audit and Assurance Partners of P&A, handled the audit of the Company's financial statements for the past five years from 2006 to 2010.

There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Company and its subsidiaries.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 10. Directors and Executive Officers of the Issuer

There are seven (7) members of the Company's Board of Directors, two of whom are independent directors. All directors were elected during the annual meeting of stockholders held on 10 July 2013 for a term of one year and until their successors are elected and qualified.

The table sets forth each member of the Company's Board as of 1 April 2014.

Name	Present Position
Andrew L. Tan.....	Chairman of the Board
Gerardo C. Garcia.....	Vice Chairman/Independent Director
Katherine L. Tan.....	Director
Anthony Charlemagne C. Yu.....	Director/President
Alejo L. Villanueva, Jr.....	Independent Director
Evelyn G. Cacho.....	Director/Vice President for Finance
Enrique Santos L. Sy.....	Director
Ricky S. Libago.....	Senior Vice President for Property Development
Antonio E. Llantada, Jr.....	Vice President for Audit and Management Services
Ricardo B. Gregorio.....	Vice President for Human Resources General and Administration Services
Jhoanna Lyndelou T. Llaga.....	Vice President for Marketing
Giovanni C. Ng.....	Treasurer
Dennis E. Edaño.....	Corporate Secretary
Celeste Z. Sioson.....	Assistant Corporate Secretary

Following is a brief profile of the incumbent directors and executive officers of the Company, indicating their respective business experience for the past five (5) years.

Andrew L. Tan

Chairman of the Board

Mr. Tan, Filipino, 64 years old, Filipino, has served as Chairman of the Company's Board of Directors since its incorporation in July 1994. He was also Treasurer of the Company from July 1994 to May 1998. He is the Chairman of the Board and President of Megaworld Corporation, a publicly listed parent of the Company, and Suntrust Properties, Inc., a wholly owned subsidiary of Megaworld engaged in the development and marketing of affordable housing projects. He pioneered the live-work-play-learn model in real estate development through Megaworld's integrated township communities, fueling the growth of the business process outsourcing (BPO) industry. He pursues the development of integrated tourism estates through Alliance Global Group, Inc. and Global-Estate Resorts, Inc., which he both chairs, while continuing to focus on consumer-friendly food and beverage and quick service restaurants. He is also the Chairman of Emperador Inc., a publicly-listed company which owns Emperador Distillers, Inc., the leading brandy manufacturer and distributor in the Philippines. He also serves in the boards of various affiliates including Eastwood Cyber One Corporation, Megaworld Land, Inc., Megaworld Central Properties, Inc., Townsquare Development, Inc. and Richmonde Hotel Group International Limited. Mr. Tan is Chairman of Megaworld Foundation, Megaworld's corporate social responsibility arm, which primarily focuses on the promotion of education through scholarship programs for financially handicapped but deserving students, and supports causes that promote poverty alleviation, people empowerment, social justice, good governance and environmental conservation. He is a director of Travellers International Hotel Group, Inc., a publicly listed company, which owns Resorts World Manila, and the food and beverage companies, Emperador Distillers, Inc. Alliance Global Brands, Inc. and Golden Arches Development Corporation.

Anthony Charlemagne C. Yu

Director/President

Mr. Yu, 51 years old, Filipino, has been a member of the Company's Board of Directors since January 1998 and has served as President of the Company for the same period. He joined Megaworld Land, Inc. in September 1996 and served as its Vice President until December 1997. Mr. Yu obtained his Bachelor of Arts degree major in Political Science from the Ateneo de Manila University and his Bachelor of Laws degree from the University of the Philippines. He holds a Masters Degree from the University of London. Mr. Yu previously worked for Ten Knots Development Corporation where he served as Vice President for Corporate and Legal Affairs and was a member of both its Executive and Management Committees. He also worked as a legal associate at the Ponce Enrile Cayetano Reyes & Manalastas Law Offices and was Special Legal Counsel to the Secretary of Health, Juan Flavio. He also served as a Consultant in the Senate of the Philippines. He was a member of the College Faculty of the Ateneo de Manila University for eight (8) years, from 1985 to 1993 and sat on the board of the Institute of the Philippine Culture of the Ateneo de Manila University. Mr. Yu has also served as a Law Professor in the College of Law of the University of the Philippines. He likewise served as Consultant at the Philippine Senate. He was Philippine Delegate to the Philippines-China Business Council held in Beijing, China in 1996 and the Integrated Environmental Management Forum held in Israel in 1995. Mr. Yu was a member of the United Nations Development Program's Regional Network of Legal Experts on Marine Pollution and the Board of Trustees of Management Advancement Systems, Association, Inc. He is currently the Chairman of the Board and President of the Philippine Science-assisted school, Laguna BelAir School, Inc. He is the President of the El Nido Foundation and the Chairman of the ERDA Foundation. He is also a member of the Board of Trustees of IBON Foundation, a non-profit research and education development institution that provides socio-economic research and analysis on people's issues to various sectors. Mr. Yu is President and Director of various affiliates of the Company including Empire East Communities, Inc., Megaworld Central

Properties, Inc., Sherman Oak Holdings, Inc., Sonoma Premier Land, Inc., Valle Verde Properties, Inc. and Megaworld Newport Property Holdings, Inc.

Katherine L. Tan

Director

Ms. Tan, 62 years old, Filipino, was elected to the Board on 9 June 2009. She previously served as director of the Company from 1994 to 1996. She is concurrently a Director of Megaworld Corporation, Director and Treasurer of Alliance Global Group, Inc., Emperador Inc., Alliance Global Brands, Inc. and Emperador Distillers, Inc. She has extensive experience in the food and beverage industry and is currently Director of The Bar Beverage, Inc. and Choice Gourmet Banquet, Inc. She is Director and President of Raffles & Company, Inc.

Gerardo C. Garcia

Vice Chairman/Independent Director

Mr. Garcia, 72 years old, Filipino, is an independent director of the Company. He has been a member of the Company's Board of Directors since October 1994 and has served as Vice Chairman of the Board since December 1997. He also served as President of the Company from October 1994 until December 1997. He concurrently serves in the boards of Megaworld Corporation, Global-Estate Resorts, Inc., Suntrust Properties, Inc. and Megaworld Land, Inc. as independent director. He is also President of Philippine Tech. & Development Ventures, Inc. Prior to joining the Company, Mr. Garcia was Executive Vice President of UBP Capital Corporation. He holds a bachelor's degree in Chemical Engineering and a Masters Degree in Business Administration from the University of the Philippines.

Enrique Santos L. Sy

Director

Mr. Sy, 64 years old, Filipino, was elected to the Board on 9 June 2009. Previously, he served as director of the Company from April 1996 to April 1998 and from June 1999 to December 23, 2008. Mr. Sy was Corporate Secretary of the Company from July 1994 until 31 March 2011. Mr. Sy concurrently serves in the boards of Megaworld Corporation and First Oceanic Property Management, Inc. He is Director and the Corporate Secretary of Asia Finest Cuisine, Inc. and the Corporate Secretary of Empire East Communities, Inc. Mr. Sy previously worked as Advertising Manager of Consolidated Distillers of the Far East, Inc., Creative Director of AdCentrum Advertising, Inc., Copy Chief of Admakers, Inc. and Peace Advertising Corporation and Creative Associate of Adformatix, Inc. Mr. Sy graduated with honors from the Ateneo de Manila University with the degree of Bachelor of Arts in Communication Arts.

Evelyn G. Cacho

Director/Vice President for Finance

Ms. Cacho, 52 years old, Filipino, has served as director of the Company since February 20, 2009. Ms. Cacho has served as Vice President for Finance of the Company since February 2001. Ms. Cacho joined the Company in February 1995. She currently serves as director of the Company's subsidiaries, Empire East Communities, Inc., Laguna BelAir School, Inc., Sonoma Premier Land, Inc., Valle Verde Properties, Inc. and Sherman Oak Holdings, Inc. She concurrently serves as Director in PSE-listed Suntrust Home Developers, Inc. She also holds the position of Treasurer of Megaworld Central Properties, Inc. and Megaworld Newport Property Holdings, Inc. She is the Assistant Corporate Secretary of Gilmore Property Marketing Associates, Inc. Prior to joining the Company, she had extensive experience in the fields of financial/operations audit, treasury and general accounting from banks, manufacturing and trading companies. Ms. Cacho has a bachelor's degree in Business Administration major in Accounting.

Alejo L. Villanueva, Jr.
Independent Director

Mr. Villanueva, 72 years old, Filipino, is an independent director of the Company since June 2007. He is concurrently an independent director of Alliance Global Group, Inc. and Suntrust Home Developers, Inc. and a Director of First Capital Condominium Corporation, a non-stock, non-profit corporation. He is a professional consultant who has more than twenty years of experience in the fields of training and development, public relations, community relations, institutional communication, and policy advocacy, among others. He has done consulting work with the Office of the Vice President, the Office of the Senate President, the Commission on Appointments, the Securities and Exchange Commission, the Home Development Mutual Fund, the Home Insurance Guaranty Corporation, Department of Agriculture, Philippine National Railways, International Rice Research Institute, Rustan's Supermarkets, Louis Berger International (USAID-funded projects on Mindanao growth), World Bank (Subic Conversion Program), Ernst & Young (an agricultural productivity project), Chemonics (an agribusiness project of USAID), Price Waterhouse (BOT program, a USAID project), Andersen Consulting (Mindanao 2000, a USAID project), Renardet S.A. (a project on the Privatization of MWSS, with World Bank funding support), Western Mining Corporation, Phelps Dodge Exploration, and Marubeni Corporation. Mr. Villanueva obtained his bachelor's degree in Philosophy from San Beda College, summa cum laude. He has a master's degree in Philosophy from the University of Hawaii under an East-West Center Fellowship. He also took up special studies in the Humanities at Harvard University. He studied Organizational Behavior at INSEAD in Fontainebleau, France. He taught at the Ateneo Graduate School of Business, the UST Graduate School, and the Asian Institute of Journalism.

Ricky S. Libago
Senior Vice President for Property Development

Mr. Libago, 49 years old, Filipino, has served as Senior Vice President for Project Development since he joined the Company in July 2008. Prior to joining the Company, he worked with Citibank Japan for 3 years and Citibank Philippines/Citibank Asia Pacific for 5 years with the Corporate Realty Services Group. He also previously worked with Universal Rightfield Holdings, Inc. (a real estate joint venture company with DMCI), Megaworld Land, Inc. (a subsidiary of Megaworld), Ayala Property Management Corporation (a subsidiary of Ayala Land, Inc.) and Makati Development Development (the construction arm of Ayala Land, Inc.). Mr. Libago is a licensed Civil Engineer and a Sanitary Engineer. He obtained his Civil Engineering degree from Ateneo de Cagayan (Xavier University) and his Sanitary Engineering degree from the National University.

Antonio E. Llantada, Jr.
Vice President for Audit and Management Services

Mr. Llantada, 58 years old, Filipino, has served as Vice President for Audit and Management Services since December 1997. Before joining the Company, Mr. Llantada served in the Church of Jesus Christ of Latter-Day Saints for eleven years, holding various positions such as Area Materials Management Manager, Area Finance Manager, Purchasing Manager and Distribution Manager. He also worked with MB Finance, Inc. (formerly, Jardine Manila Finance, Inc.) as Internal Audit Manager and with SGV & Co. as Senior Auditor. Mr. Llantada is a member of the Philippine Institute of Certified Public Accountants. Mr. Llantada graduated from the De La Salle University in 1977 with the degree of Bachelor of Arts major in Behavioral Sciences, and in 1978 with the degree of Bachelor of Science in Commerce major in Accounting. In 1991, he obtained his Masters Degree in Business Administration from the Ateneo de Manila University.

Ricardo B. Gregorio

Vice President for Human Resources General and Administration Services

Mr. Gregorio, 51 years old, Filipino, has served as Vice President for Human Resources General and Administration Services since June 18, 2003. Prior to his appointment, Mr. Gregorio was Assistant Vice President for HRAD, Purchasing and Warehouse Department. He joined the Company in August 1997 as Purchasing Manager and served as such until October 1997. From November 1997 to December 1998, he served as HRAD and Purchasing Senior Manager of the Company. Mr. Gregorio is a certified public accountant by profession. He graduated cum laude from the Araullo University in 1988 with a bachelor's degree in Commerce major in accounting. In 2000, he obtained his Masters Degree in Business Administration from the University of the Philippines and in 2002, a diploma in Human Resource Management from the University of Santo Tomas.

Jhoanna Lyndelou T. Llaga

Vice President for Marketing

Ms. Llaga, 42 years old, Filipino has served as Vice President for Marketing since March 2011. She currently serves as director of Empire East Communities, Inc, the Company's subsidiary and as an SVP of Megaworld Central Properties, Inc., an affiliate. She joined the company in April 1995 and held various positions. She was appointed as Marketing Head in June 2003 and was promoted to Assistant Vice President for Marketing in July 2009. Ms. Llaga graduated from the University of the Philippines in March 1994 with the degree of Bachelor of Arts in English Language Studies.

Giovanni C. Ng

Treasurer

Mr. Ng, 40 years old, Filipino, has served as Treasurer of the Company since January 6, 2002. He is also the Finance Director of Megaworld Corporation and Treasurer of Adams Properties, Inc. and Townsquare Development, Inc. He serves as director in Eastwood Property Holdings, Inc., Oceantown Properties, Inc., Empire East Communities, Inc., Gilmore Property Marketing Associates, Inc., First Centro, Inc., Valle Verde Properties, Inc., Lucky Chinatown Cinemas, Inc. and New Town Land Partners, Inc. and Megaworld Land, Inc. Previously, he worked as Analyst Associate in Keppel IVI Investments. Mr. Ng obtained his bachelor's degree in Quantitative Economics from the University of Asia and the Pacific, graduating summa cum laude in 1995.

Dennis E. Edaño

Corporate Secretary

Mr. Edaño, 37 years old, Filipino, is the Corporate Secretary of the Company. He has been with the Company since September 2003 and currently heads the Legal & Corporate Affairs Department of the Company. Prior to his appointment as Corporate Secretary, Mr. Edaño was Assistant Corporate Secretary of the Company. Mr. Edaño has extensive experience in civil, criminal, administrative, labor and local taxation litigation, labor relations and real estate law. Prior to joining the Company, he was employed with the Yats International Ltd. as Legal Manager. Mr. Edaño obtained his bachelor's degree in Law in 1999 from the University of the Philippines and his bachelor's degree in Liberal Arts major in Philosophy from the same institution in 1995.

Celeste Z. Sioson

Assistant Corporate Secretary

Ms. Sioson, 37 years old, Filipino, is the Assistant Corporate Secretary of the Company. She joined the Company in October 2006 and is currently Assistant Vice President of the Legal and Corporate Affairs Department of the Company. Ms. Sioson obtained her bachelor's degree in Law from the University of the Philippines in 2002 and her bachelor's degree in Science major in Biology in 1998 from the same institution. She has extensive experience in civil, criminal,

administrative, labor litigation, labor relations and real estate law. Prior to joining the Company, she was a Senior Associate at the Andres Marcelo Padernal Guerrero and Paras Law Offices and an Associate at the Ponce Enrile Reyes & Manalastas Law Offices.

Significant Employees

The business of the Company is not highly dependent on the services of personnel outside of Senior Management.

Family Relationships

Mr. Andrew L. Tan and Ms. Katherine L. Tan, both directors of the Company, are spouses.

Involvement in Certain Legal Proceedings

The Company is not aware of the occurrence, as of the date hereof and during the past five (5) years preceding this date, of any of the following events which it believes to be material to the evaluation of the ability or integrity of any of its directors, nominees for election as director, or executive officers:

1. Any bankruptcy petition filed by or against any business of a director, nominee for election as director, or executive officer who was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. Any director, nominee for election as director, or executive officer being convicted by final judgment in a criminal proceeding, domestic or foreign, or being subject in his personal capacity to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
3. Any director, nominee for election as director, or executive officer being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
4. Any director, nominee for election as director, or executive officer being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Item 11. Executive Compensation

Compensation of Certain Executive Officers

The total annual compensation paid to the President/CEO and four most highly compensated executive officers of the Company amounted to Php10,759,782 in 2013 and Php9,779,201 in 2012. The projected total annual compensation of the named executive officers for the current year is Php11,498,967.

Compensation of Directors

The members of the Board of Directors of the Company receive a standard per diem for attendance in board meetings. In 2013, the Company paid a total of Php500,000 for directors' per diem. For 2014, the Company has allocated the same amount of Php700,000 for directors' per diem.

Apart from directors' per diem, there are no other arrangements, such as consulting contracts, pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the Company's last completed fiscal year, and the ensuing year, for any service provided as a director.

SUMMARY COMPENSATION TABLE

The following table identifies the President and the four most highly compensated officers of the Company and summarizes their aggregate compensation in 2012 and 2013 and estimated aggregate compensation for 2014:

Name and Principal Position	Year	Salary	Bonus	Others	Total Annual Compensation
Anthony Charlemagne C. Yu, President & CEO					
Ricky S. Libago SVP for Property Development					
Antonio E. Llantada, Jr., VP for Audit and Management Services					
Evelyn G. Cacho, VP for Finance					
Ricardo B. Gregorio, VP for HR, General & Admin Services					
President and 4 Most Highly Compensated Officers	2012	7,831,277	703,732	1,244,192	9,779,201
	2013	8,678,714	738,827	1,342,241	10,759,782
	2014	9,286,224	790,545	1,422,198	11,498,967
All Other Officers and Directors as a Group	2012	5,231,575	453,955	1,113,274	6,798,804
	2013	23,122,174	1,941,404	2,374,724	27,438,301
	2014	24,740,725	2,072,302	2,716,124	29,534,151

Employment Contracts and Change-in-Control Arrangements

Executive officers are appointed by the Board of Directors to their respective offices. Certain executive officers are employees of the Company and are entitled to standard employee benefits extended by the Company to the employees.

Other than benefits available under the Company's retirement plan, there is no compensatory plan or arrangement with respect to an executive officer which results or will result from the resignation, retirement or any other termination of such executive officer's employment with

the Company and its subsidiaries, or from a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company.

Outstanding Warrants and Options

There are no outstanding warrants and options in respect of the Company's shares that are held by the Company's CEO, or any director or executive officer of the Company.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Record and Beneficial Owners of more than 5% of the Company's Shares of Common Stock as of March 31, 2014

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
Common	Megaworld Corporation ¹ 28/F The World Centre 330 Sen. Gil Puyat Avenue, Makati City	Megaworld Corporation	Filipino	11,993,051,438	81.7176%
	PCD Nominee Corporation (Filipino) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City	Megaworld Corporation, a client of a participant of PCD Nominee Corporation (Filipino)		<u>375,000</u> 11,993,426,438	<u>0.0025%</u> 81.7202%
Common	PCD Nominee Corporation (Filipino) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City	The shares registered in the name of PCD Nominee Corporation (Filipino) are either beneficially owned by the participants of the PCD composed of custodian banks and brokers or held by them in trust for their clients.	Filipino	1,523,915,073 ²	10.3836%

¹The Board of Directors of Megaworld authorizes its Chairman of the Board and President or in his absence the Chairman of the Meeting, to vote Megaworld's common shares in the Company.

² This includes 375,000 shares beneficially owned by Megaworld Corporation.

Other than the persons identified above, there are no other beneficial owners of more than 5% of the Company's outstanding capital stock that are known to the Company.

Security Ownership of Management as of March 31, 2014

Title of Class Name of Beneficial Owner		Amount/Nature of Beneficial Ownership	Citizenship	Percent of Class
Directors				
Common	Andrew L. Tan	24,277,777 (direct)	Filipino	0.16542278%
		1 ¹ (indirect)	Filipino	0.00000001%
		11,993,426,438 ² (indirect)	Filipino	81.72024855%
		138,133,820 ³ (indirect)	Filipino	0.94120967%
Common	Gerardo C. Garcia	636,277 (direct)	Filipino	0.00433543%
Common	Anthony Charlemagne C. Yu	1 (direct)	Filipino	0.00000001%
Common	Katherine L. Tan	1 (direct)	Filipino	0.00000001%
		24,277,777 ⁴ (indirect)	Filipino	0.16542278%
Common	Enrique Santos L. Sy	11,892 (direct)	Filipino	0.00008103%
Common	Evelyn G. Cacho	35,240 (direct)	Filipino	0.00024012%
Common	Alejo L. Villanueva, Jr.	1 (direct)	Filipino	0.00000001%
President and Four Most Highly Compensated Officers				
Common	Anthony Charlemagne C. Yu			Same as above
Common	Ricky S. Libago	0	Filipino	n/a
Common	Antonio E. Llantada, Jr.	92,532 (direct)	Filipino	0.00063049%
Common	Evelyn G. Cacho			Same as above
Common	Ricardo B. Gregorio	0	Filipino	n/a
Other Executive Officers				
Common	Jhoanna Lyndelou T. Llaga	0	Filipino	n/a
Common	Giovanni C. Ng	0	Filipino	n/a
Common	Dennis E. Edaño	0	Filipino	n/a
Common	Celeste Z. Sioson	0	Filipino	n/a
Common	All directors and executive officers as a group	25,053,721 (direct)	Filipino	0.170709873%

Voting Trust Holders of 5% or More

The Company has no knowledge of any person holding more than five percent (5%) of the Company's shares of common stock under a voting trust or similar agreement.

¹The share is beneficially owned by Katherine L. Tan, spouse of Andrew L. Tan.

² The shares are held by Megaworld Corporation which normally authorizes Andrew L. Tan, in his capacity as Chairman of the Board and President, or in his absence the Chairman of the Meeting, to vote Megaworld's common shares in the Company.

³ The shares are held by The Andresons Group, Inc. of which Andrew L. Tan is a controlling shareholder.

⁴ The shares are beneficially owned by Andrew L. Tan, spouse of Katherine L. Tan.

Changes in Control

No change in control of the Company has occurred since the beginning of its last fiscal year. The Company has no knowledge of any existing arrangements that may result in a change in control of the Company.

Item 13. Certain Relationships and Related Transactions

Please refer to the discussion under Transactions with and/or dependence on Related Parties on page 5.

The Group's policy on related party transactions is disclosed in Note 2.21 (page 28) of its Audited Financial Statements.

Also, Note 22 (pages 58 to 60) of the Group's Audited Financial Statements cite the conditions, purpose, and types of transactions (i.e., advances given to and received from related parties for construction-related activities, recognition of rental income, recognition of commission income and the grant by a stockholder of security under the Group's commercial/term loan) which give rise to the due to/from related parties and advances to/from stockholders, associates and other related parties.

In accordance with PAS 24.18, the Group disclosed the amounts of the transactions with its related parties, including the amount of outstanding balances as of the reporting dates.

The Company has no transaction for the covered period with parties that fall outside the definition of "related parties" under SFAS/IAS No. 24 but with whom the Company or its related parties has a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

PART V – EXHIBITS AND SCHEDULES

Item 15. Exhibits and Reports on SEC Form 17-C

Exhibit No.	Description of Exhibit
1	Audited Consolidated Financial Statements as of December 31, 2013 and 2012

The Company filed the following reports on SEC Form 17-C during the last six-month period covered by this report.

Date	Disclosures
10 July 2013	Results of Annual Stockholder's Meeting
10 July 2013	Results of Organizational Meeting of the Board of Directors
10 July 2013	Press Release: "Empire East Posts 73% Increase in Reservation Sales"
04 November 2013	Withdrawal of discussions with OKADA Group

SIGNATURES

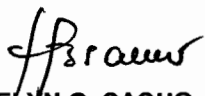
ASIG 077

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Makati, Philippines on ~~11/13/2013~~ **11/13/2014**

EMPIRE EAST LAND HOLDINGS, INC.

By:


ANTHONY CHARLEMAGNE C. YU
President
(Principal Executive Officer
and Principal Operating Officer)


EVELYN G. CACHO
Vice President for Finance
(Principal Financial Officer,
Comptroller and Principal
Accounting Officer)



DENNIS E. EDAÑO
Corporate Secretary

APR 29 2014

SUBSCRIBED AND SWORN to before me this 29 day of April 2014, affiants exhibiting to me their Tax Identification Numbers and Community Tax Certificates, as follows:

<u>NAMES</u>	<u>TIN NOS.</u>	<u>CTC NO.</u>	<u>DATE / PLACE OF ISSUE</u>
Anthony Charlemagne C. Yu	132-173-451	10862568	01/13/14/Makati City
Evelyn G. Cacho	127-326-686	10848199	01/06/14/Makati City
Dennis E. Edaño	207-906-709	10853569	01/13/14/Makati City

Doc. No. 9
Page No. 2
Book No. 272
Series of 2014.


ATTY. RAMON L. CAPIA
NOTARY PUBLIC
UNTIL 12/31/2014
ROLL NO. 22
E NO. IV-00



Empire East

**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, 2013 and 2012, 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, 2013
- d. Schedule of Financial Indicators for December 31, 2013 and 2012
- e. Map Showing the Relationship Between and Among the Company and its Related Entities
- 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

Empire East Land Holdings, Inc.

21/F The World Centre, 330 Sen. Gil Puyat Avenue Extension,
Makati City 1200, Philippines • Tels: (632) 867-8351 to 59

SUBSCRIBED AND SWORN to me before this APR 22 2014 of 2014 affiant exhibiting to me their Community Tax Certificate No. as follows:

Andrew L. Tan	07668465	January 06, 2014	Quezon City
Anthony Charlemagne C. Yu	10862568	January 13, 2014	Makati City
Evelyn G. Cacho	10848199	January 06, 2014	Makati City

Doc. No. 116
Page No. 24
Book No. XXIII
Series of 2014



Celeste Z. Sioson
Celeste Z. Sioson
Notary Public
Until 31 December 2014
Time IBP No. 924749; 01.11.13; Quezon
PTR No. 4237962; 01.13.14; Makati City
Roll No. 48369; 03.24.03
24/F The World Centre Building
330 Sen. Gil Puyat Ave., Makati City
Tel. No. 867-8018



An instinct for growth™

Report of Independent Auditors

19th and 20th Floors, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288
F +63 2 886 5506
www.punongbayan-araullo.com

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

RECEIVED
BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
APR 22 2014

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, 2013 and 2012, 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, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

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.

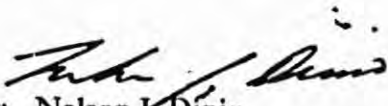
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, 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, 2013 and 2012, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO


By: **Nelson J. Dinio**
Partner

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

March 7, 2014

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012
(With Corresponding Figures as of January 1, 2012)
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2013</u>	December 31, 2012 (As Restated - see Note 2)	January 1, 2012 (As Restated - see Note 2)
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	5	P 504,471,331	P 3,033,222,982	P 827,666,321
Trade and other receivables - net	6	2,979,566,315	2,590,588,931	2,226,231,335
Advances to related parties	22	2,053,791,774	1,687,392,195	1,631,182,339
Residential and condominium units for sale	7	12,824,659,670	11,342,431,118	9,456,554,184
Property development costs	7	2,902,642,906	2,659,616,892	2,423,789,010
Prepayments and other current assets	2	<u>760,206,175</u>	<u>666,244,553</u>	<u>501,974,011</u>
Total Current Assets		<u>22,025,338,171</u>	<u>21,979,496,671</u>	<u>17,067,397,200</u>
NON-CURRENT ASSETS				
Trade and other receivables - net	6	2,421,692,485	2,194,358,817	1,835,563,506
Advances to landowners and joint ventures	8	787,075,245	822,584,793	940,216,193
Land held for future development	9	4,088,300,118	3,662,752,341	3,111,506,103
Investment in associates	10	293,372,235	970,146,246	592,414,710
Available-for-sale financial assets	11	2,905,080,000	1,887,176,000	1,652,746,082
Investment property - net	12	185,552,516	202,357,339	233,621,784
Property and equipment - net	13	160,370,094	171,065,623	176,529,059
Other non-current assets	11	<u>84,458,536</u>	<u>84,746,150</u>	<u>100,897,875</u>
Total Non-current Assets		<u>10,925,901,229</u>	<u>9,995,187,309</u>	<u>8,643,495,312</u>
TOTAL ASSETS		<u>P 32,951,239,400</u>	<u>P 31,974,683,980</u>	<u>P 25,710,892,512</u>

	Notes	2013	December 31, 2012 (As Restated - see Note 2)	January 1, 2012 (As Restated - see Note 2)
<u>LIABILITIES AND EQUITY</u>				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	14	P 71,200,342	P 152,989,611	P 221,870,556
Trade and other payables	15	438,132,758	948,441,503	321,219,814
Deferred gross profit on real estate sales	2	49,703,647	90,416,874	47,369,747
Customers' deposits	16	2,957,368,755	2,739,542,408	2,345,829,862
Advances from related parties	22	1,643,353,984	2,750,593,347	901,155,124
Reserve for property development	2	132,642,060	175,551,262	200,022,819
Income tax payable		7,267,113	7,053,140	7,020,264
Other current liabilities	17	305,700,294	197,271,282	148,623,630
Total Current Liabilities		<u>5,605,368,953</u>	<u>7,061,859,427</u>	<u>4,193,111,816</u>
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	14	148,530,809	236,893,851	417,377,123
Deferred gross profit on real estate sales	2	125,286,085	224,930,063	204,313,730
Reserve for property development	2	815,738,947	906,875,613	654,934,198
Retirement benefit obligation	20	288,880,437	150,302,400	123,982,926
Deferred tax liabilities - net	21	1,177,480,246	1,114,258,209	1,084,714,978
Total Non-current Liabilities		<u>2,555,916,524</u>	<u>2,633,260,136</u>	<u>2,485,322,955</u>
Total Liabilities		<u>8,161,285,477</u>	<u>9,695,119,563</u>	<u>6,678,434,771</u>
EQUITY				
Capital stock	23	14,803,455,238	13,603,455,238	10,908,215,404
Additional paid-in capital		4,307,887,996	4,247,887,996	4,281,564,705
Treasury stock - at cost	23	(102,106,658)	(102,106,658)	(116,233,808)
Revaluation reserves		1,980,515,883	1,030,385,774	452,715,833
Retained earnings	23	3,186,793,388	2,887,326,539	2,652,723,154
Equity attributable to parent company's shareholders		24,176,545,847	21,666,948,889	18,178,985,288
Non-controlling interest		613,408,076	612,615,528	853,472,453
Total Equity		<u>24,789,953,923</u>	<u>22,279,564,417</u>	<u>19,032,457,741</u>
TOTAL LIABILITIES AND EQUITY		P 32,951,239,400	P 31,974,683,980	P 25,710,892,512

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	Notes	<u>2013</u>	2012 (As Restated - see Note 2)	2011 (As Restated - see Note 2)
REVENUES AND INCOME				
Real estate sales	2	P 1,705,620,061	P 1,381,413,611	P 983,531,150
Finance income	19	492,576,792	531,444,542	425,850,050
Commissions	22	147,636,430	149,623,356	149,817,650
Realized gross profit on prior years' sales	2	193,650,909	80,660,991	106,695,654
Rental income	12	121,363,871	45,025,948	47,590,819
Equity share in net earnings of associates	10	34,635,124	83,770,918	16,509,892
Other income	18	<u>255,633,125</u>	<u>250,814,251</u>	<u>223,381,483</u>
		<u>2,951,116,312</u>	<u>2,522,753,617</u>	<u>1,953,376,698</u>
COSTS AND EXPENSES				
Cost of real estate sales	2	1,152,377,269	906,264,248	746,144,272
Deferred gross profit on current year's sales	2	53,293,704	144,324,450	100,944,119
Salaries and employee benefits	20	255,508,254	191,024,216	154,688,597
Commissions		190,078,824	176,184,120	149,499,244
Finance costs	19	126,572,738	96,630,630	58,317,356
Taxes and licenses	12	125,442,799	39,573,594	26,381,737
Travel and transportation		108,794,974	117,177,770	90,438,432
Advertising and promotion		101,628,164	196,150,807	141,923,280
Depreciation and amortization	12, 13	37,015,034	38,394,105	32,696,704
Loss from dilution of investment in subsidiary	10	-	37,501,256	57,824,732
Other expenses	18	329,796,416	268,719,399	173,395,841
Tax expense	21	<u>170,136,355</u>	<u>74,787,036</u>	<u>34,758,701</u>
		<u>2,650,644,531</u>	<u>2,286,731,631</u>	<u>1,767,013,015</u>
NET PROFIT		<u>300,471,781</u>	<u>236,021,986</u>	<u>186,363,683</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently through profit or loss:				
Remeasurements on retirement benefit obligation	20	(96,792,260)	(3,699,968)	(32,155,409)
Tax income on remeasurement	21	<u>28,805,985</u>	<u>929,818</u>	<u>9,487,970</u>
		<u>(67,986,275)</u>	<u>(2,770,150)</u>	<u>(22,667,439)</u>
Item that will be reclassified subsequently through profit or loss:				
Fair value gains (losses) on available-for-sale financial assets	11	1,017,904,000	722,892,000	(391,715,040)
Reclassification of unrealized fair value gains on disposed AFS financial assets to profit and loss		<u>-</u>	<u>(221,000,000)</u>	<u>(11,591,269)</u>
		<u>1,017,904,000</u>	<u>501,892,000</u>	<u>(403,306,309)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)		<u>P 1,250,389,506</u>	<u>P 735,143,836</u>	<u>(P 239,610,065)</u>
Net profit attributable to:				
Parent company's shareholders		P 299,466,849	P 234,603,385	P 179,624,379
Non-controlling interest		<u>1,004,932</u>	<u>1,418,601</u>	<u>6,739,304</u>
		<u>P 300,471,781</u>	<u>P 236,021,986</u>	<u>P 186,363,683</u>
Total comprehensive income (loss) attributable to:				
Parent company's shareholders		P 1,249,596,958	P 733,890,393	(P 195,280,588)
Non-controlling interest		<u>792,548</u>	<u>1,253,443</u>	<u>(44,329,477)</u>
		<u>P 1,250,389,506</u>	<u>P 735,143,836</u>	<u>(P 239,610,065)</u>
EARNINGS PER SHARE				
Basic	24	<u>P 0.021</u>	<u>P 0.021</u>	<u>P 0.017</u>
Diluted	24	<u>P 0.021</u>	<u>P 0.021</u>	<u>P 0.017</u>

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

Notes	Attributable to Parent Company's Shareholders						Non-controlling Interest	Total	
	Capital Stock	Additional Paid-in-Capital	Treasury Stock	Revaluation Reserves	Retained Earnings	Total			
Balance at January 1, 2013									
As previously reported	23	P 13,603,455,238	P 4,247,887,996	(P 102,106,658)	P 1,054,226,000	P 2,888,249,604	P 21,691,712,180	P 612,916,679	P 22,304,628,859
Prior period adjustment, net of tax	2	-	-	-	(23,840,226)	(923,065)	(24,763,291)	(301,151)	(25,064,442)
As restated		13,603,455,238	4,247,887,996	(102,106,658)	1,030,385,774	2,887,326,539	21,666,948,889	612,615,528	22,279,564,417
Transactions 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		-	-	-	1,017,904,000	-	1,017,904,000	-	1,017,904,000
Remeasurements on retirement benefit obligation	2, 20	-	-	-	(96,579,876)	-	(96,579,876)	(212,384)	(96,792,260)
Tax income on remeasurement	2, 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	23	P 10,908,215,404	P 4,281,564,705	(P 116,233,808)	P 473,951,067	P 2,654,315,360	P 18,201,812,728	P 853,612,716	P 19,055,425,444
As previously reported		10,908,215,404	4,281,564,705	(116,233,808)	473,951,067	2,654,315,360	18,201,812,728	853,612,716	19,055,425,444
Prior period adjustment, net of tax	2	-	-	-	(21,235,234)	(1,592,206)	(22,827,440)	(140,263)	(22,967,703)
As restated		10,908,215,404	4,281,564,705	(116,233,808)	452,715,833	2,652,723,154	18,178,985,288	853,472,453	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 noncontrolling interest representing the shares held by a deconsolidated subsidiary		-	-	14,127,150	-	-	14,127,150	-	14,127,150
Deconsolidation of balance related to GPMIAI		-	-	-	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	2, 20	-	-	-	(3,534,810)	-	(3,534,810)	(165,158)	(3,699,968)
Tax income on remeasurement	2, 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
Balance at January 1, 2011	23	P 10,908,215,404	P 4,281,564,705	(P 116,233,808)	P 826,334,027	P 2,474,931,832	P 18,374,812,160	P 1,155,674,589	P 19,530,486,749
As previously reported		10,908,215,404	4,281,564,705	(116,233,808)	826,334,027	2,474,931,832	18,374,812,160	1,155,674,589	19,530,486,749
Prior period adjustment, net of tax	2	-	-	-	1,286,773	(1,833,057)	(546,284)	5,169	(541,115)
As restated		10,908,215,404	4,281,564,705	(116,233,808)	827,620,800	2,473,098,775	18,374,265,876	1,155,679,758	19,529,945,634
Total comprehensive loss for the year:									
Net profit for the year		-	-	-	-	179,624,379	179,624,379	6,739,304	186,363,683
Available-for-sale financial assets:									
Fair value losses on available-for-sale financial assets		-	-	-	(346,355,500)	-	(346,355,500)	(45,359,540)	(391,715,040)
Reclassification to profit or loss		-	-	-	(6,027,460)	-	(6,027,460)	(5,563,809)	(11,591,269)
Remeasurements on retirement benefit obligation	2, 20	-	-	-	(32,009,977)	-	(32,009,977)	(145,432)	(32,155,409)
Tax income on remeasurement	2, 21	-	-	-	9,487,970	-	9,487,970	-	9,487,970
Reduction in noncontrolling interest representing the shares held by a deconsolidated subsidiary		-	-	-	-	-	-	(257,877,828)	(257,877,828)
Balance at December 31, 2011	23	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

See Notes to Consolidated Financial Statements

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	Notes	2013	2012 (As Restated - see Note 2)	2011 (As Restated - see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 470,608,136	P 310,809,022	P 221,122,384
Adjustments for:				
Finance income	19	(449,788,792)	(490,908,542)	(374,332,255)
Finance costs	19	126,572,738	96,630,630	58,317,356
Dividend income	19	(42,788,000)	(40,536,000)	(44,395,338)
Depreciation and amortization	12, 13	37,015,034	38,394,105	32,696,704
Loss from sale of investment in associate	10	35,422,273	-	-
Equity share in net earnings of associates	10	(34,635,124)	(83,770,918)	(16,509,892)
Gain on sale of property and equipment	13	(487,890)	-	-
Impairment loss	6	79,820	18,300	216,547
Loss from dilution of investment in subsidiary	10	-	37,501,256	57,824,732
Gain on disposal of AFS financial assets		-	-	(4,401,401)
Gain on disposal of FVTPL financial assets		-	-	(3,337,364)
Fair value loss on FVTPL financial assets		-	-	616,308
Operating profit (loss) before working capital changes		141,998,195	(131,862,147)	(72,182,219)
Increase in trade and other receivables		(593,261,118)	(548,433,029)	(77,052,055)
Increase in advances to related parties		(133,230,631)	(654,297,479)	(1,419,236,079)
Increase in residential and condominium units for sale		1,456,829,490	1,854,871,188	1,518,609,497
Increase in property development costs		(243,026,014)	(235,827,882)	(239,142,763)
Increase in prepayments and other current assets		(93,961,622)	(172,118,201)	(129,091,319)
Decrease in advances to landowners and joint ventures		35,509,548	117,631,400	424,047,714
Increase in land held for future development		(425,547,777)	(551,246,238)	(156,817,146)
Decrease in other non-current assets		287,613	16,151,725	152,627,038
Increase (decrease) in trade and other payables		(510,367,292)	630,744,307	(330,753,633)
Increase (decrease) in deferred gross profit on real estate sales		(140,357,205)	63,663,460	(109,998,571)
Increase (decrease) in customers' deposits		217,826,347	393,712,546	(270,542,910)
Increase (decrease) in reserve for property development		(134,045,868)	227,469,858	85,361,659
Increase in other current liabilities		108,429,012	35,141,875	1,445,354,150
Increase in retirement benefit obligation		32,328,471	14,820,055	10,910,444
Cash used in operations		(3,194,247,831)	(2,649,320,938)	(2,205,125,187)
Interest received		301,396,245	291,250,824	191,398,663
Cash paid for income taxes		(77,894,360)	(52,039,412)	(71,010,179)
Net Cash Used in Operating Activities		(2,970,745,946)	(2,410,109,526)	(2,084,736,703)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investment in shares of stock	10	471,236,862	-	-
Dividends received	19	42,788,000	40,536,000	44,395,338
Interest received	19	17,228,413	24,447,560	19,856,160
Acquisitions of property and equipment	13	(11,815,910)	(16,125,846)	(25,849,730)
Proceeds from sale of property and equipment	13	2,847,666	-	-
Proceeds from disposal of AFS financial assets		-	-	379,297,342
Acquisition of AFS financial assets		-	-	(365,726,942)
Acquisition of financial assets at FVTPL		-	-	(88,355,740)
Proceeds from disposal of financial assets at FVTPL		-	-	88,168,716
Decrease in AFS financial assets		-	-	62,514,618
Net Cash From Investing Activities		522,285,031	48,857,714	114,299,762
<i>Balance Carried Forward</i>		(P 2,448,460,915)	(P 2,361,251,812)	(P 1,970,436,941)

	Notes	2013	2012 (As Restated - see Note 2)	2011 (As Restated - see Note 2)
<i>Balance Brought Forward</i>		(P 2,448,460,915)	(P 2,361,251,812)	(P 1,970,436,941)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of advances from related parties	22	(1,286,978,539)	(80,417,177)	(73,792,054)
Proceeds from issuance of shares of stock	23	1,260,000,000	2,695,239,834	-
Payments of interest-bearing loans and borrowings	14	(170,152,311)	(249,364,217)	(349,967,275)
Proceeds from advances from related parties	22	142,239,176	1,979,020,494	1,979,400,775
Interest paid		(25,399,062)	(43,776,313)	(76,122,701)
Direct costs in issuance of shares of stock	23	-	(33,676,709)	-
Net Cash From (Used in) Financing Activities		(80,290,736)	4,267,025,912	1,479,518,745
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		(2,528,751,651)	1,905,774,100	(490,918,196)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		3,033,222,982	827,666,321	1,491,611,105
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF DECONSOLIDATED SUBSIDIARIES				
	10	-	(195,406,748)	(132,535,045)
PREACQUISITION CHANGES IN CASH AND CASH EQUIVALENTS OF DECONSOLIDATED SUBSIDIARY				
	10	-	495,189,309	(40,491,543)
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		P 504,471,331	P 3,033,222,982	P 827,666,321

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 8).

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

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		
		2013	2012	2011
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 School, Inc. (LBASI)	(e)	73%	73%	73%
Sonoma Premier Land, Inc. (SPLI)	(f)	60%	60%	60%
Gilmore Property Marketing Associate, Inc. (GPMAI)	(g)	-	-	52%
Associates:				
GPMAI	(g)	47%	47%	-
SPI	(h)	-	33%	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 (Megaworld or the parent company).

The place of incorporation, which is similar with the place of operation of the Company's subsidiaries and affiliates, are located at 21st Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City except EPHI, LBASI and SPI. The place of incorporation as well as the principal place of business of EPHI, LBASI and SPI are summarized below.

- (a) EPHI – 28th Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City
- (b) LBASI – 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 10.1). 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. GPMAI is now an associate.

In prior years, the Company increased its ownership interest in VVPI and LBASI. This resulted to the recognition of goodwill which amounted to P78.3 million as of December 31, 2013 and 2012, and shown as part of Other non-current assets account in the consolidated statements of financial position.

Starting June 2011, the Company became a subsidiary of 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. Alliance Global Group, Inc. (AGI) is 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 registered office of the Company is located at the 21st Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City. Megaworld's registered office is on 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) for the year ended December 31, 2013 (including the comparative financial statements for December 31, 2012 and the corresponding figures as of January 1, 2012) were authorized for issue by the Company's BOD on March 7, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 *Basis of Preparation of Consolidated Financial Statements*

(a) *Statement of Compliance with Philippine Financial Reporting Standards*

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

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.

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

Certain accounts in the 2012 and 2011 consolidated financial statements were reclassified to conform with the 2013 consolidated financial statement presentation and classification.

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

2.2 *Adoption of New and Amended PFRS*

(a) *Effective in 2013 that are Relevant to the Company*

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

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

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

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

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

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

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

	December 31, 2012		
	As Previously Reported	Effect of Adoption of PAS 19	As Restated
<i>Changes in liabilities:</i>			
Retirement benefit obligation	P 114,965,381	P 35,337,019	P 150,302,400
Deferred tax liabilities - net	1,124,530,786	(10,272,577)	1,114,258,209
Net increase in liabilities		<u>P 25,064,442</u>	
<i>Changes in components of equity:</i>			
Revaluation reserves, net of tax	P 1,016,726,000	(P 23,840,226)	P 992,885,774
Retained earnings	2,888,249,604	(923,065)	2,887,326,539
Non-controlling interest	612,916,679	(301,151)	612,615,528
Net decrease in equity		<u>(P 25,064,442)</u>	
January 1, 2012			
	As Previously Reported	Effect of Adoption of PAS 19	As Restated
<i>Changes in liabilities:</i>			
Retirement benefit obligation	P 91,390,515	P 32,592,411	P 123,982,926
Deferred tax liabilities - net	1,094,339,686	(9,624,708)	1,084,714,978
Net increase in liabilities		<u>P 22,967,703</u>	
<i>Changes in components of equity:</i>			
Revaluation reserves, net of tax	P 473,951,067	(P 21,235,234)	P 452,715,833
Retained earnings	2,654,315,360	(1,592,206)	2,652,723,154
Non-controlling interest	853,612,716	(140,263)	853,472,453
Net decrease in equity		<u>(P 22,967,703)</u>	

The effects of the restatement in the 2012 and 2011 consolidated statements of comprehensive income are presented below.

	<u>As Previously Reported</u>	<u>Effect of Adoption of PAS 19</u>	<u>As Restated</u>
2012			
<i>Changes in profit or loss:</i>			
Salaries and employee benefits	P 199,779,027	(P 8,754,811)	P 191,024,216
Finance costs	88,831,180	7,799,450	96,630,630
Tax expense	74,505,086	<u>281,950</u>	74,787,036
		<u>(P 673,411)</u>	
<i>Change in other comprehensive income:</i>			
Remeasurements on retirement benefit obligation – net of tax	P -	<u>(P 2,770,150)</u>	(P 2,770,150)
<i>Changes in total comprehensive income attributable to:</i>			
Company's shareholders	P 735,826,244	(P 1,935,851)	P 733,890,393
Non-controlling interest	1,414,331	<u>(160,888)</u>	1,253,443
		<u>(P 2,096,739)</u>	
	<u>As Previously Reported</u>	<u>Effect of Adoption of PAS 19</u>	<u>As Restated</u>
2011			
<i>Changes in profit or loss:</i>			
Salaries and employee benefits	P 161,749,075	(P 7,060,478)	P 154,688,597
Finance costs	51,600,951	6,716,405	58,317,356
Tax expense	34,655,479	<u>103,222</u>	34,758,701
		<u>(P 240,851)</u>	
<i>Change in other comprehensive income:</i>			
Remeasurements of retirement benefit obligation – net of tax	P -	<u>(P 22,667,439)</u>	(P 22,667,439)
<i>Changes in total comprehensive loss attributable to:</i>			
Company's shareholders	(P 172,999,432)	(P 22,281,156)	(P 195,280,588)
Non-controlling interest	(44,184,045)	<u>(145,432)</u>	(44,329,477)
		<u>(P 22,426,588)</u>	

The reclassifications of certain line items in the statements of financial position as of December 31, 2012 and January 1, 2012 have the following effects on the 2012 and 2011 consolidated statements of cash flows under operating activities:

	<u>As Previously Reported</u>	<u>Effect of Adoption of PAS 19</u>	<u>As Restated</u>
2012			
Profit before tax	P 309,853,661	P 955,361	P 310,809,022
Finance costs	88,831,180	7,799,450	96,630,630
Increase in retirement benefit obligation	23,574,866	(<u>8,754,811</u>)	14,820,055
		<u>P -</u>	
2011			
Profit before tax	P 220,778,311	P 344,073	P 221,122,384
Finance costs	51,600,951	6,716,405	58,317,356
Increase in retirement benefit obligation	17,970,922	(<u>7,060,478</u>)	10,910,444
		<u>P -</u>	

The adoption of PAS 19 (Revised) did not have a material impact on the Company's basic and diluted earnings per share (see Note 24).

- (iii) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2013). The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation*. The amendment also requires disclosure of information about recognized financial instruments which are subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32 and amounts related to a financial collateral. These disclosures allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the entity's statement of financial position. The details and outstanding balances of financial assets and financial liabilities that are subject to offsetting, enforceable master netting agreements and similar arrangements are disclosed in Note 27.2.

(iv) Consolidation, Joint Arrangements, Associates and Disclosures

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

- PFRS 10 changes the definition of control focusing on three elements which determines whether the investor has control over the investee such as the (a) power over the investee, (b) exposure or rights to variable returns from involvement with the investee, and, (c) ability to use such power to affect the returns. This standard also provides additional guidance to assist in determining controls when this is difficult to assess, particularly in situation where an investor that owns less than 50% of the voting rights in an investee may demonstrate control to the latter.
- PFRS 11 deals with how a joint arrangement is classified and accounted for based on the rights and obligations of the parties to the joint arrangement by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. The option of using proportionate consolidation for arrangement classified as jointly controlled entities under the previous standard has been eliminated. This new standard now requires the use of equity method in accounting for arrangement classified as joint venture.
- PFRS 12 integrates and makes consistent the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, associates, special purpose entities and unconsolidated structured entities. In general, this requires more extensive disclosures about the risks to which an entity is exposed from its involvement with structured entities.
- PAS 27 (Revised) deals with the requirements pertaining solely to separate financial statements while PAS 28 (Revised) includes the requirements for joint ventures, as well as for associates, to be accounted for using the equity method.

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

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

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

Other than the additional disclosures presented in Notes 12 and 28, the application of this new standard had no significant impact on the amounts recognized in the consolidated financial statements.

- (vi) 2009-2011 Annual Improvements to PFRS. Annual Improvements to PFRS (2009-2011 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following are relevant to the Group:
 - (a) PAS 1 (Amendment), *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information*. The amendment clarifies that a statement of financial position as at the beginning of the preceding period (third statement of financial position) is required when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the third statement of financial position. The amendment specifies that other than disclosure of certain specified information in accordance with PAS 8 related notes to the third statement of financial position are not required to be presented.

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

- (b) PAS 16 (Amendment), *Property, Plant and Equipment – Classification of Servicing Equipment*. The amendment addresses a perceived inconsistency in the classification requirements for servicing equipment which resulted in classifying servicing equipment as part of inventory when it is used for more than one period. It clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognized as property, plant and equipment when they meet the definition of property, plant and equipment, otherwise, these are classified as inventory. This amendment had no impact on the Group's consolidated financial statements since it has been recognizing those servicing equipment in accordance with the recognition criteria under PAS 16.
- (c) PAS 32 (Amendment), *Financial Instruments: Presentation – Tax Effect of Distributions to Holders of Equity Instruments*. The amendment clarifies that the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with PAS 12, *Income Taxes*. Accordingly, income tax relating to distributions to holders of an equity instrument is recognized in profit or loss while income tax related to the transaction costs of an equity transaction is recognized in equity. This amendment had no effect on the Group's consolidated financial statements as it has been recognizing the effect of distributions to holders of equity investments and transaction costs of an equity transaction in accordance with PAS 12.

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

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

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

(c) *Effective Subsequent to 2013 but not Adopted Early*

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

- (i) PAS 19 (Amendment), *Employee Benefits: Defined Benefit Plans – Employee Contributions* (effective from January 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. Management has initially determined that this amendment will have no impact on the Group's consolidated financial statements.
- (ii) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2014). The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that a right of set-off is required to be legally enforceable, in the normal course of business; in the event of default; and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies the principle behind net settlement and provided characteristics of a gross settlement system that would satisfy the criterion for net settlement. The Group does not expect this amendment to have a significant impact on its consolidated financial statements.
- (iii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets* (effective from January 1, 2014). The amendment clarifies that the requirements for the disclosure of information about the recoverable amount of assets or cash-generating units is limited only to the recoverable amount of impaired assets that is based on fair value less cost of disposal. It also introduces an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less cost of disposal is determined using a present value technique. Management will reflect in its subsequent years' consolidated financial statements the changes arising from this relief on disclosure requirements.

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

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

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

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

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

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

- (v) Philippine IFRIC 15, *Agreements for Construction of Real Estate*. This Philippine interpretation is based on IFRIC interpretation issued by the IASB in July 2008 effective for annual periods beginning on or after January 1, 2009. The adoption of this interpretation in the Philippines, however, was deferred by the FRSC and Philippine Securities and Exchange Commission after giving due considerations on various application issues and the implication on this interpretation of the IASB's on-going revision of the Revenue Recognition standard. This interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and accordingly, when revenue from the construction should be recognized. The main expected change in practice is a shift from recognizing revenue using the percentage of completion method (i.e., as a construction progresses, by reference to the stage of completion of the development) to recognizing revenue at completion upon or after delivery. The Group is currently evaluating the impact of this interpretation on its consolidated financial statements in preparation for its adoption when this becomes mandatorily effective in the Philippines.
- (vi) Annual Improvements to PFRS. Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS, which are effective for annual period beginning on or after July 1, 2014. Among those improvements, the following amendments are relevant to the Group but management does not expect a material impact on the Group's consolidated financial statements:

Annual Improvements to PFRS (2010-2012 Cycle)

- (a) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets*. The amendments clarify that when an item of property, plant and equipment, and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.
- (b) PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also requires and clarifies that the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity should be disclosed in the financial statements, and not the amounts of compensation paid or payable by the key management entity to its employees or directors.
- (c) PFRS 3 (Amendment), *Business Combinations* (effective July 1, 2014). Requires contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.
- (d) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment, through a revision only in the basis of conclusion of PFRS 13, clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financial instruments, did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvements to PFRS (2011-2013 Cycle)

- (a) PFRS 3 (Amendment), *Business Combinations* (effective July 1, 2014). Clarifies that PFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- (b) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of, and accounted for in accordance with, PAS 39 or PFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in PAS 32.
- (c) PAS 40 (Amendment), *Investment Property*. The amendment clarifies the interrelationship of PFRS 3, *Business Combinations*, and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset, or a business combination in reference to PFRS 3.

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

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Company 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 Associates*

Associates are those entities over which the Company is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint venture. Investments in 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 associates are recognized in the Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Equity Share in Net Earnings 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 consolidated 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 associates 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 Company ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(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.

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 fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity 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 transaction costs. Financial assets carried at FVTPL are initially recognized at fair value and transaction costs are charged as expense and included in the profit or loss.

Currently, the Group's financial assets are categorized as financial assets at FVTPL, loans and receivables and AFS financial assets. A more detailed description of the financial assets is as follows:

(a) *Financial Assets at FVTPL*

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

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at fair value through profit or loss) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term. In 2011, financial assets at FVTPL amounting to P5.8 million (nil in 2012 and 2013) is presented as part of Prepayments and Other Current Assets in the consolidated statement of financial position.

(b) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the 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 account in the consolidated statement of financial position. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is 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 cash flows discounted at the effective interest rate (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

(c) *AFS 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 unless management intends to dispose of the investment within 12 months from the end of 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. When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income.

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

The fair value of AFS financial assets 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, related 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 and other cash flows resulting from holding financial assets are recognized in consolidated profit or loss when received, 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.

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 financial statements when it is probable that the future economic benefits will flow to the entity 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 at cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; 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 and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

2.7 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 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 attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to 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).

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

2.8 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 (excluding deferred income), 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. They are recognized at proceeds received, net of direct issue costs. Finance charges 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 they 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 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 carrying amount of goodwill relating to it.

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

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

2.10 Offsetting of Financial Instruments

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

2.11 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 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 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 Others under Revenues 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 the consolidated statement of comprehensive income upon utilization of goods or services 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).

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

2.13 Commissions

Commissions pertain to 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 the Group does not substantially transfer to the lessee all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease receipts are recognized as income in the consolidated profit or loss on a straight-line basis over the lease term. Indirect costs incurred by the Group in negotiating and arranging for an operating lease is added to the carrying amount of the leased asset and recognized as expense over the lease term (see Note 2.12).

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 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, *Operating Segments*, is 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 interest in joint ventures, investment property, property and equipment, investment in associates, 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 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 Company'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 Company provides post-employment benefits to employees through a defined benefit plan, as well as various defined contribution plans.

(a) Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of 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 at least every two years by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of a zero coupon government bonds as published by Philippine Dealing & Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

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

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

(b) Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity. The Company 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 the reporting period. They are included in Trade and Other Payables account in the statement of financial position at the undiscounted amount that the Company 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, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

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

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 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 the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the 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 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 Group; (b) associates; (c) the Group's retirement fund; and, (d) 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.

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 are 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 earnings per share are computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Group 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 in 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 require 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) Impairment of AFS Financial Assets

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

The Group's AFS financial assets are not impaired as of December 31, 2013 and 2012. Future changes in those information and circumstances might significantly affect the carrying amount of the assets.

(b) *Distinction Among 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 independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the Group's main line of business 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 use in the Group's main line of business or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the Group's main line of business or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

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

(c) *Distinction between 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.

Based on management's assessment, the Group's current lease agreements are classified as operating lease.

(d) *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 financial year:

(a) *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 financial year.

Considering the Group's pricing policy, the net realizable values of real estate, residential 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.

(b) *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 investment property and property and equipment are analyzed in Notes 12 and 13, respectively. Based on management's assessment as at December 31, 2013 and 2012, there is no change in estimated useful lives of property and equipment and investment property during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(c) *Impairment of Trade and Other Receivables and Advances to Landowners and Joint Ventures*

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, the counterparties' current credit status, average age of accounts, collection experience and historical loss experience.

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 6. No impairment losses were recognized on the Group's Advances to Landowners and Joint Ventures (see Note 8).

(d) *Fair Value Measurements of Financial Instruments*

The Group carries certain financial assets at fair value, which are classified as Level 1 fair values as these investments are traded in the stock market. As such, no significant accounting estimates and judgment was made on its FVTPL and AFS financial assets (see Note 11). Meanwhile, certain AFS financial assets amounting to P2.7 million as of December 31, 2012 and 2011 are measured at cost since there are no available market values on these instruments.

(e) *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, 2013 and 2012 are disclosed in Note 21.

(f) *Impairment of Non-financial Assets*

The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.17. Though management believes that the assumptions used in the estimation of fair values 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.

Based on management evaluation, no impairment losses were recognized on the Group's non-financial assets.

(g) *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 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 obligation are presented in Note 20.2.

(b) *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 2013 and 2012 would have increased by P28.9 million and P33.8 million, respectively, if percentages of completion were increased by 10%. Consequently, revenue would have decreased by P56.1 million and P47.45 million in 2013 and 2012, respectively, if the percentages of completion were decreased by 10%.

(i) *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. 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.

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

Investment Property is measured using the cost model. The fair value disclosed in Note 12 to the consolidated financial statements is determined by the Group using the discounted cash flows valuation technique since the information on current or recent prices of investment property is not available. The Group uses assumptions that are mainly based on market conditions existing at each reporting periods.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

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 cost, residential and condominium units for sale and investment property. 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

The following tables present the revenue and profit information regarding industry segments for the years ended December 31, 2013, 2012 and 2011 and certain assets and liabilities information regarding industry segments as of December 31, 2013 and 2012.

	High Rise Projects			Horizontal Projects			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
REVENUES									
Real estate sales	P 1,393,785,610	P 1,134,391,661	P 785,205,409	P 311,834,451	P 247,021,950	P 198,325,741	P 1,705,620,061	P 1,381,413,611	P 983,531,150
Realized gross profit on prior years' sale	111,914,555	54,887,331	69,382,884	81,736,354	25,773,660	37,312,770	193,650,909	80,660,991	106,695,654
Finance income	335,211,278	323,695,054	213,588,625	(16,461,227)	29,823,710	39,839,934	318,750,051	353,518,764	253,428,559
Rental income	99,522,551	36,497,835	33,187,251	18,805,389	4,743,136	11,085,103	118,327,940	41,240,971	44,272,354
Other income	139,366,064	163,610,459	83,374,549	48,657,616	29,548,470	69,143,939	188,023,680	193,158,929	152,518,488
Total revenues	<u>2,079,800,058</u>	<u>1,713,082,340</u>	<u>1,184,738,718</u>	<u>444,572,583</u>	<u>336,910,926</u>	<u>355,707,487</u>	<u>2,524,372,641</u>	<u>2,049,993,266</u>	<u>1,540,446,205</u>
COSTS AND OTHER									
OPERATING EXPENSES									
Cost of real estate sales	988,400,529	739,162,660	592,804,308	163,976,740	167,101,588	153,339,964	1,152,377,269	906,264,248	746,144,272
Deferred gross profit on current year's sales	37,359,174	94,773,101	82,822,261	15,934,530	49,551,349	18,121,858	53,293,704	144,324,450	100,944,119
Salaries and employee benefits	-	5,486	10,515	471,320	596,865	729,833	471,320	602,351	740,348
Commissions	103,382,383	96,922,750	79,013,904	42,622,296	24,679,728	15,806,726	146,004,679	121,602,478	94,820,630
Rentals	102,227,942	65,760,076	20,824,974	16,087,532	32,881,024	7,459,293	118,315,474	98,641,100	28,284,267
Taxes and Licenses	29,025,731	15,929,200	17,723,265	21,537,594	17,001,389	2,515,323	50,563,325	32,930,589	20,238,588
Advertising and promotion	42,673,406	103,827,731	78,144,745	31,426,143	29,965,682	10,511,547	74,099,549	133,793,413	88,656,292
Association dues	18,927,486	22,608,540	27,130,979	4,526,170	7,441,309	-	23,453,656	30,049,849	27,130,979
Others	21,167,818	17,119,555	11,758,059	13,440,746	12,232,515	8,201,986	34,608,564	29,352,070	19,960,045
Cost and other operating expenses excluding depreciation and amortization	1,343,164,469	1,156,109,099	910,233,010	310,023,071	341,451,449	216,686,530	1,653,187,540	1,497,560,548	1,126,919,540
Depreciation and amortization	3,395,290	3,674,999	3,702,291	14,061,920	14,209,915	14,215,688	17,457,210	17,884,914	17,917,979
	<u>1,346,559,759</u>	<u>1,159,784,098</u>	<u>913,935,301</u>	<u>324,084,991</u>	<u>355,661,364</u>	<u>230,902,218</u>	<u>1,670,644,750</u>	<u>1,515,445,462</u>	<u>1,144,837,519</u>
SEGMENT OPERATING									
PROFIT (LOSS)	<u>P 733,240,299</u>	<u>P 553,298,242</u>	<u>P 270,803,417</u>	<u>P 120,487,592</u>	<u>(P 18,750,438)</u>	<u>P 124,805,269</u>	<u>P 853,727,891</u>	<u>P 534,547,804</u>	<u>P 395,608,686</u>
SEGMENT ASSETS									
AND LIABILITIES									
Segment assets	P14,074,551,368	P12,115,201,349		P 4,990,407,147	P 4,884,277,328		P19,064,958,515	P16,999,478,677	
Segment liabilities	798,100,219	808,553,884		325,270,520	589,219,928		1,123,370,739	1,397,773,812	

Sales to any of the Company's major customers did not exceed 10% of the Company'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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues			
Total segment revenues	<u>P 2,524,372,641</u>	<u>P 2,049,993,266</u>	<u>P 1,540,446,205</u>
Unallocated revenues:			
Rental income from investment property	3,035,931	3,784,977	3,318,465
Finance income	173,826,741	177,925,778	172,421,491
Commissions	147,636,430	149,623,356	149,817,650
Equity share in net earnings of associate	34,635,124	83,770,918	16,509,892
Other income	<u>67,609,445</u>	<u>57,655,322</u>	<u>70,862,995</u>
	<u>426,743,671</u>	<u>472,760,351</u>	<u>412,930,493</u>
Revenues as reported in profit or loss	<u>P 2,951,116,312</u>	<u>P 2,522,753,617</u>	<u>P 1,953,376,698</u>
Profit or loss			
Segment operating profit	P 853,727,891	P 534,547,804	P 395,608,686
Other unallocated income	426,743,671	472,760,351	412,930,493
Other unallocated expense	<u>(809,863,426)</u>	<u>(696,499,133)</u>	<u>(587,416,795)</u>
Profit before tax as reported in profit or loss	<u>P 470,608,136</u>	<u>P 310,809,022</u>	<u>P 221,122,384</u>
Assets			
Segment assets	<u>P 19,064,958,515</u>	<u>P16,999,478,677</u>	
Unallocated assets:			
Cash and cash equivalents	504,471,331	3,033,222,982	
Trade and other receivables	2,063,602,861	1,787,517,081	
Advances to related parties	2,053,791,774	1,687,392,195	
Prepayments and other current assets	760,206,175	666,244,553	
Advances to landowners and joint ventures	787,075,245	822,584,793	
Investment in associates	293,372,235	970,146,246	
Available for sale financial assets	2,905,080,000	1,887,176,000	
Property and equipment – net	160,370,094	171,065,623	
Land held for future development	4,088,300,118	3,662,752,341	
Investment property – net	185,552,516	202,357,339	
Other non-current assets	<u>84,458,536</u>	<u>84,746,150</u>	
	<u>13,886,280,885</u>	<u>14,975,205,303</u>	
Total assets as reported in the consolidated statements of financial position	<u>P 32,951,239,400</u>	<u>P31,974,683,980</u>	

	<u>2013</u>	<u>2012</u>
Liabilities		
Segment liabilities	<u>P 1,123,370,739</u>	<u>P 1,397,773,812</u>
Unallocated liabilities:		
Interest-bearing loans and borrowings	219,731,151	389,883,462
Customers' deposits	2,957,368,755	2,739,542,408
Trade and other payables	438,132,758	948,441,503
Advances from related parties	1,643,353,984	2,750,593,347
Income tax payable	7,267,113	7,053,140
Other current liabilities	305,700,294	197,271,282
Deferred tax liabilities – net	1,177,480,246	1,114,258,209
Retirement benefit obligation	<u>288,880,437</u>	<u>150,302,400</u>
	<u>7,037,914,738</u>	<u>8,297,345,751</u>
 Total liabilities as reported in the consolidated statements of financial position	 <u>P 8,161,285,477</u>	 <u>P 9,695,119,563</u>

5. CASH AND CASH EQUIVALENTS

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

	<u>2013</u>	<u>2012</u>
Cash on hand and in banks	P 410,026,705	P 296,890,366
Short-term placements	<u>94,444,626</u>	<u>2,736,332,616</u>
	<u>P 504,471,331</u>	<u>P 3,033,222,982</u>

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

Peso-denominated short-term placements are made for varying periods of up to 60 days in 2013, 91 days in 2012 and 60 days in 2011 and earn annual effective interest ranging from 0.25% to 3.00% in 2013, 0.50% to 4.25% in 2012 and 0.50% to 4.75% in 2011. Dollar-denominated short-term placements are made for varying periods of up to 118 days in 2013, 93 days in 2012 and 98 days in 2011 and earn annual effective interest ranging from 0.50% to 2.00% in 2013, 0.25% to 1.50% in 2012, and 0.88% to 2.50% in 2011 (see Note 19.1).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	<u>2013</u>	<u>2012</u>
Current:		
Trade receivables	P 1,571,441,013	P1,524,376,795
Advances to suppliers and contractors	865,590,629	576,377,414
Interest receivable	378,930,113	419,696,416
Rent receivable	66,977,121	-
Others	<u>97,186,469</u>	<u>70,656,804</u>
	2,980,125,345	2,591,107,429
Allowance for impairment	(<u>559,030</u>)	(<u>518,498</u>)
	<u>2,979,566,315</u>	<u>2,590,588,931</u>
Non-current:		
Trade receivables	2,313,206,474	1,948,297,003
Refundable security deposits	44,665,660	177,844,987
Others	<u>63,820,351</u>	<u>68,216,827</u>
	<u>2,421,692,485</u>	<u>2,194,358,817</u>
	<u>P5,401,258,800</u>	<u>P4,784,947,748</u>

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 2013 and 2012 is shown below.

	<u>2013</u>	<u>2012</u>
Balance at beginning of year	P 518,498	P 611,613
Impairment losses during the year	79,820	18,300
Recovery of accounts previously provided with allowance	(<u>39,288</u>)	(<u>111,415</u>)
Balance at end of year	<u>P 559,030</u>	<u>P 518,498</u>

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 14% to 19% in 2013 and 14% to 18% in 2012 and 2011. The related finance income earned on those sales contracts amounting to P267.5 million in 2013, P319.2 million in 2012 and P216.4 million in 2011 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, 2013 and 2012 were determined by calculating the present value of the cash flows anticipated to be received until the end of the installment term using 10% discount rate. Amortization of day one loss amounting to P51.3 million in 2013, P34.4 million in 2012 and P37.2 million in 2011 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 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 P220.0 million and P333.0 million as of December 31, 2013 and 2012, 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 pertain to down payments 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 and other utilities equipment needed in the development of housing projects, i.e., condominium communities and house and lot packages. 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.

In 2013 and 2012, the Group reclassified other receivables amounting to P63.8 million and P68.2 million, respectively, to non-current portion based on management evaluation that settlement will be made within two years.

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 P25.4 million and P43.8 million in 2013 and 2012, respectively (see Note 14.3).

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. **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 are as follows:

	<u>2013</u>	<u>2012</u>
Advances to landowners:		
Balance at beginning of year	P 25,000,029	P 118,184,386
Additional advances granted	-	159,686,257
Reclassifications	<u>-</u>	<u>(252,870,614)</u>
Balance at end of year	<u>25,000,029</u>	<u>25,000,029</u>
Advances to joint ventures:		
Balance at beginning of year	797,584,764	822,031,807
Additional advances granted	3,185,932	2,760,340
Collections	<u>(38,695,480)</u>	<u>(27,207,383)</u>
Balance at end of year	<u>762,075,216</u>	<u>797,584,764</u>
	<u>P 787,075,245</u>	<u>P 822,584,793</u>

In 2012, certain down payments made on parcels of land, amounting to P130.0 million and P122.9 million, were reclassified to Land Held for Future Development and Property Development Costs account, respectively, upon full payment by the Group and transfer of title to the Group from the landowners. There was no such transaction in 2013.

The Group commits to develop the properties based on the terms agreed with joint venture partners. Total commitment for cash advances under the existing joint venture agreements amounted to P300.0 million in 2011 (nil in 2012 and 2013). This commitment has been fully complied with by the Group as of December 31, 2013 and 2012.

The net commitment for construction expenditures amounts to:

	<u>2013</u>	<u>2012</u>
Total commitment for construction expenditures	P 7,465,887,664	P 7,465,887,664
Total expenditures incurred	(<u>3,067,637,235</u>)	(<u>1,934,085,679</u>)
Net commitment	<u>P 4,398,250,429</u>	<u>P 5,531,801,985</u>

The Group's interest in jointly controlled operations and projects ranges from 55% to 82% in 2013 and 2012, respectively. The Group's jointly controlled projects are as follows:

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

As of December 31, 2013 and 2012, the Group has no other material contingent liabilities with regard to these joint ventures.

9. 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 P9.4 million, P4.8 million and P1.0 million in 2013, 2012 and 2011, respectively, and is presented as part of Taxes and Licenses in the consolidated statements of comprehensive income. 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.

10. INVESTMENT IN ASSOCIATES

The components of the investments in associates as of December 31, 2013 and 2012, are as follows:

	% Interest <u>Held</u>	<u>2013</u>	% Interest <u>Held</u>	<u>2012</u>
Investments in associates – at equity				
Acquisition costs:				
GPMAI	47%	P293,960,618	47%	P 293,960,618
SPI	-	<u>-</u>	33%	<u>371,154,818</u>
		<u>293,960,618</u>		<u>665,115,436</u>
Accumulated equity in net earnings (losses):				
Balance at beginning of year		100,280,810		16,509,892
Equity share in net earnings for the year		34,635,124		83,770,918
Equity in net earnings on investment in SPI sold during the year		(135,504,317)		<u>-</u>
Balance at end of year		(588,383)		<u>100,280,810</u>
Advances to SPI treated as investment		<u>-</u>		<u>204,750,000</u>
		<u>P293,372,235</u>		<u>P 970,146,246</u>

10.1 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).

10.2 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.

On March 25, 2011, the percentage ownership of the Company over SPI was diluted and reduced from 80% to 33% due to Megaworld's subscription to SPI's unissued capital stock. As a result, SPI became a subsidiary of Megaworld holding approximately 59% ownership in SPI. The fair value of the reduced ownership interest of the Company in SPI amounting to P371.2 million was recognized as the deemed cost of the investment in associate. Accordingly, a loss from dilution amounting to P57.8 million was recognized in the 2011 consolidated statement of comprehensive income.

A portion of the Group's advances to SPI amounting to P204.8 million is presented as part of the Investment in Associates account as of December 31, 2012 since settlement of the advances is neither planned nor likely in the foreseeable future. These advances were reclassified and presented as part of Advances to Related Parties in the 2013 statement of financial position as the Group no longer have any ownership interest with SPI as of December 31, 2013 (see Note 22.1).

Equity share in net earnings of associates amounted to P34.6 million in 2013 and P83.8 million in 2012 and are presented in the consolidated statements of comprehensive income. No dividends were received from these investments in 2013 and 2012.

10.3 Summarized Financial Information

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

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenues</u>	<u>Net Profit (Loss)</u>
2013 –				
GPMAI	<u>P 606,925,269</u>	<u>P 12,044,804</u>	<u>P 6,100,708</u>	<u>(P 10,390,561)</u>
2012:				
SPI	P 7,355,569,029	P 5,925,688,531	P 896,244,643	P 242,487,133
GPMAI	<u>617,315,052</u>	<u>12,044,026</u>	-	<u>(93,998,746)</u>
	<u>P 7,972,884,081</u>	<u>P 5,937,732,557</u>	<u>P 896,244,643</u>	<u>P 148,488,387</u>

As of December 31, 2013 and 2012, the related book values of the Group holding in these associates amounting to P293.9 million and P758.6 million, respectively, are higher than or equal to the related carrying amount; hence, the Group deemed that no impairment loss is necessary.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	Note	<u>2013</u>	<u>2012</u>
Balance at beginning of year		P 1,887,176,000	P 1,652,746,082
Fair value gains – net		1,017,904,000	464,392,000
Deconsolidation of balance related to GPMAI	10	<u>-</u>	<u>(229,962,082)</u>
Balance at end of year		<u>P2,905,080,000</u>	<u>P 1,887,176,000</u>

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 P2.9 billion, is categorized as Level 1 in the fair value hierarchy. On the other hand, the Group's Level 3 investments amounting to P2.7 million include equity instruments which are presented as part of Other Non-Current Assets account in the consolidated statements of financial position.

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

Dividends earned amounted to P42.8 million, P40.5 million and P44.4 million in 2013, 2012 and 2011 and are presented as Dividend income under Finance Income in the consolidated statements of comprehensive income (see Note 19.1).

12. 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, 2013, 2012 and 2011 amounted to P121.4 million, P45.0 million and P47.6 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 P1.1 million, P1.6 million and P1.0 million was recognized as a related expense in 2013, 2012 and 2011, 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 as of the reporting period is shown below.

	Note	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cost		P 337,136,458	P 351,596,080	P 351,596,080
Deconsolidation of balance				
Related to GPMAI	10	-	(14,459,622)	-
Accumulated depreciation		(<u>151,583,942</u>)	(<u>134,779,119</u>)	(<u>117,974,296</u>)
Net carrying amount		<u>P 185,552,516</u>	<u>P 202,357,339</u>	<u>P 233,621,784</u>

A reconciliation of the carrying amount of investment property at the beginning and end of 2013 and 2012 are as follows:

	Note	<u>2013</u>	<u>2012</u>
Balance at January 1, net of accumulated depreciation		P 202,357,339	P 233,621,784
Deconsolidation of balance related to GPMAI	10	-	(14,459,622)
Depreciation charges for the year		(<u>16,804,823</u>)	(<u>16,804,823</u>)
Balance at December 31, net of accumulated depreciation		<u>P 185,552,516</u>	<u>P 202,357,339</u>

The amount of depreciation expense is presented as part of the Depreciation and Amortization account in the consolidated statements of comprehensive income.

Other information relating to fair value measurements and disclosures of investment property are disclosed in Note 28.

13. PROPERTY AND EQUIPMENT

As of December 31, 2013 and 2012, this account includes land amounting to P81,095,000 which is used as LBASI'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 2013 and 2012 are shown below.

	<u>Building and Other Improvements</u>	<u>Office Furniture and Equipment</u>	<u>Transportation Equipment</u>	<u>Leasehold Improvements</u>	<u>Total</u>
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	<u>P 48,486,758</u>	<u>P 12,181,978</u>	<u>P 9,351,958</u>	<u>P 9,254,400</u>	<u>P 79,275,094</u>
December 31, 2012					
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	<u>P 50,949,156</u>	<u>P 11,633,780</u>	<u>P 12,271,555</u>	<u>P 15,116,132</u>	<u>P 89,970,623</u>
January 1, 2012					
Cost	P 73,144,723	P 97,038,848	P 52,345,401	P 52,500,247	P 275,029,219
Accumulated depreciation and amortization	(19,269,778)	(87,425,798)	(38,161,309)	(34,738,275)	(179,595,160)
Net carrying amount	<u>P 53,874,945</u>	<u>P 9,613,050</u>	<u>P 14,184,092</u>	<u>P 17,761,972</u>	<u>P 95,434,059</u>

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

	<u>Building and Other Improvements</u>	<u>Office Furniture and Equipment</u>	<u>Transportation Equipment</u>	<u>Leasehold Improvements</u>	<u>Total</u>
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	<u>P 48,486,758</u>	<u>P 12,181,978</u>	<u>P 9,351,958</u>	<u>P 9,254,400</u>	<u>P 79,275,094</u>

	<u>Building and Other Improvements</u>	<u>Office Furniture and Equipment</u>	<u>Transportation Equipment</u>	<u>Leasehold Improvements</u>	<u>Total</u>
Balance at January 1, 2012, net of accumulated depreciation and amortization	P 53,874,945	P 9,613,050	P 14,184,093	P 17,761,972	P 95,434,060
Additions	-	7,094,984	3,540,918	5,489,944	16,125,846
Reclassification	-	28,524	-	(28,524)	-
Depreciation and amortization charges for the year	(2,925,789)	(5,102,778)	(5,453,456)	(8,107,260)	(21,589,283)
Balance at December 31, 2012, net of accumulated depreciation and amortization	<u>P 50,949,156</u>	<u>P 11,633,780</u>	<u>P 12,271,555</u>	<u>P 15,116,132</u>	<u>P 89,970,623</u>

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

The cost of fully depreciated assets still used in business amounted to P152.0 million and P136.9 million as of December 31, 2013 and 2012, respectively.

14. INTEREST-BEARING LOANS AND BORROWINGS

At December 31, 2013 and 2012, the Group's interest-bearing loans and borrowings are as follows:

	<u>Note</u>	<u>2013</u>	<u>2012</u>
Current:			
Bank loans		P 71,200,342	P 95,846,754
Commercial/term loan	22.3	<u>-</u>	<u>57,142,857</u>
		71,200,342	152,989,611
Non-current:			
Bank loans		<u>148,530,809</u>	<u>236,893,851</u>
		P 219,731,151	P 389,883,462

Certain properties presented as part of Residential and Condominium Units for Sale and Trade Receivables with total estimated carrying value of 654.7 million and P861.1 million, as of December 31, 2013 and 2012, respectively are used as collateral for the P219.7 million and P389.9 million loans and borrowings as of December 31, 2013 and 2012, respectively.

14.1 Bank Loans

The bank loans represent secured loans from banks. The loans bear annual interest rates ranging from 7.8% to 10.5% in 2013 and 2012 and 7.9% to 10.5% in 2011. Bank loans also include proceeds received from certain trade receivables that were discounted on a with-recourse basis (see Note 6).

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 14.3).

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, 2013 and 2012, the Group is in compliance with such financial covenant obligation.

14.2 Commercial/Term Loans

Included in the 2012 balance of commercial/term loans is the P400.0 million loan obtained in 2006 from a government institution. This loan bears annual interest of 10.5% and is secured by certain real estate properties owned by a stockholder (see Note 22.3). The principal amount is payable in seven equal annual amortization beginning March 15, 2007. Interest payments are due and payable semi-annually, with the first interest payment due on September 15, 2006 and every six months thereafter. The loan was fully settled in 2013.

14.3 Interest

Total interest on these interest-bearing loans and borrowings in 2013, 2012 and 2011 amounted to P25.4 million, P43.8 million and P76.1 million, respectively. Interest expense that are directly attributable to the construction of the Company's projects are capitalized as part of Residential and Condominium Units for Sale accounts in the consolidated statements of financial position. The Group's capitalization rate is 9.2%, 9.5% and 9.2% in 2013, 2012 and 2011, respectively (see Note 7.1). Unpaid interest as of December 31, 2013 and 2012 amounted to P0.7 million and P2.8 million, respectively, and is presented as Interest Payable under the Trade and Other Payables account in the statements of financial position (see Note 15).

15. TRADE AND OTHER PAYABLES

This account consists of:

	Note	<u>2013</u>	<u>2012</u>
Trade payables		P 295,606,188	P 831,093,216
Accrued expenses		66,381,919	29,631,551
Taxes payable		60,829,266	57,126,387
Commissions		13,759,017	15,759,017
Interest payable	14.3	676,235	14,295,782
Miscellaneous		880,133	535,550
		<u>P 438,132,758</u>	<u>P 948,441,503</u>

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 expenses incurred during the year.

16. CUSTOMERS' DEPOSITS

Presented below are the details of this account.

	<u>2013</u>	<u>2012</u>
Advances from customers	P 2,752,160,241	P 2,564,084,173
Other deposits	<u>205,208,514</u>	<u>175,458,235</u>
	<u>P 2,957,368,755</u>	<u>P 2,739,542,408</u>

Advances from customers represent cash received from customers for the real estate property purchases that did not reach 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 include cash received from customers for miscellaneous fees and the related expenses to process the transfer of title to customers.

17. OTHER CURRENT LIABILITIES

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

	<u>2013</u>	<u>2012</u>
Retention payable	P 262,364,441	P 148,622,977
Refundable tenant rental deposits	23,057,330	28,954,786
Deferred income	17,787,624	17,026,195
Miscellaneous	<u>2,490,899</u>	<u>2,667,324</u>
	<u>P 305,700,294</u>	<u>P 197,271,282</u>

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 to 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.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Forfeited collections and deposits	P 188,025,808	P 193,158,929	P 152,535,626
Tuition and miscellaneous fees	40,659,477	39,950,878	40,645,816
Marketing fees	5,560,753	4,424,538	3,495,604
Miscellaneous	<u>21,387,087</u>	<u>13,279,906</u>	<u>26,704,437</u>
	<u>P 255,633,125</u>	<u>P 250,814,251</u>	<u>P 223,381,483</u>

Forfeited collections and deposits include reservation fees and all payments made by delinquent buyers. This also include portion of payments received by the Company 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 collections of common area charges.

18.2 Other Expenses

The breakdown of other operating expenses is shown below.

	<u>Notes</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Rentals	25.2	P 162,986,752	P 137,407,335	P 64,317,582
Loss on sale of investment	10	35,422,273	-	-
Association dues		29,087,260	34,312,370	30,838,930
Utilities		26,148,135	27,145,364	23,737,070
Security services		17,529,361	14,060,312	12,753,420
Documentation		8,065,249	10,159,405	3,984,874
Professional fees		7,244,942	5,531,073	5,224,482
Repairs and maintenance		7,097,326	5,305,360	3,901,581
Janitorial services		5,368,875	3,646,844	821,164
Office supplies		5,248,190	8,786,138	7,437,949
Outside services		3,824,093	3,263,566	2,542,755
Insurance		3,234,555	3,136,770	2,049,623
Marketing events and awards		1,201,920	649,537	704,852
Representation		646,371	524,485	415,232
Miscellaneous		<u>16,691,114</u>	<u>14,790,840</u>	<u>14,666,327</u>
		<u>P 329,796,416</u>	<u>P 268,719,399</u>	<u>P 173,395,841</u>

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

19. FINANCE INCOME AND COSTS

The details of this account are shown below.

19.1 Finance Income

	Notes	<u>2013</u>	<u>2012</u>	<u>2011</u>
Interest income:				
Trade and other receivables	6	P 267,456,702	P 319,203,884	P 216,384,588
Advances to related parties	22.1	108,034,380	109,628,132	98,097,627
Cash and cash equivalents	5	16,201,060	24,447,560	19,856,160
Tuition fees		<u>1,027,354</u>	<u>1,006,313</u>	<u>1,143,182</u>
		<u>392,719,496</u>	454,285,889	335,481,557
Amortization of day one loss on noninterest – bearing financial instruments	6, 22.1	51,293,349	36,622,653	38,850,698
Dividend income	11	42,788,000	40,536,000	44,395,338
Foreign currency gains – net		5,775,947	-	-
Gain on disposal of AFS financial assets		-	-	4,401,401
Gain on disposal of financial assets at FVTPL		-	-	3,337,364
Fair value losses on financial assets at FVTPL		-	-	(616,308)
		<u>P 492,576,792</u>	<u>P 531,444,542</u>	<u>P 425,850,050</u>

19.2 Finance Cost

The breakdown of Finance cost is shown below.

	Notes	<u>2013</u>	<u>2012</u> (As Restated – see Note 2.2)	<u>2011</u> (As Restated – see Note 2.2)
Interest expense on advances from related parties	22.1	P 117,115,432	P 84,211,966	P 51,600,951
Net interest expense on post-employment defined benefit obligation	20.2	9,457,306	7,799,450	6,716,405
Foreign currency losses – net		-	4,619,214	-
		<u>P 126,572,738</u>	<u>P 96,630,630</u>	<u>P 58,317,356</u>

20. SALARIES AND EMPLOYEE BENEFITS

20.1 Salaries and Employee Benefits Expense

Expenses recognized for employee benefits are presented below.

	Note	<u>2013</u>	<u>2012</u> (As Restated – see Note 2.2)	<u>2011</u> (As Restated – see Note 2.2)
Short-term benefits		P 219,979,783	P 173,004,160	P 141,878,152
Post-employment benefits	20.2	<u>35,528,471</u>	<u>18,020,056</u>	<u>12,810,445</u>
		<u>P 255,508,254</u>	<u>P 191,024,216</u>	<u>P 154,688,597</u>

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 plan 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 Financial Statements

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

The amounts of retirement benefit defined obligation recognized in the consolidated statements of financial position are determined as follows:

	<u>2013</u>	2012 (As Restated – see Note 2.2)
Present value of the obligation	P 300,366,865	P 158,756,207
Fair value of the assets	(<u>11,486,428</u>)	(<u>8,453,807</u>)
	<u>P 288,880,437</u>	<u>P 150,302,400</u>

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

	<u>2013</u>	2012 (As Restated – see Note 2.2)
Balance at beginning of year	P 158,756,207	P 129,080,053
Current service cost	35,528,471	18,020,056
Interest expense	9,942,846	8,114,452
Remeasurements		
Actuarial losses arising from		
- changes in financial assumptions	98,849,047	3,224,238
- experience adjustments	(<u>2,709,706</u>)	<u>317,408</u>
Balance at end of year	<u>P 300,366,865</u>	<u>P 158,756,207</u>

The movement in the fair value of plan assets is presented below.

	<u>2013</u>	2012 (As Restated – see Note 2.2)
Balance at beginning of year	P 8,453,807	P 5,097,127
Contributions to plan	3,200,000	3,200,000
Interest income	485,540	315,002
Return on plan assets (excluding amounts included in net interest	(652,919)	(158,322)
Balance at end of year	<u>P 11,486,428</u>	<u>P 8,453,807</u>

The Group's plan assets only consist of cash and cash equivalents as of December 31, 2013 and 2012 and do not comprise any of the Company's financial instruments or any of its assets occupied and/or used in its operations.

The plan assets incurred negative returns of P0.17 million in 2013 and earned return of P0.16 million in 2012.

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

	<u>Notes</u>	<u>2013</u>	2012 (As Restated – see Note 2.2)	2011 (As Restated – see Note 2.2)
<i>Reported in profit or loss:</i>				
Current service cost	20.1	P 35,528,471	P 18,020,056	P 12,810,445
Net interest expense	19.2	<u>9,457,306</u>	<u>7,799,450</u>	<u>6,716,405</u>
		<u>P 44,985,777</u>	<u>P 25,819,506</u>	<u>P 19,526,850</u>
<i>Reported in other comprehensive income:</i>				
Actuarial losses (gains) arising from:				
- changes in financial assumptions		P 98,849,047	P 3,224,238	P 39,830,014
- experience adjustments		(2,709,706)	317,408	(7,832,843)
Return on plan assets (excluding amounts included in net interest)		<u>652,919</u>	<u>158,322</u>	<u>158,238</u>
		<u>P 96,792,260</u>	<u>P 3,699,968</u>	<u>P 32,155,409</u>

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:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<i>Company</i>			
Discount rates	5.32%	6.44%	6.29%
Expected rate of salary increases	10.00%	8.00%	8.00%
<i>EPHI</i>			
Discount rates	5.65%	6.18%	6.00%
Expected rate of salary increases	6.00%	8.00%	8.00%
<i>LBASI</i>			
Discount rate	5.17%	5.64%	8.00%
Expected rate of salary increases	6.00%	5.00%	10.00%

For other subsidiaries, as their accounting and other administrative functions are being handled by the Company, recognition of cost of retirement benefits is not necessary.

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

	<u>Retirement Age</u>	<u>Average Remaining Working Life</u>
Company	60	28
LBASI	60	24
EPHI	60	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 post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as 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, 2013:

	<u>Impact on Post-employment Benefit Obligation</u>		
	<u>Change in Assumption</u>	<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
<i>Company</i>			
Discount rate	+0.50%/-1.00% (41,570,957)	51,824,55
Salary increase rate	+0.75%/-1.25%	46,249,221 (38,411,489)
<i>LBASI</i>			
Discount rate	+/-1.00% (557,697)	693,575
Salary increase rate	+/-1.00%	641,647 (530,851)
<i>EPHI</i>			
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 P285.3 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 P2.0 million to the plan during the next financial year.

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

Within one year	P 1,299,026
More than one year to five years	12,551,481
More than five years to ten years	<u>107,576,032</u>
	<u>P 121,426,539</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 20 to 21 years.

21. TAXES

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

	<u>2013</u>	2012 (As Restated – see Note 2.2)	2011 (As Restated – see Note 2.2)
<i>Reported in profit or loss</i>			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% and 10%	P 58,642,014	P 47,323,257	P 37,572,190
Capital gains tax at 10%	16,334,686	-	-
Final tax at 20% and 7.5%	3,131,633	4,749,031	3,783,064
Stock transaction tax	-	-	2,402,489
Minimum corporate income tax (MCIT) at 2%	-	-	1,114
	<u>78,108,333</u>	<u>52,072,288</u>	<u>43,758,857</u>
Deferred tax expense (income) relating to origination and reversal of temporary differences	<u>92,028,022</u>	<u>22,714,748</u>	<u>(9,000,156)</u>
	<u>P 170,136,355</u>	<u>P 74,787,036</u>	<u>P 34,758,701</u>
<i>Reported in other comprehensive income –</i>			
Deferred tax income at 30% and 10% relating to origination and reversal of temporary differences	<u>(P 28,805,985)</u>	<u>(P 929,818)</u>	<u>(P 9,487,970)</u>

LBASI, as an educational institution, is subject to 10% tax on its taxable income as defined under the tax regulations.

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense is as follows:

	<u>2013</u>	2012 (As Restated – see Note 2.2)	2011 (As Restated – see Note 2.2)
Tax on pretax profit at 30% and 10%	P 171,138,247	P 89,231,241	P 97,863,555
Adjustment for income subjected to lower income tax rates:			
Capital gains tax	(13,689,927)	-	-
Final tax	(1,649,690)	(2,372,586)	(1,952,216)
Stock transaction tax	-	-	2,402,489
Tax effects of:			
Nontaxable income	(12,856,959)	(23,299,281)	(75,108,247)
Nondeductible expenses	17,082,179	6,766,579	820,861
Unrecognized deferred tax assets	10,112,505	14,073,191	10,304,658
Deductible issuance costs	-	(10,103,013)	-
Others – net	-	490,905	427,601
	<u>P 170,136,355</u>	<u>P 74,787,036</u>	<u>P 34,758,701</u>
Tax expense reported in profit or loss	<u>P 170,136,355</u>	<u>P 74,787,036</u>	<u>P 34,758,701</u>

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

	Consolidated Statements of Financial Position		Consolidated Statements of Comprehensive Income		
	2013	2012 (As Restated – see Note 2.2)	2013	2012 (As Restated – see Note 2.2)	2011 (As Restated – see Note 2.2)
Deferred tax assets:					
Retirement benefit obligation	P 85,593,828	P 44,380,202	(P 12,407,640)	(P 6,667,694)	(P 5,216,262)
Unamortized past service cost	2,400,000	1,773,000	(627,000)	(423,000)	(399,000)
Unrealized foreign currency losses - net	-	1,385,764	-	(1,385,764)	1,284,426
Accrued rent	78,144	109,898	31,754	(59,674)	364,122
Net operating loss carryover (NOLCO)	-	-	-	-	(1,034,824)
MCIT	-	-	-	-	7,068
	<u>88,071,972</u>	<u>47,648,864</u>	<u>(13,002,886)</u>	<u>(8,536,132)</u>	<u>(4,994,470)</u>
Deferred tax liabilities:					
Uncollected realized gross profit	(1,026,966,308)	(918,819,728)	108,146,579	36,907,489	30,538,969
Capitalized borrowing cost	(236,853,126)	(243,087,345)	(6,234,219)	(5,656,609)	(34,544,655)
Unrealized foreign exchange gains – net	(1,732,784)	-	3,118,548	-	-
Accrued rent	-	-	-	-	-
	<u>(1,265,552,218)</u>	<u>(1,161,907,073)</u>	<u>105,030,908</u>	<u>31,250,880</u>	<u>(4,005,686)</u>
Deferred Tax Expense (Income)			<u>P 92,028,022</u>	<u>P 22,714,748</u>	<u>(P 9,000,156)</u>
Net Deferred Tax Liabilities	<u>P 1,177,480,246</u>	<u>P 1,114,258,209</u>			

The deferred tax income recognized in other comprehensive income amounting to P28.8 million, P0.9 million and P9.5 million in 2013, 2012 and 2011, respectively, pertains to the tax effect of remeasurement 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	2013	P 33,552,513	2016
	2012	45,231,215	2015
	2011	39,432,442	2014
SPLI	2013	158,754	2016
	2012	165,981	2015
	2011	161,714	2014
SOHI	2013	1,332,016	2016
	2012	1,150,692	2015
	2011	1,162,432	2014
VVPI	2013	271,483	2016
	2012	262,501	2015
	2011	259,494	2014

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 as of the end of 2013 for which the related deferred tax asset has not been recognized amounted to a total of P35.3 million with a total tax effect of P10.6 million.

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

		<u>Assets</u>		<u>Deficit</u>		<u>Revenues</u>		<u>Net Loss</u>
<u>2013</u>								
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
		<u>P 648,151,590</u>		<u>P 187,776,127</u>		<u>P 20,746,854</u>		<u>P 35,485,614</u>
<u>2012</u>								
EECI	P	19,256,571	P	134,342,815	P	16,417,537	P	45,224,030
SPLI		511,859,612		9,167,683		-		165,982
SOHI		16,840,595		5,776,420		-		1,150,692
VVPI		90,814,617		3,003,595		-		753,406
		<u>P 638,771,395</u>		<u>P 152,290,513</u>		<u>P 16,417,537</u>		<u>P 47,294,110</u>

In 2013, 2012 and 2011, the Group opted to claim itemized deductions in computing for its tax due.

22. RELATED PARTY TRANSACTIONS

The Group's related parties include its associates, 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 with its related parties as of and for the years ended December 31, 2013, 2012 and 2011 are as follows:

Related Party Category	Notes	Amounts of Transaction			Outstanding Balance	
		2013	2012	2011	2013	2012
Ultimate Parent:						
AFS financial assets	11	P1,017,904,000	P 464,392,000	P 352,382,960	P2,905,080,000	P1,887,176,000
Dividend income	19.1	42,788,000	40,536,000	44,395,338	-	-
		<u>P1,060,692,000</u>	<u>P 504,928,000</u>	<u>P 396,778,298</u>	<u>P2,905,080,000</u>	<u>P1,887,176,000</u>
Advances to related parties:						
Associates:						
	22.1					
Loans and interest		(P 913,981,506)	P 102,712,258	P 811,269,247	P -	P 913,981,506
Capital expenditure		(231,570,819)	-	231,570,819	-	231,570,819
Working capital		5,778,194	42,563,867	61,466,469	284,200,727	278,422,533
		<u>(P1,139,774,131)</u>	<u>P 145,276,125</u>	<u>P1,104,306,535</u>	<u>P 284,200,727</u>	<u>P1,423,974,858</u>
Under common ownership:						
	22.1					
Loans and interest		P1,029,390,050	P 2,219,097	(P 15,686,203)	P1,063,221,733	P 33,831,683
Investment		242,250,000	-	-	242,250,000	-
Capital expenditure		231,570,819	-	-	234,164,981	2,594,162
Working capital		2,962,841	(91,285,366)	106,779	229,954,333	226,991,492
		<u>P1,506,173,710</u>	<u>(P 89,066,269)</u>	<u>(P 15,579,424)</u>	<u>P1,769,591,047</u>	<u>P 263,417,337</u>

Related Party Category	Note	Amounts of Transaction			Outstanding Balance	
		2013	2012	2011	2013	2012
Advances from related parties:						
Parent Company:						
	22.1					
Loans and interest		P 1,151,623,215	(P 84,645,102)	(P 49,709,285)	P 610,004,941	(P 541,618,274)
Capital expenditure		(25,795,000)	(1,494,000,000)	(209,076,757)	(1,728,871,757)	(1,703,076,757)
Working capital		<u>8,154,691</u>	<u>68,052,310</u>	<u>109,954,915</u>	<u>(71,578,461)</u>	<u>(79,733,152)</u>
		<u>P1,133,982,906</u>	<u>(P1,510,592,792)</u>	<u>(P 148,831,127)</u>	<u>(P1,190,445,277)</u>	<u>(P2,324,428,183)</u>
Associates:						
	22.1					
Capital expenditure		P -	(P 380,770,134)	P -	(P 380,770,134)	(P 380,770,134)
Working capital		(493,543)	(6,432,028)	-	(6,925,571)	(6,432,030)
		<u>(P 493,543)</u>	<u>(P 387,202,162)</u>	<u>P -</u>	<u>(P 387,695,705)</u>	<u>(P 387,202,164)</u>
Under common ownership:						
	22.1					
Loans and interest		P -	(P 65,021)	(P 54,381)	P -	P -
Capital expenditure		11,250,000	10,921,754	(39,375,000)	(63,367,245)	(74,617,246)
Working capital		(37,500,000)	37,500,000	32,557,809	(1,845,757)	35,654,242
		<u>(P 26,250,000)</u>	<u>P 48,356,733</u>	<u>(P 6,871,572)</u>	<u>(P 65,213,002)</u>	<u>(P 38,963,000)</u>

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.

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:

	<u>2013</u>	<u>2012</u>
SPI	P 1,468,674,266	P 1,175,024,983
MCPI	284,200,726	248,949,873
First Oceanic Property Management, Inc.	34,449,016	34,449,016
Other related parties	<u>266,467,766</u>	<u>228,968,323</u>
	<u>P 2,053,791,774</u>	<u>P 1,687,392,195</u>

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

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
Balance at beginning of year		P 1,687,392,195	P 1,631,182,339
Additional advances		161,150,136	209,478,484
Reclassification	10.2	242,250,000	-
Collections received		(37,000,557)	(163,863,719)
Deconsolidation of GPMI balance		-	8,375,994
Amortization of interest	19	-	<u>2,219,097</u>
Balance at end of year		<u>P 2,053,791,774</u>	<u>P 1,687,392,195</u>

In 2012, a portion of the Group's advances to SPI amounting to P204.8 million is presented as part of net investment and now reclassified to Advances to related parties (see Note 10.2).

The details of Advances from Related Parties are as follows:

	<u>Note</u>	<u>2013</u>	<u>2012</u>
Advances from parent company:			
Balance at beginning of year		P 2,324,428,183	P 813,835,394
Additions		141,745,633	1,579,370,810
Repayments		(1,275,728,539)	(68,778,021)
Balance at end of year		<u>P 1,190,445,277</u>	<u>P 2,324,428,183</u>
Advances from associates and related parties under common ownership:			
Balance at beginning of year		P 426,165,164	P 87,319,733
Additions		493,543	381,596,376
Deconsolidation of GPMAI balance		-	6,323,193
Repayments		(11,250,000)	(11,639,159)
Reclassification		37,500,000	(37,500,000)
Amortization of interest	19	<u>-</u>	<u>65,021</u>
Balance at end of year		<u>P 452,908,707</u>	<u>P 426,165,164</u>
Total advances from related parties:			
Balance at beginning of year		P 2,750,593,347	P 901,155,124
Additions		142,239,176	1,960,967,186
Deconsolidation of GPMAI balance		-	6,323,193
Repayments		(1,286,978,539)	(80,417,177)
Reclassification		37,500,000	(37,500,000)
Amortization of interest	19	<u>-</u>	<u>65,021</u>
Balance at end of year		<u>P 1,643,353,984</u>	<u>P 2,750,593,347</u>

These advances to/from stockholders, associates 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; hence, their carrying values are considered to be a reasonable approximation of their fair values.

Certain advances to and from related parties were discounted to present values. Amortization of interest is presented as part of Finance Income in the 2012 consolidated statements of comprehensive income (see Note 19.1).

22.2 Marketing Fee

The Group earns marketing fee 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 P147.6 million, P149.6 million and P149.8 million in 2013, 2012 and 2011, respectively, which is presented as Commission in the consolidated statements of comprehensive income. The related receivables arising from marketing fees are presented as part of Advances to Related Parties in the consolidated statements of financial position (see Note 22.1).

22.3 Commercial/Term Loan

In 2012, the Group has an outstanding commercial/term loan from a government institution bearing an annual interest rate of 10.5%. This loan is secured by certain real estate properties owned by a stockholder of the Company (see Note 14.2).

22.4 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 Group shall pay FEPI a non-refundable cash consideration totaling P60.0 million. As of December 31, 2013 and 2012, the unpaid portion of the cash consideration amounting to P16.8 million and P28.1 million, respectively, is presented as part of the Advances from Related Parties account in the consolidated statements of financial position.

22.5 Key Management Personnel Compensation

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

	<u>2013</u>		<u>2012</u>		<u>2011</u>
Short-term benefits	P 25,295,848	P	23,386,710	P	19,276,453
Post-employment benefits	4,726,022		<u>7,692,779</u>		<u>3,112,283</u>
	<u>P 30,021,870</u>	P	<u>31,079,489</u>	P	<u>22,388,736</u>

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, 2013, 2012 and 2011 (see Note 20.1).

22.6 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 solely consist of cash and cash equivalents amounting to P11.5 million and P8.5 million as of December 31, 2013 and 2012, 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	
	2013	2012	2013	2012
Common shares – P1 par value				
Authorized:				
Balance at beginning of year	31,495,200,000	21,495,200,000	P 31,495,200,000	P 21,495,200,000
Additions during the year	-	10,000,000,000	-	10,000,000,000
Balance at end of year	<u>31,495,200,000</u>	<u>31,495,200,000</u>	<u>31,495,200,000</u>	<u>31,495,200,000</u>
Issued:				
Balance at beginning of year	13,603,455,238	10,622,492,325	13,603,455,238	10,622,492,325
Issuance during the year	1,200,000,000	2,980,962,913	1,200,000,000	2,980,962,913
Balance at end of year	<u>14,803,455,238</u>	<u>13,603,455,238</u>	<u>14,803,455,238</u>	<u>13,603,455,238</u>
Preferred shares – P1 par value				
Authorized, issued and outstanding	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>2,000,000,000</u>
Subscribed and outstanding:				
Balance at beginning of year	-	285,723,080	-	285,723,080
Conversion to common shares	-	(285,723,080)	-	(285,723,080)
Balance at end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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, 2013 and 2012 is 81.53% and 78.59%, 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 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 August 31, 2012, the Company converted all the issued preferred shares into common shares amounting to P285.7 million.

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 Company of 210,333,333 existing common shares at an offer price of P12.90 per share.

As of December 31, 2013 and 2012, the Company's outstanding number of shares totalled 14,676,199,167 and 13,476,199,167, respectively, 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, 2013 and 2012 were listed and closed at a price of P0.92 and P0.99 per share (as of December 27, 2013 and December 28, 2012, respectively). The Company has 12,894 and 13,125 holders of equity securities listed in PSE as of December 31, 2013 and 2012, respectively.

23.2 Treasury Stock

The details of this account are as follows:

	Shares			Amount		
	2013	2012	2011	2013	2012	2011
Balance at beginning of year	127,256,071	153,911,071	153,911,071	P 102,106,658	P 116,233,808	P 116,233,808
Deconsolidation of GPMAI	-	(26,655,000)	-	-	(14,127,150)	-
Balance at end of year	<u>127,256,071</u>	<u>127,256,071</u>	<u>153,911,071</u>	<u>P 102,106,658</u>	<u>P 102,106,658</u>	<u>P 116,233,808</u>

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.

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

Earnings per share amounts were computed as follows:

	2013	2012 (As Restated – see Note 2.2)	2011 (As Restated – see Note 2.2)
Basic earnings per share:			
Net profit attributable to parent company's shareholders	P 299,466,849	P 234,603,385	P 179,624,379
Divided by the weighted average number of issued and outstanding common shares	<u>14,057,360,265</u>	<u>11,181,475,712</u>	<u>10,468,581,253</u>
	<u>P 0.021</u>	<u>P 0.021</u>	<u>P 0.017</u>

	<u>2013</u>	<u>2012</u> (As Restated – see Note 2.2)	<u>2011</u> (As Restated – see Note 2.2)
Diluted earnings per share:			
Net profit attributable to parent company's shareholders	P 299,466,849	P 234,603,385	P 179,624,379
Divided by the weighted average number of issued and outstanding common shares and potential common shares from assumed conversion of convertible Series B preferred shares	<u>14,057,360,265</u>	<u>11,371,696,831</u>	<u>10,754,304,333</u>
	<u>P 0.021</u>	<u>P 0.021</u>	<u>P 0.017</u>

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 P121.4 million in 2013, P45.0 million in 2012 and P47.6 million in 2011.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Within one year	P 24,439,210	P 18,699,525	P 15,520,714
After one year but not more than five years	66,825,230	5,499,839	4,279,758
More than five years	<u>-</u>	<u>5,976,632</u>	<u>11,261,850</u>
	<u>P 91,264,440</u>	<u>P 30,175,996</u>	<u>P 31,062,322</u>

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. Leases have terms ranging from one to four years, with renewal options and include annual escalation rate of 2% to 10%. The future minimum rentals payable under these non-cancellable operating leases as of December 31 are as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Within one year	P 38,496,570	P 36,893,558	P 37,253,043
After one year but not more than five years	<u>38,161,726</u>	<u>23,383,968</u>	<u>30,756,435</u>
	<u>P 76,658,296</u>	<u>P 60,277,526</u>	<u>P 68,009,478</u>

Total rentals from these operating leases which was charged to Rentals under Other Expenses in the consolidated statements of comprehensive income amounted to P163.5 million, P137.4 million and P64.3 million in 2013, 2012 and 2011, respectively (see Note 18.2).

25.3 Legal Claims

As of December 31, 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 presently be determined. In addition, the Group's management believes that the impact of which to 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, P3.3 billion, and P3.8 billion as of December 31, 2013, 2012 and 2011, respectively. The Group has unused lines of credit amounting to P670.0 million as of December 31, 2013 and 2012 and P168.0 million as of December 31, 2011.

25.5 Capital Commitments

The Group has capital commitments for the unutilized balance of its stock rights offering amounting to P12.2 million as of December 31, 2013 for the land banking, project development and general corporate purposes.

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 P81.1 million, P77.1 million and P90.3 million as of December 31, 2013, 2012 and 2011, respectively. There were no U.S. dollar-denominated financial liabilities as of December 31, 2013, 2012 and 2011.

At December 31, 2013, 2012 and 2011, if the Philippine peso had strengthened by 23.40%, 15.67% and 16.23% against the U.S. dollar with all other variables held constant, profit before tax for the year would have been lower by P19.0 million, P12.1 million and P14.7 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 been weaker 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 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 net result for the year and equity to a reasonably possible change in interest rate of +/- 2.14% and +/- 2.16% for cash and cash equivalents and interest-bearing loans and borrowings, respectively, in 2013, +/- 1.53% and +/- 3.65% for cash and cash equivalents and interest-bearing loans and borrowings, respectively, in 2012 and, +/- 0.66% and +/- 0.76% for cash and cash equivalents and interest-bearing loans and borrowings, respectively, in 2011. These changes are considered to be reasonably possible based on observation of current market conditions. The calculation is based on changes in the average market interest rates for the 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, net profit before tax would increase by P5.3 million and P31.6 million in 2013 and 2012, respectively, and decrease by P2.9 million in 2011. If interest rates were to decrease, net profit before tax would decrease in 2013 and 2012 and increase in 2011 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 73.12%, 49.09% and 33.63% has been observed during 2013, 2012 and 2011. If quoted price for these securities increased or decreased by that amount, profit before tax would have changed by P2.1 billion in 2013, P530.8 million in 2012 and P516.8 million in 2011.

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 subject to equity securities price risk because of investments held by the Group and classified on the consolidated statements of financial position as AFS financial assets.

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	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	5	P 504,471,331	P 3,033,222,982
Trade and other receivables – net (excluding advances to suppliers and contractors)	6	4,535,668,171	4,208,570,334
Advances to related parties	22	<u>2,053,791,774</u>	<u>1,687,392,195</u>
		<u>P 7,093,931,276</u>	<u>P 8,929,185,511</u>

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 and 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:

	<u>2013</u>	<u>2012</u>
Not more than 3 months	P 66,282,246	P 35,590,337
More than 3 months but not more than 6 months	126,380,754	173,049,418
More than 6 months but not more than one year	193,346,546	207,286,843
More than one year	<u>60,038,070</u>	<u>45,793,567</u>
	<u>P 446,047,616</u>	<u>P 461,720,165</u>

(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, 2013.

	Neither Past Due nor Specifically Impaired			Past Due or	Total
	High Grade	Standard Grade	Substandard Grade	Individually Impaired	
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
	<u>P 4,672,238,791</u>	<u>P 2,421,692,485</u>	<u>P -</u>	<u>P -</u>	<u>P 7,093,931,276</u>

This compares with the credit quality by class of financial assets as of December 31, 2012.

	Neither Past Due nor Specifically Impaired			Past Due or	Total
	High Grade	Standard Grade	Substandard Grade	Individually Impaired	
Cash and cash equivalents	P 3,033,222,982	P -	P -	P -	P 3,033,222,982
Trade and other receivables - net	2,014,211,517	2,194,358,817	-	-	4,208,570,334
Advances to related parties - net	1,687,392,195	-	-	-	1,687,392,195
	<u>P 6,734,826,694</u>	<u>P 2,194,358,817</u>	<u>P -</u>	<u>P -</u>	<u>P 8,929,185,511</u>

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 under review 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, mutual funds or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2013, 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 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	<u>287,912,670</u>	<u>-</u>
	<u>P2,355,289,122</u>	<u>P 217,927,707</u>

This compares to the maturity of the Group's financial liabilities as of December 31, 2012.

	Within 6 Months	1 to 5 Years
Interest-bearing loans and borrowings	P 170,684,851	P 413,846,258
Trade and other payables	891,315,116	-
Advances from related parties	2,750,593,347	-
Other current liabilities	<u>180,245,087</u>	<u>-</u>
	<u>P3,992,838,401</u>	<u>P 413,846,258</u>

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 LIABILITIES

27.1 Carrying Amounts and Fair Values by Category

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

	Notes	2013		2012	
		Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets					
Loans and Receivables:					
Cash and cash equivalents	5	P 504,471,331	P 504,471,331	P 3,033,222,982	P 3,033,222,982
Trade and other receivables	6	4,535,668,171	4,601,327,906	4,208,570,334	4,259,863,683
Advances to related parties	22.1	<u>2,053,791,774</u>	<u>2,053,791,774</u>	<u>1,687,392,195</u>	<u>1,687,392,195</u>
		7,093,931,276	7,159,591,011	8,929,185,511	8,980,478,860
AFS Financial Assets	11	<u>2,905,080,000</u>	<u>2,905,080,000</u>	<u>1,887,176,000</u>	<u>1,887,176,000</u>
		<u>P 9,999,011,276</u>	<u>P 10,064,671,011</u>	<u>P 10,816,361,511</u>	<u>P 10,867,654,860</u>

Notes	2013		2012	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Liabilities at amortized cost				
Interest-bearing				
loans and borrowings	14 P 219,731,151	P 219,731,151	P 389,883,462	P 389,883,462
Trade and other payables	15 377,303,492	377,303,492	891,315,116	891,315,116
Advances from related parties	22.1 1,643,353,984	1,643,353,984	2,750,593,347	2,750,593,347
Other current liabilities	17 287,912,670	287,912,670	180,245,087	180,245,087
	P 2,528,301,297	P 2,528,301,297	P 4,212,037,012	P 4,212,037,012

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 Liabilities

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

	December 31 2013		
	Gross amounts in the statement of financial position	Financial Liabilities set-off	Net amount presented in the statement of financial position
Advances to related parties	P 2,090,792,331	P 557	P 2,053,791,774
	December 31 2012		
	Gross amounts in the statement of financial position	Financial Liabilities set-off	Net amount presented in the statement of financial position
Advances to related parties	P 1,851,255,914	P 88,001,890	P 1,687,392,195

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

	December 31 2013		
	Gross amounts in the statement of financial position	Financial Assets set-off	Net amount presented in the statement of financial position
Advances from related parties	P 2,930,332,523	P 9,812,366	P1,643,353,984

	December 31 2012		
	Gross amounts in the statement of financial position		Net amount presented in the statement of financial position
	Financial Liabilities	Financial Assets set-off	
Advances from related parties	<u>P 2,862,187,331</u>	<u>P 59,610,612</u>	<u>P2,750,593,347</u>

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements in the preceding page, 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, 2013 and 2012, 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, 2013 and 2012.

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 2013 statement of financial position but for which fair value is disclosed.

Notes	Fair Value Hierarchy as at December 31, 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
		<u>504,471,331</u>	<u>-</u>	<u>6,589,459,945</u>	<u>7,093,931,276</u>
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
		<u>P -</u>	<u>P -</u>	<u>P 2,528,301,297</u>	<u>P 2,528,301,297</u>

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

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

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, 2013.

	Fair Value Hierarchy as at December 31, 2013			
	Level 1	Level 2	Level 3	Total
Investment property:				
Land	P -	P 8,400,000	P -	P 8,400,000
Buildings and office/commercial units	-	-	513,206,740	513,206,740
	<u>P -</u>	<u>P 8,400,000</u>	<u>P 513,206,740</u>	<u>P 521,606,740</u>

The fair values of these non-financial assets were determined based on the following approaches:

(a) Fair Value Measurement of Land

The Level 2 fair value of land 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 no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square foot, hence, the higher the price per square foot, the higher the fair value.

(b) Fair Value Measurement of Building and Office/Residential Units

The Level 3 fair value of the buildings and office/residential units was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

29. CAPITAL MANAGEMENT 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, 2013 and 2012, the Group's ratio of Interest-bearing loans and borrowings to equity is as follows:

	<u>2013</u>	<u>2012</u>
Interest-bearing loans and borrowings	P 219,731,151	P 389,883,462
Total equity	<u>24,789,953,923</u>	<u>22,279,564,417</u>
Debt-to-equity ratio	<u>0.01 : 1</u>	<u>0.02 : 1</u>

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



Punongbayan & Araullo

An instinct for growth™

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

19th and 20th Floors, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288
F +63 2 886 5506

www.punongbayan-araullo.com

**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, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Empire East Land Holdings, Inc. and Subsidiaries (the Group) for the year ended December 31, 2013, on which we have rendered our report dated March 7, 2014. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Nelson J. Dinio**
Partner

CPA Reg. No. 0097048

TIN 201-771-632

PTR No. 4225008, January 2, 2014, Makati City

SEC Group A Accreditation

Partner - No. 1036-AR-1 (until Aug. 21, 2016)

Firm - No. 0002-FR-3 (until Jan. 18, 2015)

BIR AN 08-002511-32-2013 (until Nov. 7, 2016)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

Certified Public Accountants

P&A is a member firm within Grant Thornton International Ltd

Offices in Cebu, Davao, Cavite

March 7, 2014

BOA/PRC Cert. of Reg. No. 0002

SEC Group A Accreditation No. 0002-FR-3

Empire East Land Holdings, Inc. and Subsidiaries
List of Supplementary Information
December 31, 2013

Schedule	Content	Page No.
Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68		
A	Available-for-sale Financial Assets	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	3
D	Intangible Assets - Other Assets	4
E	Long-term Debt	5
F	Indebtedness to Related Parties	6
G	Guarantees of Securities of Other Issuers	N/A
H	Capital Stock	7
Others		
	Schedule of Relevant Financial Ratios	8
	Reconciliation of Retained Earnings Available for Dividend Declaration	9
	Summary of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2013	10-13
	Map Showing the Relationship Between the Company and its Related Entities	14
	Summary of Stock Rights Offering Proceeds	15

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
 Schedule A - Financial Asset at Fair Value Through Profit or Loss
 December 31, 2013

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount in Peso	Equity in earnings (losses) of investee for the period	Other	Distribution of earnings by investee	Number of shares or principal amount of bonds and notes	Amount in Peso	Dividends received from investments not accounted for by the equity method
AFS Financial Assets Alliance Global Group, Inc.	112,600,000	P 2,905,080,000					P 2,905,080,000	

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule B- Amounts Receivable from Directors, Officers, Employees, Related Parties and
Principal Stockholders (Other than Related Parties)
December 31, 2013

Name and designation of debtor	Balance at Beginning of period	Additions/Transfer 2013	Deductions		Ending Balance		Balance at end of period
			Amounts collected	Amounts written off	Current	Not current	
Advances to Officers and Employees:							
Barrera, Julieta	P 10,803	P 535,000	(P 200,702)		P 345,101		P 345,101
Cabrera, Edna Esperanza	295,672		(70,717)		224,955		224,955
Cacho, Evelyn	520,684		(105,012)		415,672		415,672
Chan, Ermanric	123,930		(92,017)		31,913		31,913
Danenberg, Mercedes	44,461		(44,461)		-		-
Domingo, Ma. Visitacion	79,281		(67,603)		11,678		11,678
Edaño, Dennis	-	1,040,000	(27,656)		1,012,344		1,012,344
Gregorio, Ricardo	-	905,754	(423,710)		482,044		
Llaga, Jhoanna Lyndelou	724,664		(110,935)		613,729		613,729
Llantada Jr. , Antonio	559,367		(100,837)		458,530		458,530
Llena, Jose Arnel	67,388		(67,388)		(0)		(0)
Libago, Ricky S.	98,869	1,745,000	(1,176,674)		667,195		667,195
Lim, Robert Edwin	524,214		(524,214)		(0)		(0)
Madridejos, Arminus	99,184		(81,572)		17,612		17,612
Manalastas, Gail	-	587,000	(225,491)		361,509		361,509
Manalac, Michael	131,094		(81,345)		49,749		49,749
Pailan, Ellan Mark	-	613,000	(270,655)		342,345		342,345
Ramos, Franemil	135,987		(91,965)		44,022		44,022
Sioson-Bumatay, Celeste Z.	-	793,000	(33,886)		759,114		759,114
	P 3,415,597	P 6,218,753	(P 3,796,838)	-	P 5,837,512	-	P 5,355,468

Note: Please refer to Schedule C for Amounts Receivable from Related parties.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule C - Amounts Receivable from Related Parties which are Eliminated
during the Consolidation of Financial Statements
December 31, 2013

Name and Designation of debtor		Balance of beginning period		Balance at the end of period
Eastwood Properties Holdings, Inc.	P	1,316,806,782	P	1,279,306,782
Empire East Communities Inc.		153,037,732		195,231,139
Laguna Bel Air School, Inc.		63,217,474		58,076,420
Valle Verde Properties, Inc.		62,461,212		62,833,696
Sherman Oak Holdings Inc.		17,083,015		18,410,790
Sonoma Premier Land Inc.		7,360,647		7,566,950
TOTAL	P	1,619,966,862	P	1,621,425,777

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule D - Intangible Assets - Other Assets
December 31, 2013

Description	Beginning Balance	Additions at Cost	Deduction			Ending Balance
			Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	
Goodwill	<u>P 78,326,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>P 78,326,757</u>

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES

Schedule E - Long-Term Debt

December 31, 2013

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Statement of Financial Position	Amount Shown Under Caption "Long-term Debt" in related Statement of Financial Position
Loans	<u>P 219,731,151</u>	<u>P 71,200,342</u>	<u>P 148,530,809</u>

Loans are payable up to 2017 and bear interest at annual average rate of 7.8% to 10.5% per annum, subject to monthly repricing.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule F - Indebtedness to Related Parties (Other than Affiliates)
December 31, 2013

Name of Related Party	Balance at Beginning of Year	Balance at End of Year
Megaworld Corporation	P 2,324,428,182	P 1,190,445,277
Gilmore Property Marketing Association	387,202,164	387,695,705
Others	<u>38,963,001</u>	<u>65,213,002</u>
	<u>P 2,750,593,347</u>	<u>P 1,643,353,984</u>

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES

Schedule H - Capital Stock

December 31, 2013

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Related Parties	Directors, Officers and Employees	Others

Preferred shares	2,000,000,000	-				
Common shares	31,495,200,000	14,676,199,167	*	11,966,152,438		

**Number of shares issued and outstanding net of 127,256,071 Treasury Shares.*

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule of Relevant Financial Ratios as Required
Under SRC Rule 68, as amended
For the years ended December 31, 2013 and 2012
(Amounts in Philippine Pesos)

	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
I. Current/liquidity ratios				
a. Current Ratio				
Total Current Assets	P 22,025,338,171	P 21,979,496,671	3.93	3.11
Total Current Liabilities	5,605,368,953	7,061,859,427		
b. Quick Ratio				
(Cash and Cash Equivalents + Trade and Other Receivables)	3,484,037,646	5,623,811,963	0.62	0.80
Total Current Liabilities	5,605,368,953	7,061,859,427		
II. Solvency ratios				
a. Solvency Ratio				
(Earnings Before Interest and Taxes)	587,723,568	395,020,988	0.07	0.04
Total Liabilities	8,161,285,477	9,695,119,563		
b. Debt-to-Equity Ratio				
Total Liabilities	8,161,285,477	9,695,119,563	0.33	0.44
Total Equity	24,789,953,923	22,279,564,417		
III. Asset-to-equity ratio				
Total Assets	32,951,239,400	31,974,683,980	1.33	1.44
Total Equity	24,789,953,923	22,279,564,417		
IV. Interest Coverage Ratio				
(Earnings Before Interest and Taxes)	587,723,568	395,020,988	4.12	3.09
Interest Expense	142,514,494	127,988,279		
V. Profitability Ratios				
a. Net Profit Margin				
Net Profit	300,471,781	236,021,986	18%	17%
Revenues	1,705,620,061	1,381,413,611		
b. Return on Equity				
Net profit	300,471,781	236,021,986	1%	1%
Average Equity	23,534,759,170	20,656,011,079		
c. Return on Assets				
Net profit	300,471,781	236,021,986	1%	1%
Average Assets	32,462,961,690	28,842,788,246		

EMPIRE EAST LAND HOLDINGS, INC.
(A Subsidiary of Megaworld Corporation)
 21st Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City

**Reconciliation of Retained Earnings Available for Dividend Declaration
 For the Year Ended December 31, 2013**

Unappropriated Retained Earnings at Beginning of Year, as restated	P	2,849,133,766
Prior Years' Outstanding Reconciling Items, net of tax		
Deferred tax income, as restated		(<u>38,048,680</u>)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		<u>2,811,085,086</u>
Net Profit Realized during the Year		388,922,502
Net profit per audited financial statements		
Non-actual/unrealized income, net of tax		
Deferred tax income	P 18,031,096	
Unrealized foreign currency gains	<u>5,775,947</u>	(23,807,043)
Retained Earnings Restricted for Treasury Shares		(<u>102,106,658</u>)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	P	<u>3,074,093,887</u>

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
<i>Philippine Financial Reporting Standards (PFRS)</i>				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendment to PFRS 1: Government Loans	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures (<i>deferred application</i>)			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments* (<i>effective January 1, 2015</i>)			✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures* (<i>effective January 1, 2015</i>)			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendment to PFRS 10: Transition Guidance	✓		
	Amendment to PFRS 10: Investment Entities* (<i>effective January 1, 2014</i>)			✓
PFRS 11	Joint Arrangements	✓		
	Amendment to PFRS 11: Transition Guidance	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendment to PFRS 12: Transition Guidance	✓		
	Amendment to PFRS 12: Investment Entities* (<i>effective January 1, 2014</i>)			✓
PFRS 13	Fair Value Measurement	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<i>Philippine Accounting Standards (PAS)</i>				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plan - Employee Contributions* (<i>effective January 1, 2014</i>)			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendment to PAS 27: Investment Entities* (<i>effective January 1, 2014</i>)			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities* (<i>effective January 1, 2014</i>)			✓

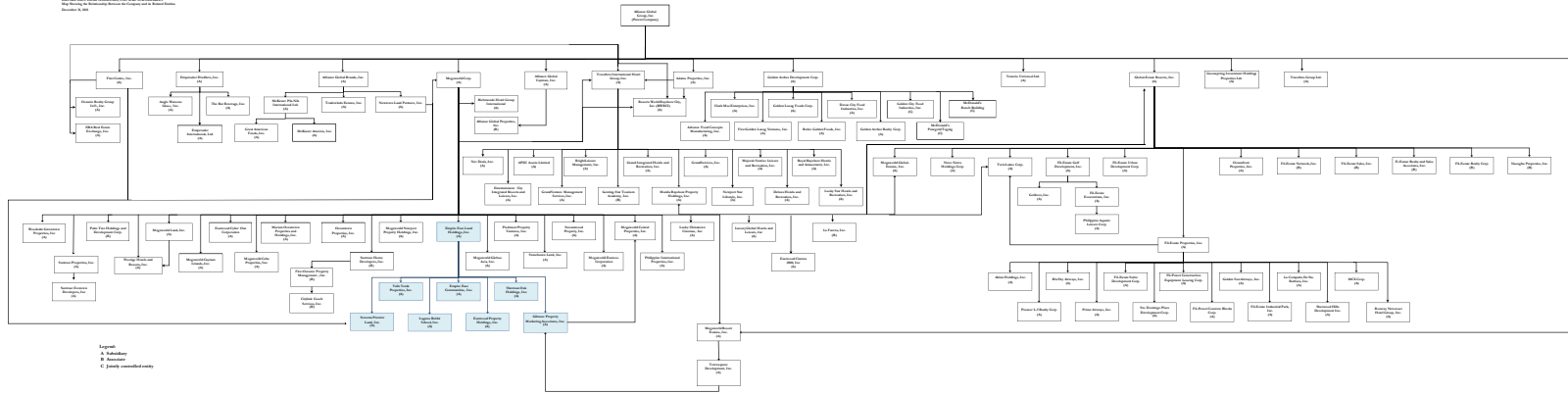
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets* (effective January 1, 2014)			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting* (effective January 1, 2014)			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies* (effective January 1, 2014)			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<i>Philippine Interpretations - Standing Interpretations Committee (SIC)</i>				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	✓		
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs			✓

* These standards will be effective for periods subsequent to 2013 and are not early adopted by the Group.

** These standards have been adopted in the preparation of financial statements but the Group has no significant transactions covered in both years presented.

ASSET CLASSIFICATION: This document is classified as UNCLASSIFIED. All information is UNCLASSIFIED. All information is UNCLASSIFIED.



EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Summary of Application of SRO Proceeds
December 31, 2013

	BASED ON IPO PROSPECTUS		BASED ON ACTUAL
SRO Proceeds	P 2,695,239,834	P	2,695,239,834
Less: SRO related expenses	5,239,834		5,239,834
Net proceeds	2,690,000,000		2,690,000,000
Less: Disbursements			
Construction Site Development	1,800,000,000		1,872,825,309
Pioneer Woodlands	800,000,000		350,000,000
San Lorenzo Place	700,000,000		532,081,376
The Rochester	300,000,000		275,267,709
Kasara	-		128,304,666
Sonoma	-		70,000,000
Little Baguio Terraces	-		314,520,643
South Science Park	-		202,650,915
Landbanking	890,000,000		805,000,000
Total Disbursements	2,690,000,000		2,677,825,309
Remaining Balance of Proceeds, as at December 31, 2013		P	12,174,691

Supplementary information on the Summary of Application of SRO Proceeds

The proceeds were subsequently reallocated and transferred to fund the urgent construction of other projects that have exceeded their respective allocations.