Century Properties Group Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2014 and 2013
and Years Ended December 31, 2014, 2013 and 2012

and

Independent Auditors' Report

SGV

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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Century Properties Group Inc.

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud and 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 financial position of Century Properties Group Inc. and its subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

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Partner
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SEC Accreditation No. 0069-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
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March 24, 2015, valid until March 23, 2018
PTR No. 4751262, January 5, 2015, Makati City

April 14, 2015

CENTURY PROPERTIES GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 33)	**₱1,429,245,106**	₱1,438,887,780
Receivables (Notes 5 and 33)	**7,555,891,411**	5,876,832,431
Real estate inventories (Note 6)	**8,083,615,926**	7,026,881,612
Land held for future development (Note 7)	**43,313,185**	43,313,185
Due from related parties (Notes 30 and 33)	**145,606,224**	177,322,678
Advances to suppliers and contractors (Note 8)	**1,014,896,505**	1,314,881,003
Prepayments and other current assets (Note 9)	**1,583,505,863**	1,265,883,423
Derivative assets (Note 33)	**25,521,998**	29,925,021
Total Current Assets	**19,881,596,218**	17,173,927,133
Noncurrent Assets		
Real estate receivables - net of current portion (Notes 5 and 33)	**4,380,143,446**	3,216,988,358
Land held for future development - net of current portion (Note 7)	**431,333,944**	423,000,000
Deposits for purchased land (Note 10)	**710,851,147**	154,542,087
Available-for-sale financial assets (Notes 11 and 33)	**8,979,580**	9,481,017
Investments in and advances to joint ventures (Note 12)	**386,986,800**	48,775,736
Investment properties (Note 13)	**4,387,823,554**	4,080,821,186
Property and equipment (Note 14)	**121,821,944**	157,760,697
Intangible assets (Note 15)	**31,280,785**	17,971,655
Deferred tax assets - net (Note 29)	**145,823,268**	124,696,676
Other noncurrent assets (Note 16)	**1,163,566,827**	758,056,543
Total Noncurrent Assets	**11,768,611,295**	8,992,093,955
	₱31,650,207,513	₱26,166,021,088

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 17 and 33)	**₱1,730,205,301**	₱4,228,408,124
Customers' advances and deposits (Note 18)	**3,062,974,853**	2,222,749,481
Short-term debt (Notes 19 and 33)	**673,323,310**	579,743,773
Current portion of:		
Long-term debt (Notes 19 and 33)	**1,924,309,151**	1,178,233,690
Liability from purchased land (Notes 21 and 33)	**2,899,428**	403,131,337
Due to related parties (Notes 30 and 33)	**31,760,098**	31,909,492
Income tax payable	**16,886,288**	5,833,893
Total Current Liabilities	**7,442,358,429**	8,650,009,790

(Forward)

	Years Ended December 31	
	2014	2013
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 19 and 33)	**₱5,676,518,437**	₱4,281,167,759
Bonds payable (Notes 20 and 33)	**2,657,325,062**	–
Liability from purchased land - net of current portion (Notes 7, 21 and 33)	**30,741,161**	28,341,162
Pension liabilities (Note 31)	**191,284,766**	142,710,475
Donation liability (Note 16)	**41,763,183**	–
Deferred tax liabilities - net (Note 29)	**2,305,775,463**	1,628,751,695
Total Noncurrent Liabilities	**10,903,408,072**	6,080,971,091
Total Liabilities	**18,345,766,501**	14,730,980,881
Equity (Note 22)		
Capital stock	**6,200,853,553**	5,140,853,731
Additional paid-in capital	**2,639,742,141**	2,639,742,141
Treasury shares	**(109,674,749)**	(22,521,542)
Equity reserves	**(6,970,678)**	(6,970,678)
Retained earnings	**4,657,974,323**	3,743,557,967
Unrealized loss on available-for-sale financial assets (Note 11)	**(3,693,499)**	(3,192,061)
Remeasurement loss on defined benefit plan (Note 31)	**(73,790,079)**	(56,429,351)
Total Equity	**13,304,441,012**	11,435,040,207
	₱31,650,207,513	₱26,166,021,088

See accompanying Notes to Consolidated Financial Statements.

CENTURY PROPERTIES GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013	2012
REVENUE			
Real estate sales	**₱10,822,921,089**	₱9,304,192,652	₱8,582,005,281
Property management fee and other services (Note 24)	**285,728,465**	254,410,468	222,206,358
Leasing revenue (Note 13)	**206,988,490**	–	–
Interest and other income (Note 25)	**1,290,651,023**	1,220,578,939	806,954,267
Gain from change in fair value of investment properties (Note 13)	**147,298,665**	–	–
Gain from change in fair value of derivatives	**7,190,515**	29,925,021	–
	12,760,778,247	10,809,107,080	9,611,165,906
COSTS AND EXPENSES			
Cost of real estate sales (Note 6)	**6,342,613,886**	5,766,890,843	4,940,677,693
Cost of services (Note 26)	**215,390,743**	185,645,271	157,589,524
Cost of leasing (Note 13)	**108,693,945**	–	–
General, administrative and selling expenses (Note 27)	**2,720,747,064**	2,041,863,818	1,960,327,355
Interest and other financing charges (Note 28)	**124,710,365**	97,452,966	62,514,157
Unrealized foreign exchange loss	**77,528,993**	–	–
	9,589,684,996	8,091,852,898	7,121,108,729
INCOME BEFORE INCOME TAX	**3,171,093,251**	2,717,254,182	2,490,057,177
PROVISION FOR INCOME TAX (Note 29)	**1,012,205,498**	872,538,428	640,246,326
NET INCOME	**2,158,887,753**	1,844,715,754	1,849,810,851
OTHER COMPREHENSIVE LOSS			
Item that will be reclassified into profit or loss:			
Unrealized gain (loss) on available-for-sale financial assets (Note 11)	**(501,438)**	1,544,989	(65,791)
Item that will not be reclassified into profit or loss:			
Remeasurement loss on defined benefit plan (Note 31)	**(17,360,728)**	(25,852,002)	(21,765,901)
	(17,862,166)	(24,307,013)	(21,831,692)
TOTAL COMPREHENSIVE INCOME	**₱2,141,025,587**	₱1,820,408,741	₱1,827,979,159
Net income attributable to:			
Equity holders of the Parent Company	**₱2,158,887,753**	₱1,844,715,754	₱1,848,699,632
Noncontrolling interests	**–**	–	1,111,219
	₱2,158,887,753	₱1,844,715,754	₱1,849,810,851
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱2,141,025,587**	₱1,820,408,741	₱1,826,867,940
Noncontrolling interests	**–**	–	1,111,219
	₱2,141,025,587	₱1,820,408,741	₱1,827,979,159
Basic/diluted earnings per share (Note 23)	**₱0.185**	₱0.160	₱0.173

See accompanying Notes to Consolidated Financial Statements.

CENTURY PROPERTIES GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to Parent Company									
	Capital Stock (Note 22)	Additional paid-in capital (Note 22)	Treasury Shares (Note 22)	Retained Earnings (Note 22)	Equity Reserve (Note 22)	Unrealized Loss on AFS Financial Assets (Note 11)	Remeasurement Loss on Defined Benefit Plan (Note 31)	Total	Noncontrolling Interests	Total
At January 1, 2014	**₱5,140,853,731**	**₱2,639,742,141**	**(₱22,521,542)**	**₱3,743,557,967**	**(₱6,970,678)**	**(₱3,192,061)**	**(₱56,429,351)**	**₱11,435,040,207**	**₱–**	**₱11,435,040,207**
Net income	**–**	**–**	**–**	**2,158,887,753**	**–**	**–**	**–**	**2,158,887,753**	**–**	**2,158,887,753**
Dividends declared (Note 22)										
Cash	**–**	**–**	**–**	**(184,471,575)**	**–**	**–**	**–**	**(184,471,575)**	**–**	**(184,471,575)**
Stock	**1,059,999,822**	**–**	**–**	**(1,059,999,822)**	**–**	**–**	**–**	**–**	**–**	**–**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(501,438)**	**(17,360,728)**	**(17,862,166)**	**–**	**(17,862,166)**
Re-acquisition of shares into treasury (Note 22)	**–**	**–**	**(87,153,207)**	**–**	**–**	**–**	**–**	**(87,153,207)**	**–**	**(87,153,207)**
At December 31, 2014	**₱6,200,853,553**	**₱2,639,742,141**	**(₱109,674,749)**	**₱4,657,974,323**	**(₱6,970,678)**	**(₱3,693,499)**	**(₱73,790,079)**	**₱13,304,441,012**	**₱–**	**₱13,304,441,012**
At January 1, 2013	₱4,716,853,731	₱1,483,184,722	₱–	₱2,083,278,407	(₱6,970,678)	(₱4,737,050)	(₱30,577,349)	₱8,241,031,783	₱–	₱8,241,031,783
Net income	–	–	–	1,844,715,754	–	–	–	1,844,715,754	–	1,844,715,754
Dividends declared (Note 22)										
Cash	–	–	–	(184,436,194)	–	–	–	(184,436,194)	–	(184,436,194)
Other comprehensive income	–	–	–	–	–	1,544,989	(25,852,002)	(24,307,013)	–	(24,307,013)
Re-acquisition of share into t reasury (Note 22)	424,000,000	1,156,557,419	–	–	–	–	–	1,580,557,419	–	1,580,557,419
Acquisition of treasury shares (Note 22)	–	–	(22,521,542)	–	–	–	–	(22,521,542)	–	(22,521,542)
At December 31, 2013	₱5,140,853,731	₱2,639,742,141	(₱22,521,542)	₱3,743,557,967	(₱6,970,678)	(₱3,192,061)	(₱56,429,351)	₱11,435,040,207	₱–	₱11,435,040,207

	Equity attributable to Parent Company									
	Capital Stock (Note 22)	**Additional paid-in capital** (Note 22)	**Treasury Shares** (Note 22)	**Retained Earnings** (Note 22)	**Equity Reserve** (Note 22)	**Unrealized Loss on AFS Financial Assets** (Note 11)	**Remeasurement Loss on Defined Benefit Plan** (Note 31)	**Total**	**Noncontrolling Interests**	**Total**
At January 1, 2012	₱4,010,187,241	₱3,235,454	₱–	₱321,001,641	₱–	(₱4,671,259)	(₱8,811,448)	₱4,320,941,629	₱1,918,103	₱4,322,859,732
Net income	–	–	–	1,848,699,632	–	–	–	1,848,699,632	1,111,219	1,849,810,851
Dividends declared (Note 22)										
Cash	–	–	–	(86,422,866)	–	–	–	(86,422,866)	–	(86,422,866)
Other comprehensive income	–	–	–	–	–	(65,791)	(21,765,901)	(21,831,692)	–	(21,831,692)
Issuance of shares (Note 22)	706,666,490	1,479,949,268	–	–	–	–	–	2,186,615,758	–	2,186,615,758
Increase in ownership interest in a subsidiary (Note 22)	–	–	–	–	(6,970,678)	–	–	(6,970,678)	(3,029,322)	(10,000,000)
At December 31, 2012	₱4,716,853,731	₱1,483,184,722	₱–	₱2,083,278,407	(₱6,970,678)	(₱4,737,050)	(₱30,577,349)	₱8,241,031,783	₱–	₱8,241,031,783

See accompanying Notes to Consolidated Financial Statements.

CENTURY PROPERTIES GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,171,093,251**	₱2,717,254,182	₱2,490,057,177
Adjustments for:			
Interest expense (Note 28)	**16,703,757**	29,215,760	49,133,167
Depreciation and amortization (Notes 14, 15 and 27)	**26,972,348**	39,377,153	51,664,739
Retirement expense (Note 31)	**26,449,214**	24,496,953	71,901,651
Provision for impairment losses on receivables (Note 5)	**281,862**	830,245	478,808
Interest income (Note 25)	**(945,533,614)**	(698,616,432)	(501,141,339)
Gain on sale of AFS financial assets (Note 11)	**–**	–	(7,418,511)
Unrealized foreign exchange loss	**77,528,993**	–	–
Gain from change in fair value of investment properties (Note 13)	**(147,298,665)**	–	–
Gain from change in fair value of derivatives	**(7,190,515)**	(29,925,021)	–
Operating income before working capital changes	**2,219,006,631**	2,082,632,840	2,154,675,692
Decrease (increase) in:			
Receivables	**(2,016,750,725)**	(1,660,230,501)	(4,449,319,788)
Real estate inventories	**(509,762,069)**	(2,220,726,790)	(2,071,118,231)
Advances from suppliers and contractors	**299,984,498**	(389,579,537)	1,374,809,093
Prepayments and other current assets	**(317,622,440)**	418,459,397	(1,544,703,605)
Increase (decrease) in:			
Accounts and other payables	**(2,498,202,823)**	1,172,587,388	1,900,506,259
Customers' advances and deposits	**840,225,372**	(65,612,162)	(442,216,806)
Net cash used in operations	**(1,983,121,556)**	(662,469,365)	(3,077,367,386)
Interest received	**119,887,408**	43,852,421	103,493,561
Retirement benefits paid	**(2,675,966)**	–	–
Interest paid	**(481,485,295)**	(444,203,654)	(267,283,213)
Income tax paid	**(337,914,611)**	(522,963,866)	(172,520,381)
Net cash used in operating activities	**(2,685,310,020)**	(1,585,784,464)	(3,413,677,419)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in:			
Noncurrent assets	**(363,747,101)**	(30,377,749)	(10,095,169)
Due from related parties	**31,716,454**	(11,096,901)	(1,040,634)
Additions to:			
Land held for future development	**(8,333,944)**	(380,000,000)	–
Deposits for purchased land	**(556,309,060)**	(154,542,087)	–
Investments in and advances to joint ventures	**(338,211,064)**	(48,775,736)	–
Investment properties	**(201,466,886)**	(875,835,909)	(800,942,327)
Property and equipment (Note 14)	**(25,251,396)**	(29,669,803)	(50,858,346)
Intangible assets (Note 15)	**(19,518,853)**	(17,486,351)	(224,047)
Net cash used in investing activities	**(1,481,121,850)**	(1,547,784,536)	(863,160,523)

(Forward)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments (repayments) of:			
Short-term and long-term debt	**₱2,169,070,221**	₱2,378,147,631	₱2,778,446,283
Liability from purchased land	**(397,831,910)**	–	(54,448,290)
Issuance of bonds payable (Note 20)	**2,657,325,062**	–	–
Payment of cash dividends (Note 22)	**(184,471,576)**	(184,436,193)	(86,422,866)
Re-acquisition of shares into treasury (Note 22)	**(87,153,207)**	(22,521,542)	–
Additional (repayments of) financing from related parties	**(149,394)**	(81,116,274)	(2,121,864)
Acquisition of noncontrolling interest (Note 1)	**–**	–	(10,000,000)
Issuance of shares (Notes 1 and 22)	**–**	1,580,557,419	2,186,615,758
Net cash provided by financing activities	**4,156,789,196**	3,670,631,041	4,812,069,021
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(9,642,674)**	537,062,041	535,231,079
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,438,887,780**	901,825,739	366,594,660
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱1,429,245,106**	₱1,438,887,780	₱901,825,739

See accompanying Notes to Consolidated Financial Statements.

CENTURY PROPERTIES GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Century Properties Group Inc. (the Parent Company), a publicly-listed company, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 6, 1975. The Parent Company is a 66.72%-owned subsidiary of Century Properties Inc. (CPI) and the rest by the public. The Parent Company and its subsidiaries are primarily engaged in the development and construction of residential and commercial real estate projects.

The registered office address of the Parent Company is located at 21st Floor Pacific Star Building, Sen. Gil Puyat corner Makati Avenue, Makati City.

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 14, 2015.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (the Group).

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for investment properties, derivative assets and available-for-sale (AFS) financial assets that are measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), the Group's functional currency. All values are rounded to the nearest peso except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and the following wholly owned subsidiaries as at December 31, 2014 and 2013.

	Percentage Ownership		
	2014	2013	2012
Century Limitless Corporation (CLC)	**100%**	100%	100%
Century Acqua Lifestyle Corporation (CALC)	**100**	–	–
Century Properties Management, Inc. (CPMI)	**100**	100	100
Century Communities Corporation (CCC)	**100**	100	100
Century City Development Corporation (CCDC)	**100**	100	100
Century City Development Corporation II	**100**	100	100
Centuria Medical Development Corporation	**100**	100	100
Knightsbridge Residences Development Corporation*	**100**	100	100
Milano Development Corporation	**100**	100	100
Century City Development Corporation VII*	**100**	100	100
Century City Development Corporation VIII*	**100**	100	100
Century City Development Corporation X*	**100**	100	100
Century City Development Corporation XI*	**100**	100	100
Century City Development Corporation XII*	**100**	100	100
Century City Development Corporation XIV*	**100**	100	100
Century City Development Corporation XV*	**100**	100	100
Century City Development Corporation XVI*	**100**	100	100
Century City Development Corporation XVII*	**100**	100	100
Century City Development Corporation XVIII*	**100**	100	100
Century Properties Hotel and Leisure Inc. (CPHLI)	**100**	–	–

**non-operating CCDC subsidiaries*

Century Properties Hotel and Leisure Inc. was incorporated on March 27, 2014. CPHLI was organized with a primary purpose of engaging in real estate and hospitality activities.

On November 6, 2014, Century Acqua Lifestyle Corporation, a wholly owned subsidiary of CLC, was incorporated. CALC was organized primarily to acquire by purchase, own, hold, manage, administer, lease or operate condominium units of the planned Acqua 6 Tower of Acqua Private Residences for the benefit of its shareholders.

On September 23, 2014, the BOD of non-operating CCDC subsidiaries approved the amendment of the articles of incorporation amending the date of the term of existence of these subsidiaries to until December 31, 2014.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Group controls an investee if an only if the Group has:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements

- The Group's voting rights and potential voting rights

The Group re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Noncontrolling interests (NCI) represent the portion of profit or loss and net assets in subsidiaries not wholly owned and are presented separately in the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position, separately from total equity attributable to owners of the Parent Company.

Total comprehensive income and losses within a subsidiary are attributed to the NCI even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any NCI and the cumulative translation differences, recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
    - Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

<u>Adoption of New and Amended Accounting Standards and Interpretations</u>
The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS which became effective January 1, 2014.

The nature and the impact of each new standard and amendment are described below:

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These Amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement* on the disclosures required under PAS 36. In addition, these Amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These Amendments are effective retrospectively with earlier application permitted, provided PFRS 13 is also applied. The application of these Amendments has no material impact on the disclosure in the Group's consolidated financial statements.

- *Investment Entities* (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These Amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10, *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These Amendments have no impact to the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

- Philippine Interpretation IFRIC 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These Amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior years.

Annual Improvements to PFRSs (2010-2012 cycle)
- PFRS 13, *Fair Value Measurement* (Amendment)
  The Amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This Amendment has no impact on the Group.

Annual Improvements to PFRSs (2011-2013 cycle)
- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards–First-time Adoption of PFRS*
  The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Group as it is not a first time PFRS adopter.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2014

The Group will adopt the following relevant standards and interpretations when these become effective.

Effective 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  The Amendments apply to contributions from employees or third parties to defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, Financial Instruments: Recognition and Measurement (or PFRS 9, Financial Instruments, if early adopted). The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment* and PAS 38*, Intangible Assets- Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
The Amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The Amendment has no impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
The Amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The Amendments affect disclosures only and have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards. The Amendments are effective for annual periods beginning on or after January 1, 2015 and are applied prospectively. Earlier application is permitted.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself..

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).

- PAS 40, *Investment Property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective 2016

- PAS 16, *Property, Plant and Equipment, and* PAS 38*, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The Amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. These Amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment, and PAS 41, Agriculture – Bearer Plants* (Amendments)
  The Amendments change the accounting requirements for biological assets that meet the definition of bearer plants. These Amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)
  The Amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. These Amendments will not have any impact on the Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These Amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The Amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The Amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. These Amendments are not expected to have any impact to the Group.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Since the Group is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)
The following Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits – regional market issue regarding discount rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective 2018

- PFRS 9*, Financial Instruments – Hedge Accounting and amendments to* PFRS 9, PFRS 7 and PAS 39 *(2013 version)*
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on

the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

- PFRS 9, *Financial Instruments (2014 or final version)*
  In July 2014, the final version of PFRS 9, Financial Instruments, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

The following new standard issued by the IASB has not yet been adopted by the FRSC:

- IFRS 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and are subject to an insignificant risk of change in value.

Financial Instruments

Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
All financial assets and liabilities are initially recognized at fair value. Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities include transaction costs.

The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets and loans and receivable. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Group determines the classification of its investment at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

As of December 31, 2014 and 2013, the Group's financial instruments are of the nature of loans and receivables, derivative instrument, AFS financial assets and other financial liabilities.

Determination of fair value
The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has been no significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

"Day 1" difference
Where the transaction price in a non-active market is different than the fair value from other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial assets at FVPL. This accounting policy relates to the consolidated statements of financial position captions "Cash and cash equivalents", "Receivables, except for "Receivable from employees" and "Due from related parties."

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included in profit or loss.

The losses arising from impairment of loans and receivables are recognized in profit or loss under "Miscellaneous" in "General, administrative and selling expenses" account.

AFS financial assets
AFS financial assets are those which are designated as such or do not qualify to be classified as designated as at FVPL, HTM, or loans and receivables.

Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. The Group's AFS financial assets include equity investments.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are recognized in other comprehensive income and are reported as "Unrealized loss on available-for-sale financial assets" in the consolidated statement of financial position.

When the security is disposed of, the cumulative gain or loss previously recognized under "Unrealized gain or loss on AFS financial assets" is recognized in profit or loss under "Interest and other income" account or under "Miscellaneous" in "General, administrative and selling expenses" account. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in first-out basis. The losses arising from impairment of such investments are recognized in profit or loss under the under "Miscellaneous" in "General, administrative and selling expenses" account.

Other financial liabilities
Other financial liabilities pertain to issued financial instruments that are not classified or designated as financial liabilities at FVPL and contain contractual obligations to deliver cash or other financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

This accounting policy applies primarily to the Group's "Accounts and other payables", "Due to related parties", "Short-term debt", "Long-term debt", "Liability from purchased land", "Bonds payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and pension liabilities).

Derivative instruments
The Group enters into short-term nondeliverable currency forwards contracts and interest and currency swap to manage its currency exchange exposure related to short-term foreign currency-denominated monetary liabilities.

Derivative financial instruments are initially recognized at fair value on the dateon which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedge of an identified risk and qualifies for hedge accounting treatment. The objective of hedge accounting is to match the impact of the hedged item and the hedging instrument in profit or loss. To qualify for hedge accounting, the hedging relationship must comply with strict requirements such as the designation of the derivative as a hedge of an identified risk exposure, hedge documentation, probability of occurrence of the forecasted transaction in a cash flow hedge, assessment (both prospective and retrospective bases) and measurement of hedge effectiveness, and reliability of the measurement bases of the derivative instruments. The Group did not use hedge accounting for its derivatives.

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized are not included in a collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as type of counterparty, credit history, past due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

AFS financial assets
For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss in the "Miscellaneous" in "General, administrative and selling expenses" account. Impairment losses on equity investments are not reversed through the consolidated statement of income.

<u>Derecognition of Financial Assets and Liabilities</u>
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

a. the right to receive cash flows from the asset has expired;
b. the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
c. the Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset; or (ii) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability
- The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Real Estate Inventories
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes:
- Land cost
- Land improvement cost
- Borrowing cost
- Amounts paid to contractors for construction and development
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

NRV is the estimated selling price in the ordinary course of business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale.

The cost of inventory recognized in the consolidated statement of income on disposal is determined with reference to the specific costs incurred on the property and allocated to saleable area based on relative size.

Land Held for Future Development
Land held for future development consists of properties for future development that are carried at the lower of cost or NRV. Cost includes those costs incurred for development and improvement of the properties while NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Upon commencement of development, the subject land is transferred to "Real estate inventories".

Deposits for Purchased land
This represents deposits made to land owners for the purchase of certain parcels of land that are intended for future development. The Group normally makes deposits before a Contract to Sell (CTS) or Deed of Absolute Sale (DOAS) is executed between the Group and the land owner. These are recognized at cost.

Borrowing costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized as from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

Investments in and Advances to Joint Venture
Investments in and advances to joint venture (investee companies) are accounted for under the equity method of accounting. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

An investment is accounted for using the equity method from the day it becomes a joint venture. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the investee's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee companies are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the investee companies, less any impairment in values. The consolidated statement of income reflects the share of the results of the operations of the investee companies, if there's any. The Group's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee companies and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of income.

Interest in a Joint Operation
The Group has an interest in a joint arrangement, whereby the parties have a contractual arrangement that establishes joint control. This joint arrangement classified as jointly controlled operations was entered into by the Group with various landowners for the development of the relevant real estate properties. A jointly controlled operation involves the use of assets and other resources of the Group and such landowners rather than the establishment of a corporation, partnership or other entity. The Group and such third parties recognize in their financial

statements the assets that it controls and the liabilities that it incurs, the expenses it incurs and the share of income that it earns from the sale of goods or services by the joint venture. Accordingly, the Group recognized in the consolidated financial statements the relevant assets and liabilities to the extent of its contribution to the joint venture.

Investment Properties

Initially, investment properties are measured at cost including certain transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. The fair value of investment properties is determined by independent real estate valuation experts based on recent real estate transactions with similar characteristics and location to those of the Group's investment properties. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner's occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner's occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

For a transfer from investment property to inventories, the change in use is evidenced by commencement of development with a view to sale. When the Group decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized and does not treat it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. For a transfer from investment property carried at fair value to inventories, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against operations in the period in which the costs are incurred. When significant parts of property and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation and amortization, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation and amortization of property and equipment commences once the property and equipment are put into operational use and is computed on a straight-line basis over the estimated useful life (EUL) of the property and equipment as follows:

	Years
Office equipment	3 – 5
Computer equipment	3 – 5
Furniture and fixtures	3 – 5
Transportation equipment	5
Construction equipment	5

Leasehold improvements are amortized on a straight-line basis over the term of the lease or the asset's EUL of five (5) years, whichever is shorter.

The useful lives and depreciation and amortization method are reviewed at financial year end to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment. When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged against current operations.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.
Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the expense category of profit or loss consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

As of December 31, 2014 and 2013, the Group's intangible assets consist of software costs and trademarks.

Software cost
Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and accumulated impairment, if any. Otherwise, such costs are recognized as expense as incurred.

Expenditures which enhance or extend the performance of computer software programs beyond their original specifications are recognized as capital improvements and added to the original cost of the software. System development costs, recognized as assets, are amortized using the straight-line method over their useful lives, but not exceeding a period of 5 years. Where an indication of impairment exists, the carrying amount of computer system development costs is assessed and written down immediately to its recoverable amount.

Trademarks
Licenses for use of intellectual property have been granted for a period of ten (10) years by the relevant government agency. The trademarks provide the option of renewal at little or no cost to the Group. Accordingly, these licenses are assessed as having indefinite useful life.

Impairment of Nonfinancial Assets
The Group assesses as at reporting date whether there is an indication that its nonfinancial assets (e.g., property and equipment and intangible assets) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in the expense categories of profit or loss consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity
Capital stock and additional paid-in capital
The Group records common stocks at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity share. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Retained earnings
Retained earnings represent accumulated earnings of the Group less any dividends declared, if any.

Treasury shares
Treasury shares are own equity instruments which are reacquired and are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Parent Company and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Equity reserves
Equity reserves represent any difference between (1) acquisition cost and (2) the adjusted carrying value of the noncontrolling interest at acquisition date.

<u>Revenue Recognition</u>
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Real estate sales
For real estate sales, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectibility is also assessed by considering factors such as the credit standing of the buyer, age and location of the property. Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee (PIC) Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included in the "Customers' advances and deposits" account in the "Liabilities" section of the consolidated statement of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Customers' advances and deposits" account in the "Liabilities" section of the consolidated statement of financial position.

Property management fee and other services
Revenue from property management and other services is recognized when the related services are rendered. Property management fee and other services consist of revenue arising from management contracts, auction services and technical services.

Leasing revenue
The Group leases its commercial real estate properties to others through operating leases. Rental income on leased properties is recognized on a straight-line basis over the lease term, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Contingent rents are recognized as revenue in the period in which they are earned.

Interest income
Interest income is recognized as it accrues, taking into account the effective yield on the asset.

Income from forfeited collections
Income from forfeited collections are recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

Other income
Other customer related fees such as penalties and surcharges are recognized as they accrue, taking into account the provisions of the related contract.

Cost and Expense Recognition
Cost of real estate sales
Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of residential house and lots and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Company's in-house technical staff.

Cost of services
Cost of services pertains to direct costs of property management fee and other services. These costs are expensed as incurred.

Cost of leasing
Cost of leasing pertains to direct costs of leasing the Group's commercial properties. These costs are expensed as incurred.

Commission and other selling expenses
Selling expenses such as commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. These are recorded as "Deferred selling expenses" under "Prepayments and other current assets" account. Accordingly, when the percentage of completion method is used, commissions are likewise charged to expense in the period the related revenue is recognized.

General and administrative expenses
General and administrative expenses constitute costs of administering the business and are expensed as incurred.

Pension Cost
Pension cost is computed using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with an option to accelerate when significant changes to underlying assumptions occur.

Pension cost includes a) current service cost, interest cost, past service cost; b) gains and losses, and curtailment and non - routine settlement; and c) net interest cost on benefit obligation.

The liability recognized by the Group in respect of the unfunded defined benefit pension plan is the present value of the defined benefit obligation at the reporting date together with adjustments for unrecognized actuarial gains or losses and past service costs that shall be recognized in later periods. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related pension liabilities or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

Remeasurements, comprising of actuarial gains or losses, the effect of the asset ceiling, excluding net interest cost and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Operating Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments are recognized on a straight-line basis over the lease while the variable rent is recognized as an expense based on the terms of the lease contract.

Income Tax
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the reporting date.

Deferred tax
Deferred tax is provided using the liability method on temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carry forward benefit of unused tax credits from the excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and the carry forward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and associates.
The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

Foreign Currency Transactions
Transactions denominated in foreign currencies are initially recorded using the exchange rates prevailing at transaction dates. Foreign currency-denominated monetary assets and liabilities are retranslated using the closing exchange rates at reporting date. Exchange gains or losses arising from foreign currency transactions are credited or charged against current operations.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on the Group's business segments is presented in Note 34 to the consolidated financial statements.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of

money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income attributable to common stockholders by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period. Diluted EPS is computed by dividing net income attributable to common equity holders by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares. The calculation of diluted EPS does not assume conversion, exercise or other issue of potential common shares that would have an antidilutive effect on earnings per share.

As of December 31, 2014 and 2013, the Group has no dilutive potential common shares.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events up to the date of auditors' report that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

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.

Judgments

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

Operating lease commitments - Group as lessee
The Group has entered into contracts of lease with La Costa Development Corporation (formerly Penta Pacific Realty Corporation) and other unit owners of the Pacific Star Building for its administrative office location and model units for ongoing projects. The Group has determined that these are operating leases since it does not bear substantially all the significant risks and rewards of ownership of these properties. In determining significant risks and benefits of ownership, the Group considered, among others, the significance of the lease term as compared with the estimated useful life of the related asset.

Operating lease commitments - Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. Based on an evaluation of the terms and conditions of the arrangements, the Group has determined that it retains all the significant risks and rewards of ownership of these properties and accounts for them as operating leases.

A number of the Group's operating lease contracts are accounted for as noncancellable operating leases and the rest are cancellable. In determining whether a lease contract is cancellable or not, the Group considers, among others, the significance of the penalty, including the economic consequence to the lessee.

Distinction between investment properties and land held for future development
The Group determines a property as investment property if such is not intended for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Land held for future development comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction.

Distinction between investment properties and owner-occupied properties
The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services 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.

Distinction between real estate inventories and land held for future development
The Group determines whether a land qualifies as land held for future development once the Group has a concrete plan on how the land shall be developed the succeeding years. The Group shall then classify the land as part of the real estate inventories upon the commencement of the actual development of the land.

Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Management's Use of Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue and cost recognition
The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from real estate recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work. The rate of completion is validated by the responsible department to determine whether it approximates the actual completion rate. Changes in estimate may affect the reported amounts of revenue and cost of real estate sales and receivables. Carrying value of the real estate receivables amounted to ₱11,553.02 million and ₱8,091.81 million as of December 31, 2014 and 2013, respectively (see Note 5).

Collectibility of the sales price
In determining whether the sales price is collectible, the Group considers that the initial and continuing investments by the buyer of 5% would demonstrate the buyer's commitment to pay as of December 31, 2014. This decreased from 10% as of December 31, 2013. Buyers' credit standings, past due, sales returns, as well as adopting equity requirement closer to prevailing industry practices in recognizing realized sales prompted the Group to revise the basis of estimating the level of buyers' payments wherein it is probable that economic benefits will flow to the Group.

The change in estimate increased the real estate sales, interest accretion and cost of real estate sale by ₱1,770.92 million, ₱452.85 million and ₱1,382.36 million, respectively, for the year ended December 31, 2014.

The effect of this change in the future periods is not disclosed because it cannot be estimated as it is dependent on future sales transactions.

Fair value of investment properties
The Group discloses the fair values of its investment properties in accordance with PAS 40. The Group carries its investment properties at fair value, with changes in fair value being recognized in profit or loss. The Group engages independent valuation specialists to determine the fair value. For the investment property, the appraisers used a valuation technique based on comparable market data available for such properties. Gain on changes in fair value of investment properties amounted to nil as of December 31, 2014 and 2013. Carrying value of the investment properties amounted to ₱4,387.82 million and ₱4,080.82 million as of December 31, 2014 and 2013, respectively (see Note 13).

Impairment losses on receivables and due from related parties
The Group reviews its loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded in the consolidated statement of financial position and any changes thereto in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors. Actual results may also differ, resulting in future changes to the allowance.

The Group maintains allowance for impairment losses based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. Factors considered in individual assessment are payment history, past-due status and term. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (customer type, payment history, past due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate.

Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

As of December 31, 2014 and 2013, the allowance for impairment losses on receivables of the Group amounted to ₱12.70 million and ₱12.41 million, respectively (see Note 5).

The carrying values of these assets are as follows:

	December 31	
	2014	2013
Receivables (Note 5)	**₱11,936,034,857**	₱9,093,820,789
Due from related parties (Note 30)	**145,606,224**	177,322,678

Estimating NRV of real estate inventories and land held for future development
The Group reviews the NRV of real estate inventories and land held for future development and compares it with the cost since assets should not be carried in excess of amounts expected to be realized from sale. Real estate inventories and land held for future development are written down below cost when the estimated NRV is found to be lower than the cost.

NRV for completed real estate inventories and land held for future development is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in light of recent market transactions.

NRV in respect of inventory under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction less an estimate of the time value of money to the date of completion. The estimates used took into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

The carrying values of these assets are as follows:

	December 31	
	2014	2013
Real estate inventories (Note 6)	**₱8,083,615,926**	₱7,026,881,612
Land held for future development (Note 7)	**474,647,129**	466,313,185

Impairment of nonfinancial assets
The Group assesses impairment on its nonfinancial assets (e.g., property and equipment and intangible assets) and considers the following important indicators:

- Significant changes in asset usage;
- Significant decline in assets' market value;
- Obsolescence or physical damage of an asset;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of usage of the acquired assets or the strategy for the Group's overall business; and
- Significant negative industry or economic trends.

The Group's intangible assets with indefinite life are tested for impairment annually.
If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the asset's fair value less cost to sell. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to be generated from the continued use of the asset. The Group is required to make estimates and assumptions that can materially affect the carrying amount of the asset being assessed.

The carrying values of the nonfinancial assets follow:

	December 31	
	2014	2013
Property and equipment (Note 14)	**₱121,821,944**	₱157,760,697
Intangible assets (Note 15)	**31,280,785**	17,971,655

No impairment was recognized for the Group's nonfinancial assets as of December 31, 2014 and 2013.

Estimating EUL of property and equipment and intangible assets
The Group estimates the useful lives of its property and equipment and intangible assets other than those with indefinite lives based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property and equipment would increase depreciation and amortization expense and decrease noncurrent assets. Property and equipment amounted to ₱121.82 million and ₱157.76 million as of December 31, 2014 and 2013, respectively (see Note 14).

Recognition of deferred tax assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future planning strategies. The Group assessed its projected performance in determining the sufficiency of the future taxable income. As of December 31, 2014 and 2013, carrying values of these assets are ₱145.82 and ₱326.50 million, respectively (see Note 29).

The Group has an unrecognized deferred tax asset amounting to ₱109.43 and ₱109.08 million in 2014 and 2013, respectively (see Note 29).

Estimating pension obligation
The determination of the Group's pension obligations and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 31 to the consolidated financial statements and include among others, discount rates, rate of expected return on plan assets, and salary increase rates. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligations.

The Group's net pension liabilities amounted to ₱191.28 million and ₱142.71 million as of December 31, 2014 and 2013, respectively (see Note 31).

Capitalization of borrowing costs
The Group capitalizes the interest incurred on their borrowings that are directly attributable to the construction of its projects. These capitalized borrowing costs form part of the real estate inventories and are expensed out to cost of real estate sales.

The amount of borrowing costs capitalized amounted to ₱464.78 million and ₱414.99 million in 2014 and 2013, respectively (see Note 6).

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position or disclosed in the notes cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation. See Note 33 for the related fair value disclosures.

4. Cash and Cash Equivalents

This account consists of:

	2014	2013
Cash on hand	**₱126,651**	₱89,553
Cash in banks	**855,586,174**	752,888,375
Cash equivalents	**573,532,281**	685,909,852
	₱1,429,245,106	₱1,438,887,780

Cash in banks earns interest at the prevailing bank deposit rates.

Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term rates ranging from 0.5% to 2.63% and 0.5% to 3.5% in 2014 and 2013, respectively.

Interest income on cash and cash equivalents amounted to ₱119.89 million and ₱43.85 million in 2014 and 2013, respectively (see Note 25).

5. Receivables

This account consists of:

	2014	2013
Trade receivables		
Real estate	**₱11,553,022,779**	₱8,091,813,331
Related parties (Note 30)	**163,559,540**	299,746,751
Management fees	**66,395,787**	59,788,449
Auction fee and commissions	**2,392,406**	2,394,043
Receivable from employees	**61,680,116**	167,820,480
Advances to customers	**35,687,597**	54,260,184
Other receivables	**65,992,433**	430,411,490
	11,948,730,658	9,106,234,728
Allowance for impairment losses	**(12,695,801)**	(12,413,939)
	11,936,034,857	9,093,820,789
Noncurrent portion of real estate receivables	**(4,380,143,446)**	(3,216,988,358)
	₱7,555,891,411	₱5,876,832,431

Real estate receivables pertain to receivables from the sale of real estate properties including residential condominium units and subdivision house and lots. These are collectible in monthly installments over a period of one to five years, bear no interest and with lump sum collection upon project turnover. Titles to real estate properties are not transferred to the buyer until full payment has been made.

Management fees are revenues arising from property management contracts. These are collectible on a 15- to 30-day basis depending on the terms of the service agreement.

Auction fees and commissions are revenues earned by the Group in facilitating auction of properties and in marketing real estate properties developed by third parties and affiliates. Receivable from auction fees and commissions are due within 30 days upon billing.

Receivable from employees pertain to cash advances for retitling costs, taxes and other operational and corporate-related expenses. This also includes salary and other loans granted to the employees and are recoverable through salary deductions.

Advances to customers pertain to expenses paid by the Group in behalf of the customers for the taxes and other costs incurred in securing the title in the name of the customers. These receivables are billed separately to the respective buyers and are expected to be collected within one (1) year.

Other receivables pertain to the amount collectible from customers related to accruals made by the Group for VAT on real estate sales which will be collected along with the monthly installments from customers over a period of one to five years. This also includes advances made to condo corp which are due and demandable and bear no interest.

Movements in the Group's allowance for impairment losses follow:

	December 31, 2014			
	Management fee	**Auction fee and commissions**	**Receivable from employees**	**Total**
At January 1	**₱3,545,432**	**₱981,058**	**₱7,887,449**	**₱12,413,939**
Provision	**281,862**	**–**	**–**	**281,862**
At December 31	**₱3,827,294**	**₱981,058**	**₱7,887,449**	**₱12,695,801**
Individually impaired	**₱3,827,294**	**₱–**	**₱–**	**₱3,827,294**
Collectively impaired	**–**	**981,058**	**7,887,449**	**8,868,507**
Total	**₱3,827,294**	**₱981,058**	**₱7,887,449**	**₱12,695,801**

	December 31, 2013			
	Management fee	Auction fee and commissions	Receivable from employees	Total
At January 1	₱2,715,187	₱981,058	₱7,887,449	₱11,583,694
Provision	830,245	–	–	830,245
At December 31	₱3,545,432	₱981,058	₱7,887,449	₱12,413,939
Individually impaired	₱3,545,432	₱–	₱–	₱3,545,432
Collectively impaired	–	981,058	7,887,449	8,868,507
Total	₱3,545,432	₱981,058	₱7,887,449	₱12,413,939

Unamortized discount
As of December 31, 2014 and 2013, installment contracts receivable with a nominal amount of ₱12,973.16 million and ₱8,239.42 million were recorded at amortized cost of ₱11,553.02 million and ₱8,091.81 million, respectively. These receivables are noninterest-bearing and are due to be collected within one to five-year time. The fair value upon initial recognition is derived using the discounted cash flow model using discount rates ranging from 0.02% to 9.70% and 0.25% to 5.79%, in 2014 and 2013, respectively.

Movements in the unamortized discount on installment contracts receivables follow:

	2014	2013
At January 1	**₱147,612,347**	₱428,348,898
Additions	**2,098,170,077**	374,027,460
Accretion for the year (Note 25)	**(825,646,206)**	(654,764,011)
At December 31	**₱1,420,136,218**	₱147,612,347

Receivable financing
In 2014 and 2013, the Group entered into various agreements with a local bank whereby the Group sold its real estate receivables at average interest rates of 4.85% to 8.75%. The purchase agreements provide that the Group will substitute defaulted contracts to sell with other contracts to sell of equivalent value.

The Group still retains the sold receivables in the receivables account and records the proceeds from these sales as long-term debt (see Note 19). The gross amount of real estate receivables used as collateral amounted to ₱1,369.87 million and ₱1,973.21 million as of December 31, 2014 and 2013, respectively.

6. Real Estate Inventories

This account represents the real estate projects for which the Group has been granted license to sell by the Housing and Land Use Regulatory Board of the Philippines. Details of this account follow:

	2014	2013
Condominium units	**₱7,633,630,083**	₱6,758,571,290
Residential house and lots	**449,985,843**	268,310,322
	₱8,083,615,926	₱7,026,881,612

The rollforward of this account follows:

	2014	2013
At January 1	**₱7,026,881,612**	₱3,951,847,226
Construction costs incurred	**6,892,803,479**	8,376,075,033
Borrowing costs capitalized	**464,781,538**	414,987,894
Transfers from land held for future development	**–**	69,859,940
Transfers to investment properties (Note 13)	**–**	(568,101,023)
Transfers from investment properties (Note 13)	**41,763,183**	549,103,385
Cost of real estate sales	**(6,342,613,886)**	(5,766,890,843)
At December 31	**₱8,083,615,926**	₱7,026,881,612

General borrowings were used to finance the Group's ongoing real estate projects. The related borrowing costs were capitalized as part of real estate inventories. The capitalization rate used to determine the borrowings eligible for capitalization ranges from 4.85% to 8.75% in 2014 and 7.00% to 10.00% in 2013.

Real estate inventories recognized as "Cost of real estate sales" amounted to ₱6,342.61 million and ₱5,766.89 million, ₱4,940.68 million in 2014, 2013 and 2012, respectively. Such cost of sales is derived based on the budgeted cost and standard cost at completion for the condominium units and residential house and lots, respectively, for the current reporting period.

As of December 31, 2014, the carrying values of inventories mortgaged for trust receipts, payables under CTS financing and bank loans were ₱1,153.65 million, ₱1,061.48 million and ₱4,154.75 million, respectively.

7. Land Held for Future Development

Land held for future development consists of parcels of land acquired by the Group for future real estate development.

This account consists of:

	2014	2013
Current:		
Land held by CLC	**₱43,313,185**	₱43,313,185
Noncurrent:		
Land held by CLC	**43,000,000**	43,000,000
Land held by CCC	**388,333,944**	380,000,000
	₱474,647,129	₱466,313,185

Land held by CLC
On October 29, 2008, CLC entered into a contact to sell (CTS) with the United Coconut Planters Bank (UCPB) to purchase 24,837 square meters (sqm) of industrial lot situated in Mandaluyong City amounting to ₱43.31 million.

On April 5, 2011, CLC acquired an adjacent lot with an area of 14,271 sqm under the registered name of Noah's Ark Sugar Refinery for ₱43.00 million.

The Group plans to subdivide the properties into three lots in accordance with the subdivision plans, each with separate land titles, and shall have a fair value based on the valuation as determined by the seller.

Outstanding balance of the liability from purchased land as presented in the consolidated statements of financial position amounted to ₱30.74 million as of December 31, 2014 and 2013 (see Note 21).

During the current year, the Group reclassified part of the current "Land held for future development" into "Land held for future development - net of current portion". The corresponding number for 2013 has been accordingly reclassified amounting to ₱43.00 million. Management believes that this presentation reflects the timing of recognition of this land held for future development.

Land held by CCC
This pertains to a property with an area of 200,000 sqm located in Novaliches, Quezon City which was acquired by the Group intended for development into a mixed development housing project.

8. Advances to Suppliers and Contractors

Advances to suppliers and contractors amounting to ₱1,014.90 million and ₱1,314.88 million, as of December 31, 2014 and 2013, respectively, are recouped upon every progress billing payment depending on the percentage of accomplishment.

9. Prepayments and Other Current Assets

	2014	2013
Deferred selling expenses	**₱653,457,362**	₱612,724,820
Input taxes	**336,764,206**	308,272,743
Creditable withholding taxes	**315,229,919**	235,925,863
Marginal deposits	**144,809,730**	–
Prepaid expenses	**78,939,795**	11,530,405
Advances to land owners	**31,154,551**	19,730,341
Tax credit certificates	**3,425,638**	983,391
Others	**19,724,662**	76,715,860
	₱1,583,505,863	₱1,265,883,423

Deferred selling expenses pertain to costs incurred in selling real estate projects prior to its development. These capitalized costs shall be charged to expense in the period in which the construction begins and the related revenue is recognized. See Note 16 for noncurrent portion.

Input taxes are fully realizable and will be applied against output VAT.

Creditable withholding taxes are attributable to taxes withheld by third parties arising from real estate sale, property management fees and leasing revenues.

Marginal deposits represent cash hold-out for short-term loans which will be applied as payments of the related loans.

Prepaid expenses mostly pertain to prepayments of insurance premiums which will be applied throughout the remaining term of the related contracts.

Advances to land owners represent the minimum share of the land owners in relation to the joint venture projects of the Group. In accordance with the respective joint venture agreements, CCC advanced these shares in significant installments throughout the term of the project. The advances shall be deducted from the proceeds of the sales and collection of the land owners' units. Management has assessed that the settlement of these advances is within one year based on the pre-selling and development activities that are currently in progress.

Tax credit certificates pertain to the Group's claims granted by the Bureau of Internal Revenue in relation to income and value added tax refunds. Tax credit certificates and creditable withholding taxes will be applied against income tax payable.

10. Deposits for Purchased Land

This account pertains to payments made to property owners for the acquisition of parcels of land in Quezon City, Metro Manila, San Fernando, Pampanga, Novaliches, Metro Manila and Batulao, Batangas in the amount of ₱161.58 million, ₱120.00 million, ₱394.27 million and ₱35.00 million respectively. Total purchase price of the property in Pampanga consists of fixed and variable components. Fixed component of the purchase price amounts to ₱540.00 million while the variable component is a percentage of the total sales revenue collected by CLC from the sales of the saleable area of the Project.

11. Available-for-sale Financial Assets

This account consists:

	2014	2013
Quoted	**₱10,837,028**	₱10,837,028
Unquoted	**1,836,051**	1,836,051
	12,673,079	12,673,079
Net unrealized loss	**(3,693,499)**	(3,192,062)
	₱8,979,580	₱9,481,017

Investments in unquoted shares of stock include unlisted shares of public utility companies intended to be held for cash management purposes.

Movements in the net unrealized loss on AFS financial assets are as follows:

	2014	2013
Balance at beginning of year	**₱3,192,061**	₱4,737,051
Fair value changes during the year	**501,438**	(1,544,989)
Balance at end of year	**₱3,693,499**	₱3,192,062

The following table provides the fair value hierarchy of the Group's available-for-sale financial assets which are measured at fair value as of December 31, 2014 and 2013.

<u>2014</u>

			Fair value measurement using		
	Date of Valuation	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Shares of stock:					
Unquoted	**December 31, 2014**	**₱4,702,844**	**₱–**	**₱–**	**₱4,702,844**
Quoted	**December 31, 2014**	**4,276,736**	**4,276,736**	**–**	**–**

2013

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Shares of stock:					
Unquoted	December 31, 2013	₱4,702,844	₱–	₱–	₱4,702,844
Quoted	December 31, 2013	4,778,174	4,778,174	–	–

12. Investments in and Advances to Joint Ventures

The Group's equity in the net assets of joint ventures and the related percentages of ownership are shown below.

	Carrying Amounts	
	2014	2013
A2Global, Inc.	**₱162,887,995**	₱48,775,736
One Pacstar Realty Corporation	**184,399,960**	–
Two Pacstar Realty Corporation	**39,698,845**	–
	₱ 386,986,800	₱48,775,736

Investment in A2Global Inc.
In 2013, the Parent Company entered into an agreement with Asian Carmakers Corp. and other individuals which aim to create an entity with the primary purpose to develop, own and manage properties of all kinds and nature and to develop them into economic and tourism zones, golf course, theme parks and all other forms of leisure estates.

On February 26, 2013, the Parent Company acquired 122,200 shares in A2Global Inc.(A2Global) with a acquisition price of ₱3.06 million, for a 48.88% ownership. A2Global has six directors, three from the Parent Company and three from Asian Carmakers Corp.

According to its by-laws, most of the major business decisions of A2Global shall require the majority decision of the board. Because the board is equally represented, the arrangement is considered a joint venture and is measured using the equity method.

Total investments in and advances made by the Parent Company to A2Global for working capital and other expenses amounted to ₱162.89 million and ₱48.78 million as of December 31, 2014 and 2013, respectively.

As of December 31, 2014, A2Global is still in its preoperating stage.

Investment in One Pacstar Realty Corporation and Two Pacstar Realty Corporation
On October 22, 2014, CLC entered into an agreement with La Costa Development Corporation, Inc. (La Costa) to take out the loan of La Costa with Union Bank of the Philippines in its name and for its sole account.

For and in consideration of the loan take out, La Costa transferred, ceded, and conveyed 196,250 shares of One Pacstar Realty Corporation (One Pacstar) and 42,250 shares of Two Pacstar Realty Corporation (Two Pacstar).

Provisions in the agreement grant CLC to vote using the owned shares in the meetings of the stockholders of One Pacstar and Two Pacstar. The Group currently owns 50% of the total voting shares with the remaining 50% owned by La Costa for both One Pacstar and Two Pacstar. This is tantamount to the two companies sharing having joint control over One Pacstar and Two Pacstar. The primary purpose of One Pacstar and Two Pacstar is to acquire, own, lease, and manage lands and all other kinds of real estate properties.

Total investments in and advances made by CLC to One Pacstar and Two Pacstar amounted to ₱184.40 million and ₱39.70 million, respectively, as of December 31, 2014.

13. Investment Properties

The Group's investment properties are classified as shown below:

	2014	2013
Land	**₱1,731,443,210**	₱505,044,182
Construction-in-progress	**506,454,066**	3,575,777,004
Building	**2,149,926,278**	–
	₱4,387,823,554	₱4,080,821,186

Movements in this account follow:

	2014	2013
At January 1	**₱4,080,821,186**	₱1,920,129,185
Construction in progress	**201,466,886**	1,101,416,678
Transfers from land held for future development	–	1,040,277,685
Transfers to real estate inventories (Note 6)	**(41,763,183)**	(549,103,385)
Transfers from real estate inventories (Note 6)	–	568,101,023
Gain from change in fair value of investment properties	**147,298,665**	–
At December 31	**₱4,387,823,554**	₱4,080,821,186

Land with an original cost of ₱170.83 million represents the portions of the International School of Manila, Inc. (ISMI) property that is intended to be developed for commercial and retail purposes and to be subsequently leased out to third parties.

The following table provides the fair value hierarchy of the Group's Investment Properties as of December 31, 2014 and 2013:

2014

			Fair value measurement using		
	Date of Valuation	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Land	**December 31, 2014**	**₱1,731,443,210**	**₱–**	**₱1,731,443,210**	**₱–**
Construction-in-progress	**December 31, 2014**	**506,454,066**	**–**	**506,454,066**	**–**
Building	**December 31, 2014**	**2,149,926,278**	**–**	**2,149,926,278**	**–**

2013

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Land	December 31, 2013	₱505,044,182	₱–	₱505,044,182	₱–
Construction-in-progress	December 31, 2013	3,575,777,004	–	3,575,777,004	–

Investment properties are stated at fair value, which has been determined based on valuations performed by Cuervo Appraisers, Inc., an accredited independent valuer, as of December 31, 2014 and 2013. Cuervo Appraisers, Inc. is an industry specialist in valuing these types of investment properties. The value of the investment properties was estimated by using the Sales Comparison Approach, an approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

Gain from change in fair value of investment properties amounted to ₱147.30 million and nil in 2014 and 2013.

In 2014, the Group recognized leasing revenue from the use of the said real properties amounting ₱206.99 million and incurred direct cost of leasing amounting to ₱108.69 million in relation to these investment properties.

14. **Property and Equipment**

The composition and movements of this account are as follows:

				2014			
	Office Equipment	**Computer Equipment**	**Furniture and Fixtures**	**Transportation Equipment**	**Leasehold Improvements**	**Construction Equipment**	**Total**
Cost							
At January 1	**₱14,438,034**	**₱19,107,649**	**₱18,921,723**	**₱50,628,014**	**₱41,311,946**	**₱251,475,480**	**₱395,882,846**
Additions	**220,841**	**5,096,497**	**2,951,647**	**12,757,428**	**4,224,983**	**–**	**25,251,396**
At December 31	**14,658,875**	**24,204,146**	**21,873,370**	**63,385,442**	**45,536,929**	**251,475,480**	**421,134,242**
Accumulated Depreciation and Amortization							
At January 1	**9,935,742**	**11,785,976**	**12,757,729**	**28,347,730**	**19,968,307**	**155,326,665**	**238,122,149**
Depreciation and amortization (Note 27)	**446,108**	**2,501,972**	**1,510,673**	**8,695,179**	**7,627,972**	**40,408,245**	**61,190,149**
At December 31	**10,381,850**	**14,287,948**	**14,268,402**	**37,042,909**	**27,596,279**	**195,734,910**	**299,312,298**
Net Book Value at December 31	**₱4,277,025**	**₱9,916,198**	**₱7,604,968**	**₱26,342,533**	**₱17,940,650**	**₱55,740,570**	**₱121,821,944**

				2013			
	Office Equipment	Computer Equipment	Furniture and Fixtures	Transportation Equipment	Leasehold Improvements	Construction Equipment	Total
Cost							
At January 1	₱12,045,873	₱14,442,419	₱14,432,250	₱35,429,434	₱38,387,587	₱251,475,480	₱366,213,043
Additions	2,392,161	4,665,230	4,489,473	15,198,580	2,924,359	–	29,669,803
At December 31	14,438,034	19,107,649	18,921,723	50,628,014	41,311,946	251,475,480	395,882,846
Accumulated Depreciation and Amortization							
At January 1	8,594,306	9,684,458	9,814,629	24,012,663	13,339,621	109,122,847	174,568,524
Depreciation and amortization (Note 27)	1,341,436	2,101,518	2,943,100	4,335,067	6,628,686	46,203,818	63,553,625
At December 31	9,935,742	11,785,976	12,757,729	28,347,730	19,968,307	155,326,665	238,122,149
Net Book Value at December 31	₱4,502,292	₱7,321,673	₱6,163,994	₱22,280,284	₱21,343,639	₱96,148,815	₱157,760,697

The depreciation and amortization from property and equipment are recognized as:

	2014	2013	2012
Real estate inventories (Note 6)	**₱40,427,524**	₱26,459,969	₱12,104,984
General, administrative and selling expenses (Note 27)	**20,762,625**	37,093,656	51,276,744
	₱61,190,149	₱63,553,625	₱63,381,728

15. Intangible Assets

The composition and movements of this account are as follows:

2014

	Software Cost	Trademarks	Total
Cost			
At January 1	**₱21,244,824**	**₱2,038,166**	**₱23,282,990**
Additions	**19,508,227**	**10,626**	**19,518,853**
At December 31	**40,753,051**	**2,048,792**	**42,801,843**
Accumulated Amortization			
At January 1	**5,311,335**	**–**	**5,311,335**
Amortization (Note 27)	**6,209,723**	**–**	**6,209,723**
At December 31	**11,521,058**	**–**	**11,521,058**
Net Book Value at December 31	**₱29,231,993**	**₱2,048,792**	**₱31,280,785**

2013

	Software Cost	Trademarks	Total
Cost			
At January 1	₱3,894,592	₱1,902,047	₱5,796,639
Additions	17,350,232	136,119	17,486,351
At December 31	21,244,824	2,038,166	23,282,990
Accumulated Amortization			
At January 1	3,027,838	–	3,027,838
Amortization (Note 27)	2,283,497	–	2,283,497
At December 31	5,311,335	–	5,311,335
Net Book Value at December 31	₱15,933,489	₱2,038,166	₱17,971,655

Software cost includes application software and intellectual property licenses owned by the Group.

Trademarks are licenses acquired separately by the Group. These licenses arising from the Group's marketing activities have been granted for a minimum of 10 years by the relevant government agency with the option to renew at the end of the period at little or no cost to the Group. Previous licenses acquired have been renewed and enabled the Group to determine that these assets have an indefinite useful life.

As of December 31, 2014 and 2013, no impairment has been assessed on these assets.

16. **Other Noncurrent Assets**

This account consists of:

	December 31,	
	2014	2013
Deferred selling expenses	**₱940,970,227**	₱702,609,792
Rental deposits	**94,242,086**	46,023,100
Deferred financing costs	**76,848,277**	–
Land	**41,763,183**	–
Miscellaneous deposits	**8,290,781**	8,285,781
Others	**1,452,273**	1,137,870
	₱1,163,566,827	₱758,056,543

Deferred selling expenses pertain to costs incurred in selling real estate projects prior to its development. These capitalized costs shall be charged to expense in the period in which the construction begins and the related revenue is recognized. See Note 9 for current portion.

Rental deposits mostly pertain to security deposits held and applied in relation to the Group's lease contracts for their administrative and sales offices. The deposits are noninterest-bearing and are recoverable through application of rentals at the end of the lease term.

Deferred financing costs pertain to transaction costs incurred in obtaining certain loan facility; however, no availment was made as of December 31, 2014. These deferred financing costs will be amortized upon availment of the loan facility (see Note 19).

Land pertains to a 2,000 square-meter lot that is intended to be donated in favor of the City Government of Makati.

Miscellaneous deposits pertain primarily to utility deposits related to the construction activities of the Group.

17. **Accounts and Other Payables**

This account consists of:

	2014	2013
Accounts payable	**₱1,499,632,272**	₱3,816,433,192
Retentions payable	**110,257,696**	75,778,739
Accrued expenses	**91,435,080**	142,775,830
Payable to related parties (Note 30)	**17,226,525**	151,495,380
Other payables (Note 30)	**11,653,728**	41,924,983
	₱1,730,205,301	₱4,228,408,124

Accounts payable are attributable to the construction costs incurred by the Group. These are noninterest-bearing and with terms of 15 to 90 days.

Retentions payable are noninterest-bearing and are normally settled on a 30-day term upon completion of the relevant contracts.

Accrued expenses consist mainly of utilities, marketing costs, professional fees, communication, transportation and travel, security, insurance, representation and taxes payable.

Other payables consist mainly of payments received by the Group in behalf of Penta Pacific Realty Corporation (Penta Pacific) for the sales management transaction between CPMI and Penta Pacific. As of December 31, 2014 and 2013, this amounted to ₱11.65 million and ₱41.92 million, respectively.

18. Customers' Advances and Deposits

The Group requires buyers of residential units to pay a minimum percentage of the total selling price as deposit before a sale transaction is recognized. In relation to this, the customers' advances and deposits represent payments from buyers which have not reached the minimum required percentage. When the level of required payment is reached by the buyer, a sale is recognized and these deposits and down payments will be applied against the related installment contracts receivable.

The account also includes the excess of collections over the recognized receivables based on percentage of completion. As of December 31, 2014 and 2013, customers' advances and deposits amounted to ₱3,062.97 million and ₱2,222.75 million, respectively.

19. Short-term and Long-term Debt

Short-term Debt

Short-term debt consists of:

	2014	2013
Trust receipts	**₱668,133,860**	₱572,844,302
Bank loans - Philippine Peso	**5,189,450**	6,899,471
	₱673,323,310	₱579,743,773

Trust receipts (TRs) are obtained from various banks to finance purchases mainly of construction materials for the CCDC and CLC's projects. The banks essentially pay the Company's suppliers then require the Company to execute trust receipts over the goods purchased. The TRs have a weighted average interest rate 5.92% per annum in 2014 and 2013 payable monthly or quarterly in arrears and full payment of principal balance is at maturity of one year with option to prepay or partially pay principal before maturity.

Bank loans pertain to short-term promissory note (PN) amounting to ₱5.19 million which was obtained from a local bank for CPMI's additional working capital requirements. This is renewed by CPMI each year for the same terms and rates of interest. The PN has a term of one (1) year with a fixed interest rate of 6.50% per annum (p.a.) and principal repayment of which is to be made at maturity date.

Long-term Debt
Long-term debt consists of:

	2014	2013
Payable under CTS financing	**₱2,167,862,915**	₱1,305,635,329
Bank loan - Philippine Peso	**5,372,750,024**	4,092,371,343
Car loan financing	**60,214,649**	61,394,777
	7,600,827,588	5,459,401,449
Less current portion	**1,924,309,151**	1,178,233,690
	₱5,676,518,437	₱4,281,167,759

Payable under CTS financing
In 2014 and 2013, the Parent Company, CCDC and CLC obtained additional CTS financing from local banks amounting to ₱1,357.25 million and ₱130.27 million, respectively. These loans bear fixed interest rates ranging from 6.00% to 8.50%.

Moreover, in 2014, CLC entered into a Contract to Sell Purchase Agreement with a local bank for a Contract to Sell Purchase Facility (CTSPF) in the amount of ₱500.00 million. In consideration of the said CTSPF, CLC assigned in favor of the local bank accounts receivable arising from the installments still payable by the buyers of certain units in one of its condominium projects. As of December 31, 2014, the total amount availed from the facility amounted to ₱224.93 million. This loan has an interest rate of 5.50% per annum.

The proceeds of the loans were used in the construction of its real estate projects. The related promissory notes have terms ranging from thirty-six (36) to forty-eight (48) months and are secured by the buyer's post-dated checks, the corresponding CTS, and parcels of land held by the Parent Company. CCDC and CLC retained the assigned receivables in the "Trade receivables" account and recorded the proceeds from these assignments as "Long-term debt".

Bank loan – Philippine Peso
Parent Company
On June 11, 2013, the Parent Company entered into a loan syndication agreement with Standard Chartered Bank (SCB) to finance the planned construction and development of its properties. This loan has a facility agreement of up to ₱4,200.00 million or its USD equivalent. Under this agreement, the utilization of the loan shall be subjected to the provisions of the USD Facility agreement and PHP Facility agreement. The interest rate per annum for loans pertaining to the USD facility agreement is the LIBOR rate on the determined quotation day plus a 4.00% margin. For loans pertaining to the PHP facility agreement, the interest rate per annum is the higher of (i) the rate of interest determined at the specified time on the relevant quotation day for the loan based on 3 month PDST-F plus a 4.00% margin or (ii) the rate of interest determined at the specified time on the relevant quotation day for the loan based on BSP overnight borrowing rate plus a 2.50% margin. As of December 31, 2014 and 2013, the loan balance amounted to ₱3,435.22 million and ₱2,160.29 million, respectively. The Parent Company received funds with an aggregate amount ₱1,252.56 million in 2014 and ₱2,232.63 million in 2013.

Consequently, the Parent Company has incurred transaction costs attributable to the loan syndication agreement totaling ₱119.54 million. These transactions costs that are directly attributable to the acquisition of the loan syndication agreement are deferred and recognized over the term of the loan using effective interest rate method when the loan was availed. And where there are any unutilized loan availments from the facility, the transaction cost of which the unutilized loan area attributable to, are amortized over the loan commitment period on a straight line basis. The allocated transaction costs for the loans which are not yet utilized and are lodged under “Prepayments and other current assets” amounted to ₱3.47 million and ₱47.19 million as of December 31, 2014 and December 31, 2013, respectively.

In 2012, the Parent Company obtained additional loan from a local bank amounting to ₱60.00 million. This loan bears interest rate at three months PDST bases rate plus 5% spread payable quarterly. Principal repayment of ₱3.75 million is scheduled to start at the fifteenth month after the date of the initial borrowing. Repayments of principal balance amounted to ₱15.00 million and ₱3.75 million in 2014 and 2013, respectively. As of December 31, 2014 and 2013, the loan amounted to ₱41.25 million and ₱56.25 million, respectively.

Subsidiaries
In 2013 and 2012, CCDC obtained peso-denominated loans a local bank amounting to ₱300.00 million and ₱500.00 million, respectively to finance the construction costs of its projects at interest rate ranging from 6.25% to 8.50% payable in three to five years. As of December 31, 2014 and 2013, loans from these local banks amounted to ₱750.00 million and ₱800.00 million, respectively.

Additionally in 2014, CCDC obtained another availment from this local bank amounting to ₱500.00 million which shall be used to finance the construction of its projects. Principal repayment is provided with a grace period of one year, thereafter, an equal yearly amortization of ₱50.00 million to commence on its second year up to fifth year. The remaining ₱300.00 million shall be paid upon its maturity. Interest payment shall be computed on the outstanding principal amount of the loan; at a fixed rate of 6.00% per annum.

In 2013 and 2012, CLC obtained a peso-denominated loan from a local bank amounting to ₱322.00 million and ₱400.00 million, respectively, with terms of two years at interest rate of 1.00% per annum or the prevailing three month PDST-F on Interest Setting Date plus a credit spread of 3.50% per annum, whichever is higher. Principal repayment is scheduled within two years from and after the date of the initial borrowing, inclusive of a grace period of one year on principal repayment. During the year, CLC obtained additional availment from the facility amounting to ₱112.00 million under the same terms and agreement. Principal repayments of these loans amounted to ₱465.65 million and ₱96.17 million in 2014 and 2013, respectively. As of December 31, 2014 and 2013, the unpaid principal amount of these loans amounted to ₱272.18 million and ₱625.83 million.

Additionally in 2012, CLC obtained a ₱500.00 million secured transferrable term loan facility at interest rate of 4.85% per annum plus bank’s cost of funds. Principal payment is scheduled within three years from the date of the agreement. In 2014 and 2013, principal repayments of these loans amounted to ₱300.00 million and ₱50.00 million, respectively. As of December 31, 2014 and 2013, the unpaid principal amount of these loans amounted to ₱150.00 million and ₱450.00 million.

Moreover in 2014, CLC also entered into an agreement with La Costa Development Corporation, Inc. (La Costa) to take out the loan of La Costa with a local bank in its name and for its sole account. This loan is subject to an interest rate of 8.0% per annum with a term of five years. The total outstanding balance of this loan as of December 31, 2014 amounted to ₱224.10 million.

Car loan financing
A bank has also extended a leasing facility to the Company for the purpose of renting vehicles to be used in the conduct of business. Under this facility, the lease guarantees the Company (the lessee or renter) the use of vehicles and the bank (the property owner) regular payments for a specific period.

In 2014 and 2013, CCDC and CLC booked a loan under a lease facility amounting to ₱10.25 million and ₱61.39 million, respectively. The lease facility bears interest ranging from 6.88% to 8.8% in 2014. Principal amortization of the loan amounted to ₱11.43 million.

Security and Debt Covenants
Certain bi-lateral, trust receipts, payables under CTS financing and bank loans have mortgaged property wherein such property can no longer be allowed to be separately used as collateral for another credit facility, grant loans to directors, officers and partners, and act as guarantor or surety in favor of banks. As of December 31, 2014, the carrying values of the properties mortgaged for trust receipts, payables under CTS financing and bank loans were ₱1,153.65 million, ₱1,061.48 million and ₱6,690.66 million, respectively.

Certain bi-laterals have the covenants to include maintenance of a debt-to-equity ratio of not more than 2.33 and 3.00, and a debt service coverage ratio of at least 1.5x. The syndicated term loan has a covenant, specific to the projects it is financing, of having loan to security value of no more than 50.00% and loan to gross development value of no more than 20.00%. Security value includes, among other things, valuation appraised by independent appraisers and takes into account the sold and unsold sales and market value of the properties.

The bank loans contain negative covenant that the Group's payment of dividend is subject to certain financial ratios.

Borrowing Costs
The total borrowing costs incurred by the Group from its short-term, long-term debts as of December 31, 2014 and 2013 amounted to ₱616.19 million and ₱512.44 million, respectively. Borrowing cost capitalized amounted to ₱413.95 million and ₱414.99 million in 2014 and 2013, respectively.

Interest Expense
Interest and other financing charges for the short term and long-term debt in 2014 and 2013 amounted to ₱202.24 million and ₱97.45 million, respectively.

New Facility Agreement
On June 13, 2014, CCDC signed a $30.00 million Secured Facility Agreement with Golden First Century Pte. Ltd., a company affiliated with Phoenix Property Investors. Proceeds from the facility shall be used to partly finance one of the Company's projects located in Century City, Makati. As of December 31, 2014, no drawdowns or availment was yet made from the facility.

Transaction costs incurred by the Company attributable to the Secured Facility Agreement amounted to ₱90.41 million. These transaction costs are recognized as deferred financing costs which will be amortized using effective interest method upon drawdowns or availment of the facility. As of December 31, 2014, deferred financing cost amounted to ₱76.85 million and presented as part of "Other noncurrent assets". And where there are any unutilized loan availments from the facility, the transaction cost of which the unutilized loan are attributable to, are amortized over the loan commitment period on a straight line basis.

20. Bonds Payable

Bonds payable consists of the following:

Three-year bond	**₱1,187,360,000**
Five-and-half year bond	**1,393,530,000**
Seven-year bond	**119,110,000**
	2,700,000,000
Less: Unamortized transaction costs	**42,674,938**
	₱2,657,325,062

In 2014, CPGI raised ₱2.70 billion worth of SEC-registered unsecured fixed rate peso retail bonds due on September 2, 2017 for the three-year bonds, on March 2, 2020 for the five-and-half year bonds and on September 2, 2021 for the seven-year bonds.

The CPGI bonds which were listed at the Philippine Dealing & Exchange Corp. (PDEx) on September 2, 2014, have interest rates of 6% p.a. for the three-year bonds, 6.6878% p.a. for the five-and-a-half year bonds, and 6.9758 % p.a. for the seven-year bonds. The CPGI bonds have been rated "AA+" with a Stable outlook by the Credit Rating and Investor Services Philippines Inc. (CRISP).

21. Liability from Purchased Land

This account pertains to the outstanding payable of the Company for the cost of land purchases recognized under "Real estate inventories" and "Land held for future development". These amounted to ₱33.64 million and ₱431.47 million as af December 31, 2014 and 2013, respectively.

In 2014, the Group reclassified "Accounts and other payables" amounting to ₱400.73 million to current portion of "Liability from purchased land" in the consolidated statement of financial position as of December 31, 2013. Management believes that this presentation appropriately reflects the classification of the Group's liabilities.

22. Equity

Capital stock
The details of the Parent Company's common shares follow:

	December 31,	
	2014	2013
Authorized shares	**18,000,000,000**	10,000,000,000
Par value per share	**₱0.53**	₱0.53
Issued and subscribed shares	**11,699,723,690**	9,699,724,027

Placement and Subscription Agreement between the Parent Company and CPI
On March 5, 2013, the Parent Company entered into a Subscription and Placement Agreement with CPI, Standard Chartered Securities (Singapore) Pte. Limited (Standard Chartered) and Macquarie Capital (Singapore) Pte. Limited (Macquarie) wherein CPI has appointed Standard Chartered and Macquarie to offer 800,000,000 existing common shares (the Offer Shares) of the Parent Company at ₱2.05 per share (the Offer Price) outside the United States in reliance on

Regulation S under the U.S. Securities Act. On the same day, the Parent Company and CPI entered into a Subscription Agreement wherein CPI has agreed to subscribe for the new common shares to be issued by the Parent Company in an amount equal to the number of the Offer Shares sold by CPI at a price equal to the Offer Price.

On February 18, 2012, the Parent Company entered into a Placement Agreement with CPI, UBS AG (UBS) and Macquarie Capital (Singapore) Pte. Limited (Macquarie) wherein CPI has appointed UBS and Macquarie to offer 1,333,333,000 existing common shares (the Offer Shares) of the Parent Company at ₱1.75 per share (the Offer Price) outside the United States in reliance on Regulation S under the U.S. Securities Act. On the same day, the Parent Company and CPI entered into a Subscription Agreement wherein CPI has agreed to subscribe for the new common shares to be issued by the Parent Company in an amount equal to the number of the Offer Shares sold by CPI at a price equal to the Offer Price.

Treasury shares
On January 7, 2013, the BOD of the Parent Company approved a share buyback program for those shareholders who opt to divest of their shareholdings in the Parent Company. A total of ₱800.00 million worth of shares will be up for buyback for a time period of up to 24 months.

In 2014 and 2013, a total of 85.68 million shares and 14.44 million shares were reacquired at a total cost of ₱87.15 million and ₱22.52 million, respectively.

Equity reserve
Equity reserve amounting to ₱6.97 million as of December 31, 2014 and 2013 is the difference between the acquisition cost and the adjusted carrying value of the noncontrolling interest in CPMI.

Retained earnings
Retained earnings include the accumulated equity in undistributed net earnings of consolidated subsidiaries amounting to ₱4,657.97 million, ₱3,743.56 million and ₱2,083.28 million as of December 31, 2014, 2013 and 2012, respectively. These amounts are not available for dividend declaration until these are declared by the subsidiaries.

Cash dividend declaration
On April 4, 2014, the BOD of the Parent Company approved the declaration of ₱0.02 per share cash dividends amounting to ₱184.47 million for distribution to the stockholders of the Parent Company of record as of May 15, 2014 which was paid on June 5, 2014.

On April 15, 2013, the BOD of the Parent Company approved the declaration of ₱0.02 per share cash dividends amounting to ₱184.44 million for distribution to the stockholders of the Parent Company of record as of April 29, 2013.

Increase in authorized capital stock and declaration of stock dividend
At a special meeting of the Board of Directors held on June 23, 2014, the Board of Directors of Century Properties Group Inc. approved the following resolutions:

(1) Approval of the increase in the authorized capital stock of Century Properties Group Inc. (the "Corporation") from Five Billion Three Hundred Million Pesos (₱5,300.00 million), divided into 10,000.00 million common shares, par value of ₱0.53 Peso per share, to Nine Billion Five Hundred Forty Million Pesos (₱9,540.00 million) divided into 18,000.00 million common shares with par value of ₱0.53 per share.

(2) Approval, ratification and confirmation subject to the consents and approvals, of the increase in the authorized capital stock of the Corporation at a price of ₱0.53 per share or at an aggregate price equivalent to Four Billion Two Hundred Forty Million Pesos (₱4,240.00 million) and the corresponding payment thereof by way of the declaration of stock dividends equivalent to Two Billion (2,000.00 million) common shares amounting to One Billion Sixty Million Pesos (₱1,060.00 million) to be taken out of the Corporation's retained earnings. This amount represents at least the minimum 25% subscribed and paid-up capital requirement for the increase of the authorized capital stock from Ten Billion common shares to Eighteen Billion common shares with par value of ₱0.53 per share.

The aforesaid resolutions were approved by the Stockholders during the Annual Stockholders' Meeting held last July 23, 2014.

On October 8, 2014, the Securities and Exchange Commission (SEC) approved the increase in the authorized capital stock of the Parent Company from Five Billion Three Hundred Million Pesos (₱5,300.00 million), divided into Ten Billion (10,000.00 million) common shares, par value of ₱ 0.53 per share, to Nine Billion Five Hundred Forty Million Pesos (₱9,540.00 million) divided into Eighteen Billion (18,000.00 million) common shares with par value of ₱0.53 per share.

On November 11, 2014, the Philippine Stock Exchange, Inc. approved the application of the Company to list additional 730.32 million common shares, with a par value of ₱0.53 per share, to cover the Company's 20.62% stock dividend declaration to stockholders of record as of October 27, 2014 which was paid on November 14, 2014.

Capital management
The primary objective of the Group's capital management is to ensure that it maintains a strong and healthy consolidated statement of financial position to support its current business operations and drive its expansion and growth in the future.

The Group undertakes to establish the appropriate capital structure for each business line, to allow it sufficient financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Group considers debt as a stable source of funding. The Group attempts to continually lengthen the maturity profile of its debt portfolio and makes it a goal to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis. As of December 31, 2014 and 2013, the Group had the following ratios:

	2014	2013
Debt to equity	**62.38%**	52.51%
Net debt to equity	**50.44**	40.15

Debt consists of short-term and long-term debts. Net debt includes short-term and long-term debt less cash and cash equivalents, short-term investments and AFS financial assets. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Parent Company excluding equity reserve, loss on AFS financial assets and remeasurement loss on defined benefit plan, amounting to a total of ₱13,264.82 million and ₱11,501.63 million, ₱8,283.32 million as of December 31, 2014, 2013 and 2012, respectively.

The Group is subject to externally imposed capital requirements due to loan covenants (see Note 19). No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2014 and 2013.

23. Earnings Per Share

Basic/diluted earnings per share amounts attributable to equity holders of the Parent Company for 2014, 2013 and 2012 follow:

	2014	2013	2012
Net income attributable to the owners of the Parent Company	**₱2,158,887,753**	₱1,844,715,754	₱1,848,699,632
Weighted average number of shares	**11,679,931,964**	11,546,408,840	10,684,977,261
Basic/diluted earnings per share	**₱0.185**	₱0.160	₱0.173

Earnings per share are calculated using the consolidated net income attributable to the equity holders of Parent Company divided by the weighted average number of shares. To determine the weighted average number of shares, the stock dividend declaration was retroactively adjusted. Stock dividend declaration was approved by the BOD on June 23, 2014 and was paid on November 14, 2014 to stockholders of record as of October 27, 2014 (see Note 22).

24. Property Management Fee and Other Services

This account consists of:

	2014	2013	2012
Property management fee	**₱284,410,803**	₱253,287,494	₱220,487,120
Technical services	**1,317,662**	1,122,974	1,188,252
Auction services	**–**	–	530,986
	₱285,728,465	₱254,410,468	₱222,206,358

Property management fee pertains mostly to facilities management and consultancy fees of condominium corporations, corporate facilities and prior projects of the Group, which have been turned over to the respective buyers.

Auction services are fees earned by the Group in facilitating auction of foreclosed real estate projects, which normally consist of a percentage for each sale made while technical services pertains to various services such as plan evaluation, consultation and project management.

25. **Interest and Other Income**

This account consists of:

	2014	2013	2012
Interest income:			
Accretion of unamortized discount (Note 5)	**₱825,646,206**	₱654,764,011	₱397,647,777
Cash and cash equivalents (Note 4)	**119,887,408**	43,852,421	103,493,561
Income from forfeited collections	**274,209,468**	416,344,118	203,230,372
Marketing fee income from joint ventures	**–**	–	55,781,815
Gain on sale of AFS	**–**	–	7,418,511
Unrealized foreign exchange gain	**–**	45,756,697	5,554
Other income	**70,907,941**	59,861,692	39,376,677
	₱1,290,651,023	₱1,220,578,939	₱806,954,267

Income from forfeited collections includes both reservation fees that have prescribed from the allowable period of completing the requirements for such reservation as well as forfeited collections from defaulted contracts receivables that have been assessed by the Group's management as no longer refundable.

Marketing fee income from joint ventures is derived by the Group from undertaking the marketing and sale of lots, being appointed as exclusive marketing agent of its real estate inventories.

Other income mainly consists of the penalties and other surcharges billed against defaulted installment contracts receivable. Real estate buyers are normally charged a penalty of 3% of the monthly installment for every month in arrears from the time the specific installment becomes due and payable.

26. **Cost of Services**

This account consists of:

	2014	2013	2012
Salaries, wages and employee benefits (Note 31)	**₱215,390,743**	₱176,468,314	₱147,987,126
Outside services	**–**	9,176,957	9,602,398
	₱215,390,743	₱185,645,271	₱157,589,524

27. General, Administrative and Selling Expenses

This account consists of:

	2014	2013	2012
Marketing and promotions	**₱892,938,561**	₱708,139,512	₱705,531,548
Salaries, wages and employee benefits (Notes 30 and 31)	**508,662,050**	395,108,425	538,039,973
Commission	**492,781,146**	445,754,644	359,583,530
Taxes and licenses	**425,228,908**	102,180,689	28,281,192
Professional fees	**116,212,968**	148,138,526	88,394,283
Rent (Note 32)	**50,636,460**	41,346,102	42,906,876
Entertainment, amusement and Recreation	**46,993,341**	42,122,234	26,280,229
Utilities	**38,788,206**	15,713,041	10,378,499
Transportation and travel	**27,792,308**	48,693,068	41,559,445
Depreciation and amortization (Notes 14 and 15)	**26,972,348**	39,377,153	51,462,423
Communication	**21,122,487**	23,623,844	20,187,569
Supplies	**10,657,467**	11,428,189	10,684,889
Outside services	**5,970,801**	3,097,121	17,321,672
Miscellaneous	**55,990,013**	17,141,270	19,715,227
	₱2,720,747,064	₱2,041,863,818	₱1,960,327,355

Miscellaneous expenses pertain mostly to repairs and maintenance and insurance.

28. Interest and Other Financing Charges

Details of this account follow:

	2014	2013	2012
Interest expense on:			
Short-term and long-term debt (Notes 19 and 20)	**₱16,703,757**	₱29,215,760	₱41,576,507
Liability from purchased land (Note 21)	**–**	–	7,556,660
	16,703,757	29,215,760	49,133,167
Other financing charges	**108,006,608**	68,237,206	13,380,990
	₱124,710,365	₱97,452,966	₱62,514,157

Interest expense on liability from purchased land relates to the land held for future development by CLC (see Notes 7 and 21).

Other financing charges mostly include charges from interbank transfers other banking service fees and amortization of deferred transaction costs.

29. **Income Tax**

The provision for income tax consists of:

	2014	2013	2012
Current			
RCIT/MCIT	**₱347,258,406**	₱415,572,363	₱101,733,716
Final	**1,708,600**	4,061,794	22,194,219
	348,967,006	419,634,157	123,927,935
Deferred	**663,238,492**	452,904,271	516,318,391
	₱1,012,205,498	₱872,538,428	₱640,246,326

Current tax
Provision for current tax pertains to final tax and RCIT/MCIT.

Income taxes include corporate income tax and final taxes paid at the rate of 20%, which is a final withholding tax on gross interest income from debt instruments and other deposit substitutes.

Interest allowed as a deductible expense is reduced by an amount equivalent to 33% of interest income subjected to final tax starting January 1, 2009.

The NIRC of 1997 also provides for rules on the imposition of a 2% MCIT on the gross income as of the end of the taxable year beginning on the fourth taxable year immediately following the taxable year in which the Group commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three (3) immediately succeeding taxable years.

In addition, the NIRC of 1997 allows the Group to deduct from its taxable income for the current year its accumulated NOLCO from the immediately preceding three (3) consecutive taxable years. As of December 31, 2014, carryover NOLCO and MCIT that can be claimed as deduction from future taxable income or used as deductions against income tax liabilities are as follows:

NOLCO:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2011	₱436,605,748	(₱436,605,748)	₱–	2014
2012	181,246,723	(166,335,129)	14,911,594	2015
2013	649,970,775	–	649,970,775	2016
2014	754,697,325	–	754,697,325	2017
	₱2,022,520,571	(₱602,940,877)	₱1,419,579,694	

Deferred tax
The components of deferred taxes as of December 31, 2014 and 2013 are as follows:

Net deferred tax assets:

	2014	2013
Deferred tax assets on:		
NOLCO	**₱417,774,908**	₱227,856,212
Difference between tax and book basis of accounting for real estate transactions	**84,241,128**	67,728,596
Retirement benefits	**45,629,850**	30,460,657
Accruals	**11,737,953**	3,965,987
MCIT	**6,160,840**	43,177
Allowance for impairment losses	**1,442,506**	1,357,947
	566,987,185	331,412,576
Deferred tax liabilities on:		
Service revenue	**292,037,495**	169,889,238
Interest income	**92,473,619**	25,344,218
Prepayments	**16,456,612**	6,148,375
Unamortized discount	**12,802,481**	–
Valuation gains	**6,579,799**	4,520,158
Capitalized borrowing costs	**813,911**	813,911
	421,163,917	206,715,900
Net deferred tax assets	**₱145,823,268**	₱124,696,676

Net deferred tax liabilities:

	2014	2013
Deferred tax assets on:		
Accruals	**₱294,252,472**	₱155,445,178
MCIT	**35,132,529**	49,346,282
NOLCO	**8,099,000**	17,002,225
Valuation gain	**4,973,472**	–
Allowance for probable losses	**2,366,235**	2,366,235
	344,823,708	224,159,920
Deferred tax liabilities on:		
Difference between tax and book basis of accounting for real estate transactions	**1,484,003,032**	879,285,957
Change in fair value of investment property	**631,419,875**	617,007,843
Prepayments	**466,957,499**	316,303,561
Capitalized borrowing costs	**68,217,100**	35,855,239
Others	**1,665**	4,459,015
	2,650,599,171	1,852,911,615
Net deferred tax liabilities	**₱2,305,775,463**	₱1,628,751,695

Unrecognized deferred tax assets
The Group has NOLCO and MCIT that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized. These NOLCO and MCIT follow:

	2014	2013
NOLCO	**₱352,364**	₱108,972,431
MCIT	**–**	112,460
	₱352,364	₱109,084,891

Statutory reconciliation
The reconciliation of the provision for income tax computed at statutory income tax rate to the provision for income tax shown in profit or loss follows:

	2014	2013	2012
Provision for income tax computed at statutory rate	**₱951,327,975**	₱815,176,255	₱747,017,153
Adjustments for:			
Income tax holiday	**(6,329,493)**	35,472,590	(111,356,028)
Nondeductible interest and other expenses	**44,179,611**	7,753,508	7,719,166
Change in unrecognized deferred tax assets	**345,359**	251,203,454	6,795,519
Interest income subjected to final tax	**(5,785,339)**	(7,822,013)	(9,929,484)
Expired NOLCO	**28,467,385**	–	–
Recognition of previously unrecognized DTA	**–**	(229,291,175)	–
Expired MCIT	**–**	45,809	–
	₱1,012,205,498	₱872,538,428	₱640,246,326

Board of Investments (BOI) incentives
On January 6, 2010, the BOI issued in favor of the Group a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for Azure Urban Residences in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the projects has been granted an Income Tax Holiday (ITH) for a period of four (4) years from December 2012 or the actual start of commercial operations or selling, whichever is earlier and importation of capital equipment, spare parts and accessories at zero percent duty from date of registration up to June 16, 2011.

30. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates.

Terms and Conditions of Transactions with Related Parties
The Group in their regular conduct of business has entered into transactions with related parties principally consisting of advances and reimbursement of expenses, development, management, marketing, leasing and administrative service agreements.

There have been no guarantees provided or received for any related party receivables or payables. The Group does not provide allowance relating to receivable from related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

The effects of the foregoing transactions are shown under the following accounts in the consolidated financial statements:

2014

	Amount/ Volume	**Receivables**	**Due from related parties**	**Management fees**	**Terms**	**Conditions**
Ultimate Parent	**₱–**	**₱149,210,535**	**₱–**	**₱–**	**Noninterest bearing, due and demandable**	**Unsecured, no impairment**
Stockholders	**–**	**–**	**125,014,671**	**–**	**Noninterest bearing, due and demandable**	**Unsecured, no impairment**
Other affiliates	**46,423,425**	**14,349,005**	**20,591,553**	**1,835,231**	**Noninterest bearing, due and demandable**	**Unsecured, no impairment**
	₱46,423,425	**₱163,559,540**	**₱145,606,224**	**₱1,835,231**		

	Amount/ Volume	**Accounts and other payables**	**Due to related parties**	**Other payable**	**Terms**	**Conditions**
Stockholders	**₱–**	**₱–**	**₱25,570,564**	**₱–**	**Noninterest bearing, due and demandable**	**Unsecured, no impairment**
Other affiliates	**1,229,702**	**17,226,525**	**6,189,534**	**11,653,728**	**Noninterest bearing, due and demandable**	**Unsecured, no impairment**
	₱1,299,702	**₱17,226,525**	**₱31,760,098**	**11,653,728**		

2013

	Amount/ Volume	Receivables	Due from related parties	Management fees	Terms	Conditions
Ultimate Parent	₱299,746,751	₱299,746,751	₱–	₱–	Noninterest bearing, due and demandable	Unsecured, no impairment
Stockholders	166,620,067	–	166,620,067	–	Noninterest bearing, due and demandable	Unsecured, no impairment
Other affiliates	31,927,380		10,702,611	2,176,101	Noninterest bearing, due and demandable	Unsecured, no impairment
	₱498,294,198	₱299,746,751	₱177,322,678	₱2,176,101		

	Amount/ Volume	Accounts and other payables	Due to related parties	Other payable	Terms	Conditions
Stockholders	₱26,949,659	₱–	₱26,949,659	₱–	Noninterest bearing, due and demandable	Unsecured, no impairment
Other affiliates	156,455,213	151,495,380	4,959,833	41,924,983	Noninterest bearing, due and demandable	Unsecured, no impairment
	₱183,404,872	₱151,495,380	₱31,909,492	₱41,924,983		

Significant transactions of the Group with related parties are described below:

Receivables from and accounts and other payable to related parties mostly pertain to advances and reimbursement of expenses related to the operations of the Group. These are generally trade-related, noninterest-bearing and payable within one year.

Due from related parties pertains to advances provided by the Group to the Stockholders and other affiliates. These are generally are unsecured, noninterest-bearing, and are due and demandable and are not impaired.

Due to related parties pertains to advances made by the Group for the capital expenditure of the subsidiaries. These are generally noninterest bearing and are due and demandable.

Management fee pertains to property management fee charged by the Group to Penta Pacific amounting to ₱22.19 million and ₱21.22 miliion for 2014 and 2013, respectively.

Other payables pertains to payments received by the Group in behalf of Penta Pacific for the sales management transaction between CPMI and Penta Pacific.

Outsourced Service Agreement between the Parent Company and the subsidiaries
In 2013, the Parent Company entered into Omnibus Marketing, Logistics and Support Services Agreement with the subsidiaries wherein the latter undertakes to secure, maintain, preserve, market, promote and enhance the economic value of the subsidiaries' projects in exchange for outsourced service fees. In 2014 and 2013, the total outsourced service fee billed by the Parent Company amounted to ₱694.97 million and ₱566.30 million, respectively. Total billings amounting to ₱1,090.27 million and ₱634.26 million remain outstanding as of December 31, 2014 and 2013, respectively.

Assignment of rights over ISMI properties
On May 11, 2007, CPI and CCDC entered into a Deed of Absolute Assignment (DAA I) wherein CPI assigned, transferred and conveyed to CCDC its interests in the ISMI properties in exchange for CCDC's shares of stock for an aggregate subscription price of ₱1,038.84 million.

On the same date, CCDC incorporated twelve subsidiaries as special purpose entities created for the purpose of developing the ISMI properties and taking an assignment of its rights previously acquired from CPI. CCDC and its subsidiaries deemed it necessary and beneficial to streamline the operations of the said companies by transferring to the subsidiaries a portion of the rights, interests and ownership of CCDC in the ISMI properties with an aggregate area of 1,450 sqm and carrying value of ₱45.56 million. Accordingly, CCDC and its subsidiaries executed a Deed of Absolute Assignment (DAA II) wherein CCDC assigned and transferred a portion of its rights and interest over the ISMI properties in exchange for subscription to additional shares of stock in each of the subsidiaries.

On June 5, 2007, the DAA I was amended (1st Amendment) where the aggregate amount was changed to ₱1,014.72 million in consideration of the prepayment discount given by PMO. Under the 1st Amendment entered into by CPI and CCDC, CCDC shall issue an aggregate of 101.47 million common shares with a par value of ₱1 at issuance price of approximately ₱10 per share resulting in an aggregate issuance price of ₱1,014.72 million and additional paid-in capital of ₱913.25 million in relation to the assignment of the CPI's rights and interests in the ISMI properties.

Similarly, the DAA II was amended on the same date, taking into account such prepayment discount.

The application for issuance of shares of CCDC in favor of CPI was approved by SEC on May 8, 2008.

On July 16, 2008, CCDC filed a petition for amendment of its initial application for issuance of additional shares in favor of CPI to reflect that instead of recording the ₱913.25 million as additional paid-in capital in favor of CPI, it should be ₱909.26 million, net of ₱3.99 million scrap sale, as advances in favor of CPI, or any of its assignees. In connection with this petition, CCDC amended the 1st Amendment (2nd Amendment) to reflect the true and correct will of the parties. The amended application for issuance of shares of CCDC in favor of CPI was approved by the SEC on December 24, 2008.

As of December 31, 2014 and 2013, ISMI properties distributed to CCDC and its subsidiaries are recorded under "Real estate inventories" and "Investment properties".

Group On-loan agreement
In 2013, the subsidiaries entered into an On-Loan Agreement (the Agreement) with the Parent Company wherein the latter agreed to extend loan to the subsidiaries provided that the proceeds of the borrowings should solely be used to finance the construction and development of its properties. The said borrowing is from the proceeds of the syndicated loan entered into by the Parent Company with Standard Chartered Bank. The Agreement consists of other provisions that are based on the Omnibus Loan Agreement of the Parent Company with Standard Chartered Bank dated June 11, 2013.

Construction Management Contract
The Group has contracted Century Properties Management Construction Corporation (CPMCC) as the project manager that will handle the construction activities of the Group. CPMCC is owned by one of the key management personnel of the Group. As of December 31, 2014 and 2013, advances made to CPMCC recognized under the "Advances to contractors and suppliers" account amount to ₱420.85 million and ₱65.73 million, respectively.

Key management compensation
The key management personnel of the Group include all directors, executive, and senior management. The details of compensation and benefits of key management personnel in 2014, 2013 and 2012 follow:

	2014	2013	2012
Short-term employee benefits	**₱116,601,070**	₱79,641,947	₱62,545,755
Post-employment benefits (Note 31)	**6,456,171**	4,409,754	2,581,108
	₱123,057,241	₱84,051,701	₱65,126,863

Terms and condition of transactions with related parties
Outstanding balances at year-end are unsecured interest free and expected to be settled within one year after the reporting date. There have been no guarantees provided or received for any related party receivables or payables. As of December 31, 2014 and 2013, the Group has not made any provision for probable losses relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

31. **Pension Cost**

The Group has an unfunded, noncontributory, defined benefit pension plan covering substantially all of its regular employees. The benefits are based on the projected retirement benefit of 22.5 days pay per year of service in accordance with Republic Act 7641. The benefits are based on current salaries and years of service and compensation on the last year of employment. An independent actuary conducts an actuarial valuation of the retirement benefit obligation using the projected unit credit method.

The components of retirement exepense included under “Salaries, wages and employee benefits” under general, administrative and selling expenses follow:

	2014	2013	2012
Current service cost	**₱17,690,784**	₱11,093,410	₱8,294,794
Interest cost on benefit obligation	**8,758,430**	5,704,761	1,507,189
Effect of settlement/curtailment	**–**	(2,681,155)	–
Retirement expense	**₱26,449,214**	₱14,117,016	₱9,801,983

Remeasurement costs recognized in OCI follow:

	2014	2013	2012
Accumulated other comprehensive income, beginning	**₱80,613,355**	₱43,681,926	₱12,587,783
Experience adjustments	**(14,872,042)**	14,992,913	(5,264,923)
Change in assumption	**39,673,085**	21,938,519	2,708,247
Transfer from CPI	**–**	–	33,650,819
Balance at end of the year	**105,414,398**	80,613,358	43,681,926
Deferred income tax benefit	**(31,624,319)**	(24,184,007)	(13,045,578)
	₱73,790,079	₱56,429,351	₱30,636,348

Changes in the present value of the defined benefit obligation are as follows:

	2014	2013	2012
Balance at January 1	**₱142,710,476**	₱92,361,520	₱30,800,716
Current service cost	**17,690,784**	11,093,410	8,294,794
Interest cost	**8,758,430**	5,704,761	1,507,189
Benefits paid	**(2,676,416)**	(699,494)	(7,402,591)
Actuarial losses (gains)	**24,801,492**	36,931,433	(2,556,676)
Settlement/curtailment	**–**	(2,681,155)	–
Obligation acquired from CPI	**–**	–	61,718,088
Balance at December 31	**₱191,284,766**	₱142,710,475	₱92,361,520

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumptions on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant.

	December 31, 2014		
			Effect on DBO
Discount rate	6.00%	1.0 % decrease	27,202,690
Discount rate	4.00%	1.0 % increase	(22,203,140)
Rate of salary increase	7.00%	1.0 % increase	25,059,300
Rate of salary increase	5.00%	1.0 % decrease	(21,036,869)

The assumptions used to determine pension benefits for the Group for the years ended December 31, 2014, 2013 and 2012 are as follows:

	2014	2013	2012
Discount rate	**6.37% to 4.46%**	5.37% to 6.38%	6.00% to 6.50%
Salary increase rate	**7.00% to 5.00%**	5.00% to 7.00%	5.00% to 7.00%

The amount of unfunded status and experience adjustments for the current and the previous periods follow:

	2014	2013	2012	2011	2010
Defined benefit obligation	₱191,284,766	₱142,710,476	₱92,361,520	₱30,800,716	₱28,739,853
Experience adjustments on plan liabilities	(14,871,593)	21,938,519	(3,255,280)	684,927	2,018,230

Shown below is the maturity analysis of the undiscounted benefit payments:

Year ending:	
December 31, 2014	₱41,123,007
December 31, 2015	3,508,197
December 31, 2016	1,782,006
December 31, 2017	5,103,508
December 31, 2018	4,450,168
December 31, 2019 through December 31, 2023	57,794,087

32. Operating Lease Agreements

Operating lease - Group as a Lessee
The Group is a lessee under operating leases covering the sales and administrative offices including the model units for prospective buyers. The leases have terms ranging from two to three years, with renewal options. Monthly rent payment is computed using a fix rate per sqm. Rental expense charged to operations amounted to ₱50.64 million, ₱41.35 million and ₱42.91 million and in 2014, 2013 and 2012, respectively (see Note 27).

Future minimum rentals payable under operating leases follow:

	2014	2013	2012
Within one year	**₱72,672,390**	₱64,951,325	₱38,190,150
After one year but not more than five years	**84,255,049**	88,144,150	54,153,115
	₱156,927,439	₱153,095,475	₱92,343,265

Operating lease - Group as a Lessor
The Group entered into lease agreements with third parties covering its investment property. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

	2014
Within one year	**₱198,424,473**
After one year but not more than five years	**398,484,516**
More than five years	**60,421,575**
	₱657,330,564

33. Financial Instruments

Fair Value Information
The table below presents the carrying amounts and fair value of the Group's financial assets and liabilities are as follows:

	2014		2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Loans and receivables				
Cash and cash equivalents	**₱1,429,245,106**	**₱1,429,245,106**	₱1,438,887,780	₱1,438,887,780
Receivables				
Trade receivables				
Real estate	**11,553,022,779**	**11,945,185,806**	8,091,813,331	8,091,813,331
Related parties	**163,559,540**	**163,559,540**	299,746,751	299,746,751
Management fee	**66,395,787**	**66,395,787**	59,788,449	59,788,449
Auction fee and commissions	**2,392,406**	**2,392,406**	2,394,043	2,394,043
Advances to customers	**35,687,597**	**35,687,597**	54,260,184	54,260,184
Other receivables	**65,992,433**	**65,992,433**	430,411,489	430,411,489
Due from related parties	**145,606,224**	**145,606,224**	177,322,678	177,322,678
	13,461,901,872	**13,854,064,899**	10,554,624,705	10,554,624,705
Derivative assets	**25,521,998**	**25,521,998**	29,925,021	29,925,021
AFS financial assets				
Quoted	**4,276,736**	**4,276,736**	4,778,174	4,778,174
Unquoted	**4,702,844**	**4,702,844**	4,702,844	4,702,844
Total Financial Assets	**₱13,496,403,450**	**₱13,888,566,477**	₱10,594,030,744	₱10,594,030,744
Other financial liabilities				
Accounts and other payables				
Accounts payable	**₱1,499,632,272**	**₱1,499,632,272**	₱3,816,433,192	₱3,816,433,192
Retentions payable	**110,257,696**	**110,257,696**	75,778,739	75,778,739
Accrued expenses	**91,435,080**	**91,435,080**	142,775,830	142,775,830
Payable to related parties	**17,226,525**	**17,226,525**	151,495,380	151,495,380
Other payables	**11,653,728**	**11,653,728**	41,924,983	41,924,983
Due to related parties	**31,760,098**	**31,760,098**	31,909,492	31,909,492
Short-term debt	**673,323,310**	**673,323,310**	579,743,773	579,743,773
Long-term debt	**7,600,827,588**	**9,125,627,864**	5,459,401,449	6,387,499,695
Bonds payable	**2,657,325,062**	**3,420,044,813**	–	–
Liability from purchased land	**33,640,589**	**33,640,589**	431,472,499	431,472,499
Total Financial Liabilities	**₱12,727,081,948**	**₱15,014,601,975**	₱10,730,935,337	₱11,659,033,583

Fair Value of Financial Instruments
The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Financial assets
Cash and cash equivalents, receivables (excluding real estate receivables with more than one year tenor) and due from related parties - Carrying amounts approximate fair values due to the short-term maturities of these instruments.

Noncurrent real estate receivables - Fair value is based on undiscounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date using the remaining terms of maturity. The discount rate used ranged from 3.20% to 8.00% in 2014 and 2013, respectively.

Derivative assets - Fair values are based on net asset values as of reporting dates.

AFS financial assets - Fair values are based on quoted prices published in the market.

Other financial liabilities
The fair values of accounts and other payables, due to related parties and short-term debt approximate the carrying amount due to the short-term maturities of these instruments.

The fair value of long-term debt and liability from purchased land are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used for long-term debt ranged from 2.60% to 5.55% as of December 31, 2014 and 2013, respectively. The discount rates used for the liability from purchased land ranged from 2.60% to 5.55% as of December 31, 2014 and 2013, respectively.

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

Level 1: quoted (unadjusted prices) in active markets for identical assets and liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Quoted AFS financial assets amounting to ₱4.28 million and ₱4.78 million as of December 31, 2014, and 2013, respectively were classified under Level 1 (see Note 11)

The Group held freestanding derivatives which are measured at fair value under Level 2.

The Group has no financial instruments measured under Level 3.

In 2014 and 2013, the Group did not have transfers between Level 1 and 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Financial Risk Management Policies and Objectives
The Group has various financial assets and liabilities such as cash and cash equivalents, receivables, due from related parties, derivative assets, AFS financial assets, accounts and other payables and due to related parties, which arise directly from its operations. The Group has availed short-term, long-term debt and loans payable for financing purposes.

Exposure to credit, interest rate , liquidity and foreign currency risks arise in the normal course of the Group's business activities. In 2013, the Group also entered into derivative transactions, the purpose of which is to manage the currency and interest rate risk arising from its financial instruments.

The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The Group's BOD reviews and approves the policies for managing each of these risks and they are summarized below:

Credit risk
Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group trades only with recognized, creditworthy third parties. The Group's receivables are monitored on an ongoing basis resulting to manageable exposure to bad debts. Real estate buyers are subject to standard credit check procedures which are calibrated based on the payment scheme offered. The Group's respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts. In addition, the credit risk for real estate receivables is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject house in case of refusal by the buyer to pay on time the due installment contracts receivable. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and AFS financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group transacts only with institutions or banks which have demonstrated financial soundness for the past 5 years.

The Group has no significant concentrations of credit risk.

The Group's maximum exposure to credit risk as of December 31, 2014 and 2013 is equal to the carrying values of its financial assets, except for real estate receivables with carrying value of ₱11,553.02 million and fair value of collateral amounting to ₱25,904.16 million.

The table below shows the credit quality of the Group's financial assets:

2014

	Neither past due nor impaired					
	High grade	**Medium Grade**	**Low Grade**	**Past due but not Impaired**	**Impaired**	**Total**
Cash and cash equivalent	**₱1,429,245,106**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,429,245,106**
Receivables						
Trade						
Real estate	**11,435,588,327**	**–**	**–**	**117,434,452**	**–**	**11,553,022,779**
Related parties	**163,559,540**	**–**	**–**	**–**	**–**	**163,559,540**
Management fee	**62,568,493**	**–**	**–**	**–**	**3,827,294**	**66,395,787**
Auction fee and commissions	**1,411,348**	**–**	**–**	**–**	**981,058**	**2,392,406**
Advances to customers	**35,687,597**	**–**	**–**	**–**	**–**	**35,687,597**
Others	**65,992,433**	**–**	**–**			**65,992,433**
Due from related parties	**145,606,224**				**–**	**145,606,224**
	13,339,659,068	**–**	**–**	**117,434,452**	**4,808,352**	**13,461,901,872**
Derivative assets	**25,521,998**	**–**	**–**	**–**	**–**	**25,521,998**
AFS financial assets	**8,979,580**	**–**	**–**	**–**	**–**	**8,979,579**
Total	**₱13,374,160,646**	**₱–**	**₱–**	**₱117,434,452**	**₱4,808,352**	**₱13,496,403,449**

2013

	Neither past due nor impaired					
	High grade	Medium Grade	Low Grade	Past due but not Impaired	Impaired	Total
Cash and cash equivalent	₱1,438,887,780	₱–	₱–	₱–	₱–	₱1,438,887,780
Receivables						
Trade						
Real estate	8,017,386,990	–	–	74,426,341	–	8,091,813,331
Related parties	299,746,751	–	–	–	–	299,746,751
Management fee	56,243,017	–	–	–	3,545,432	59,788,449
Auction fee and commissions	1,412,985	–	–	–	981,058	2,394,043
Advances to customers	54,260,184	–	–	–	–	54,260,184
Others	430,411,489	–	–	–	–	430,411,489
Due from related parties	177,322,678	–	–	–	–	177,322,678
	10,475,671,874	–	–	74,426,341	4,526,490	10,554,624,705
Derivative assets	29,925,021	–	–	–	–	29,925,021
AFS financial assets	9,481,018	–	–	–	–	9,481,018
Total	₱10,515,077,913	₱–	₱–	₱74,426,341	₱4,526,490	₱10,594,030,744

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents - based on the nature of the counterparty.

Receivables - high grade pertains to receivables with no default in payments; medium grade pertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables with more than 3 defaults in payment.

AFS financial assets, which are assessed by management as high grade, are investments in equity instruments in companies with good financial capacity.

As of December 31, 2014 and 2013, the aging analysis of the Group's receivables presented per class is as follows:

2014

	Neither Past Due nor Impaired	Past due but not impaired				Impaired Financial	
	<30 days	30-60 days	60-90 days	90-120 days	>120 days	Assets	Total
Receivables							
Trade receivables							
Real estate	₱11,435,588,327	₱9,226,558	₱19,828,048	₱11,251,523	₱77,128,323	₱–	₱11,553,022,779
Related parties	163,559,540	–	–	–	–	–	163,559,540
Management fee	62,568,493	–	–	–	–	3,827,294	66,395,787
Auction fee and commissions	1,411,348	–	–	–	–	981,058	2,392,406
Advances to customers	35,687,597	–	–	–	–	–	35,687,597
Other receivables	65,992,433	–	–	–	–	–	65,992,433
Due from related parties	145,606,224	–	–	–	–	–	145,606,224
Total	₱11,910,413,962	₱9,226,558	₱19,828,048	₱11,251,523	₱77,128,323	₱4,808,352	₱12,032,656,766

2013

	Neither Past Due nor Impaired	Past due but not impaired				Impaired Financial	
	<30 days	30-60 days	60-90 days	90-120 days	>120 days	Assets	Total
Receivables							
Trade receivables							
Real estate	₱8,017,386,990	₱11,271,866	₱8,318,947	₱9,371,454	₱45,464,073	₱–	₱8,091,813,330
Related parties	299,746,751						299,746,751
Management fee	56,243,017	–	–	–	–	3,545,432	59,788,449
Auction fee and commissions	1,412,985	–	–	–	–	981,058	2,394,043
Advances to customers	54,260,184	–	–	–	–	–	54,260,184
Other receivables	430,411,489	–	–	–	–	–	430,411,489
Due from related parties	177,322,678	–	–	–	–	–	177,322,678
Total	₱9,036,784,094	₱11,271,866	₱8,318,947	₱9,371,454	₱45,464,074	₱4,526,490	₱9,115,736,924

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties. The Group considers its available funds and its liquidity in managing its long-term financial requirements. It matches its projected cash flows to the projected amortization of long-term borrowings. For its short-term funding, the Group's policy is to ensure that there are sufficient operating inflows to match repayments of short-term debt.

The following table shows the maturity profile of the Group's financial assets used for liquidity purposes and liabilities based on contractual undiscounted payments:

	2014			
	Within 1 Year	1-5 years	More than 5 years	Total - Gross
Financial assets				
Cash and cash equivalents	₱1,429,245,106	₱–	₱–	₱1,429,245,106
Receivables				
Trade receivables				
Real estate	7,172,879,333	4,380,143,446	–	11,553,022,779
Related parties	163,559,540	–	–	163,559,540
Management fee	66,395,787	–	–	66,395,787
Auction fee and commissions	2,392,406	–	–	2,392,406
Advances to customers	35,687,597	–	–	35,687,597
Other receivables	65,992,433	–	–	65,992,433
Due from related parties	145,606,224	–	–	145,606,224
	₱9,081,758,426	₱4,380,143,446	₱–	₱13,461,901,872
Financial liabilities				
Accounts and other payables				
Accounts payable	1,499,632,272	–	–	1,499,632,272
Accrued expenses	91,435,080	–	–	91,435,080
Payable to related parties	17,226,525	–	–	17,226,525
Retentions payable	110,257,696	–	–	110,257,696
Other payables	11,653,728	–	–	11,653,728
Donation payable	41,763,183	–	–	41,763,183
Due to related parties	31,760,098	–	–	31,760,098
Short-term debt	673,323,310	–	–	673,323,310
Long-term debt	1,924,309,151	5,676,518,437	–	7,600,827,588
Bonds payable	–	2,657,325,062	–	2,657,325,062
Liability from purchased land	–	33,640,589	–	33,640,589
	₱4,401,361,043	₱8,367,484,088	₱–	₱12,768,845,131

	2013			
	Within 1 Year	1-5 years	More than 5 years	Total – Gross
Financial assets				
Cash and cash equivalents	₱1,438,887,780	₱–	₱–	₱1,438,887,780
Receivables				
Trade receivables				
Real estate	5,876,832,431	3,216,988,358	–	9,093,820,789
Related parties	299,746,751			299,746,751
Management fee	59,788,449	–	–	59,788,449
Auction fee and commissions	2,394,043	–	–	2,394,043
Advances to customers	54,260,184	–	–	54,260,184
Other receivables	430,411,489	–	–	430,411,489
Due from related parties	177,322,678	–	–	177,322,678
	₱8,339,643,805	₱3,216,988,358		₱11,556,632,163
Financial liabilities				
Accounts and other payables				
Accounts payable	3,816,433,192	–	–	3,816,433,192
Accrued expenses	142,775,830	–	–	142,775,830
Payable to related parties	151,495,380	–	–	151,495,380
Retentions payable	75,778,739	–	–	75,778,739
Other payables	41,924,983	–	–	41,924,983
Due to related parties	31,909,492	–	–	31,909,492
Short-term debt	579,743,773	–	–	579,743,773
Long-term debt	1,178,233,690	4,281,167,759	–	5,459,401,449
Liability from purchased land	403,131,337	28,341,162	–	431,472,499
	₱6,421,426,416	₱4,309,508,921	₱–	₱10,730,935,337

Foreign currency risk
Financial assets and credit facilities of the Group, as well as major contracts entered into for the purchase of raw materials, are mainly denominated in Philippine Peso. There are only minimal placements in foreign currencies and the Group does not have any foreign currency-denominated debt. As such, the Group's foreign currency risk is minimal.

The following table shows the Group's consolidated foreign currency-denominated monetary assets and their peso equivalents as of December 31, 2014 and 2013:

	2014		2013	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Assets				
Cash and cash equivalents				
US Dollar	**$3,368,306**	**₱149,384,384**	$429,928	₱19,086,654
Euro	**€226,535**	**12,350,430**	€100,361	6,138,114
Accounts payable				
US Dollar	**$–**	**₱–**	$325,000	₱14,428,375
Euro	**€7,534,133**	**409,397,253**	€9,370,665	573,109,871
Loans payable				
US Dollar	**$58,265,600**	**2,605,637,619**	–	–
Net foreign currency denominated instruments		**(₱2,853,300,058)**		(₱562,313,478)

The spot exchange rates used were ₱44.40 to US$1 and ₱61.16 to €1 in 2014; ₱41.05 to US$1 and ₱54.53 to €1 in 2013

	2014		2013	
	Increase (decrease) in foreign exchange rates	**Effect on profit before tax**	Increase (decrease) in foreign exchange rates	Effect on profit before tax
Dollar	₱0.001	**₱54,897**	₱0.001	₱105
	(0.001)	**(54,897)**	(0.001)	(105)
Euro	₱0.002	**(₱14,615)**	₱0.002	(₱18,541)
	(0.002)	**14,615**	(0.002)	18,541

Interest rate risk
Interest rate risk is the risk that changes in the market interest rates will reduce the Group's current or future earnings and/or economic value. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest bearing debt obligations with floating interest rates or rates subject to repricing as it can cause a change in the amount of interest payments.

The following table sets out the carrying amount, by maturity, of the Group's long term debt that are exposed to interest rate risk.

	Interest terms (p.a.)	Rate fixing period	Nominal amount	<1 year	1 to 5 years
2014	**65-8%**	**Monthly; Annually**	**₱5,637,651,453**	**₱1,436,566,143**	**₱4,201,085,310**
2013	7%	Monthly; Annually	1,010,971,875	−	1,010,971,875

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all variables held constant, of the Group's income before tax and equity (through the impact on floating rate borrowings).

	2014		2013	
	Increase(decrease) in interest rates	Effect on profit before tax	Increase(decrease) in interest rates	Effect on profit before tax
Basis points	0.33%	**₱18,604,250**	0.33%	₱3,336,207
	(0.33%)	**(18,604,250)**	(0.33%)	(3,336,207)

There is no other impact on the Group's total comprehensive income other than those already affecting the net income.

Financial Risk Management Policies and Objectives
The Group's freestanding derivative financial instruments are accounted for as transactions not designated as hedges. The table below sets out information about the Group's derivative financial instruments and the related fair values as of December 31, 2014:

	Notional Amount	Derivative Asset
Cross currency swap	**$36,254,836**	**₱15,067,192**
Currency forwards	**€9,035,000**	**14,857,829**

34. Segment Information

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. Accordingly, the segment information is reported based on the nature of service the Group is providing.

The segments where the Group operate follow:
- Real estate development - sale of high-end, upper middle-income and affordable residential lots and units and lease of residential developments under partnership agreements
- Leasing - lease of the Group's retail mall
- Property management - facilities management of the residential and corporate developments of the Group and other third party projects, including provision of technical and related consultancy services.

Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Details of the Group's operating segments as of December 31, 2014 and 2013 are as follows:

2014

	Real Estate Development	Property Management	Leasing	Adjustments and Elimination	Consolidated
Revenue	**₱10,822,921,089**	**₱285,728,465**	**₱206,988,490**	**₱–**	**₱11,315,638,044**
Costs and expenses					
Cost of real estate sales and services	**6,342,613,886**	**215,390,743**	**108,693,945**	**–**	**6,666,698,574**
General, administrative and selling expenses	**3,363,638,093**	**59,023,255**	**20,781,584**	**(722,695,868)**	**2,720,747,064**
Operating income	**1,116,669,110**	**11,314,467**	**77,512,961**	**722,695,868**	**1,928,192,406**
Other income (expenses)					
Interest and other income	**1,784,352,899**	**71,248**	**–**	**(339,283,944)**	**1,445,140,203**
Interest and other financing charges	**(396,845,320)**	**(761,676)**	**(28,397,033)**	**223,764,671**	**(202,239,358)**
Income before income tax	**2,504,176,689**	**10,624,039**	**49,115,928**	**607,176,595**	**3,171,093,251**
Provision for income tax	**1,009,017,681**	**3,187,817**	**–**	**–**	**1,012,205,498**
Net income	**₱1,495,159,008**	**₱7,436,222**	**₱49,115,928**	**₱607,176,595**	**₱2,158,887,753**
Net income attributable to:					
Owners of the Parent Company	**₱1,495,159,008**	**₱7,436,222**	**₱49,115,928**	**₱607,176,595**	**₱2,158,887,753**
Noncontrolling interests	**–**	**–**		**–**	**–**
	₱1,495,159,008	**₱7,436,222**	**₱49,115,928**	**₱607,176,595**	**₱2,158,887,753**
Other information					
Segment assets	**₱43,262,391,620**	**₱118,491,162**	**₱2,535,912,948**	**(₱14,412,411,485)**	**₱31,504,384,245**
Deferred tax assets	**131,895,218**	**13,928,050**	**–**	**–**	**145,823,268**
Total Assets	**₱43,394,286,838**	**₱132,419,212**	**₱2,535,912,948**	**(₱14,412,411,485)**	**₱31,650,207,513**
Segment liabilities	**₱23,904,000,187**	**₱109,197,602**	**₱1,187,778,790**	**(₱9,160,985,541)**	**₱16,039,991,038**
Deferred tax liabilities	**2,305,775,463**	**–**	**–**	**–**	**2,305,775,463**
Total Liabilities	**₱26,209,775,650**	**₱109,197,602**	**₱1,187,778,790**	**(₱9,160,985,541)**	**₱18,345,766,501**

2013

	Real Estate Development	Property Management	Leasing	Adjustments and Elimination	Consolidated
Revenue	₱9,304,192,652	₱254,410,468	₱–	₱–	₱9,558,603,120
Costs and expenses					
Cost of real estate sales and services	5,766,890,843	185,645,271	–	–	5,952,536,114
General, administrative and selling expenses	2,522,328,628	58,110,036	–	(538,574,846)	2,041,863,818
Operating income	1,014,973,181	10,655,161	–	538,574,846	1,564,203,188
Other income (expenses)					
Interest and other income	2,634,650,135	334,552	–	(1,384,480,727)	1,250,503,960
Interest and other financing charges	(96,775,081)	(677,885)	–	–	(97,452,966)
Income before income tax	3,552,848,235	10,311,828	–	(845,905,881)	2,717,254,182
Provision for income tax	867,194,586	5,343,842	–	–	872,538,428
Net income	₱2,685,653,649	₱4,967,986	–	(₱845,905,881)	₱1,844,715,754
Net income attributable to:					
Owners of the Parent Company	₱2,685,653,649	₱4,967,986	₱–	(₱845,905,881)	₱1,844,715,754
Noncontrolling interests	–	–	–	–	–
	₱2,685,653,649	₱4,967,986	₱–	(₱845,905,881)	₱1,844,715,754
Other information					
Segment assets	₱39,040,843,595	₱120,101,571	₱–	(₱13,119,620,754)	₱26,041,324,412
Deferred tax assets	113,308,937	11,387,739	–	–	124,696,676
Total Assets	₱39,154,152,532	₱131,489,310	₱–	(₱13,119,620,754)	₱26,166,021,088
Segment liabilities	₱21,059,371,503	₱115,816,128	₱–	(₱8,072,958,445)	₱13,102,229,186
Deferred tax liabilities	1,628,751,695	–	–	–	1,628,751,695
Total Liabilities	₱22,688,123,198	₱115,816,128	₱–	(₱8,072,958,445)	₱14,730,980,881

35. Contracts and Commitments

CLC
On October 22, 2014, CLC entered into an agreement with La Costa Development Corporation, Inc. (La Costa) to take out the loan of La Costa with Union Bank of the Philippines amounting to ₱224.10 million in its name and for its sole account.

For and in consideration of the loan take out, La Costa will transfer, cede, and convey 196,250 shares of One Pacstar Realty Corporation (One Pacstar) and 42,250 shares of Two Pactstar Realty Corporation (Two Pacstar). The Group currently owns 50% of the total voting shares with the remaining 50% owned by La Costa for both One Pacstar and Two Pacstar. The primary purpose of One Pacstar and Two Pacstar is to acquire, own, lease, and manage lands and all other kinds of real estate properties.

CCDC
In 2013, CCDC entered into a contract with Giorgio Armani S.P.A, a company incorporated under the Laws of the Italian Republic for the interior design of CCDC's Century Spire project. Century Spire is a landmark project of CCDC in partnership with Armani/Casa Interior Design Studio. It will sell "residential units characterized by elegant spaces and graceful interiors, not to mention amazing views of the Makati Skyline".

On September 2, 2013, CCDC partnered with Forbes Media to launch the Forbes Media Tower, a commercial office building "designed to serve the world's business leaders by providing an environment to conduct business with premium amenities." This Tower will offer approximately 60,000 sqm of premium office space which will be available for sale and for rent to business owners, entrepreneurs and companies. In addition to office space, the building will provide meeting and event space with plans for a fine dining restaurant, fitness center and exhibition facilities.

CPGI
On October 31, 2013, the Parent Company signed a Memorandum of Agreement with Eagle I Landholdings, a Philippine affiliate of Universal Entertainment Corporation to develop 5 hectares of land within the 44 hectare site called "Manila Bay Resorts". The 5 hectare site will include luxury residential and retail properties that will total over 300,000sqm of gross floor area upon completion.

In addition, the Parent Company has entered into an investment agreement with Eagle 1 whereby it will be issued with 432 million preferred shares, representing 36% of Eagle I's pro forma capital stock for $12.00 million.

On March 26, 2014, the Parent Company received a Notice of Termination of the Investment Agreement from Eagle I Landholdings, Inc., Eagle II Holdco, Inc. and Brontia Limited ("Notice of Termination"). The Parent Company is of the strong legal position that the Notice of Termination is not only premature, but also is unfounded as it lacks legal and contractual basis. The Parent Company sent a Notice of Dispute to Eagle I Landholdings, Inc., Eagle II Holdco, Inc. and Brontia Limited on March 21, 2014, which triggered a mandatory twenty-one day discussion period by the parties. While twenty-one day period was still effective, yet Eagle I Landholdings, Inc., Eagle II Holdco, Inc. and Brontia Limited sent such Notice of Termination.

On April 1, 2014, the Parent Company filed a Petition for Interim Measures of Protection (For Issuance of Writ of Preliminary Injunction, Writ of Preliminary Mandatory Injunction and Writ of Preliminary Attachment/Garnishment and ex parte 20-day Temporary Order of Protection) before the Regional Trial Court of Makati (Civil Case No. 14-359, the "Petition") against the Okada Group on March 31, 2014. On the same day, the RTC of Makati issued an order granting the application by the Parent Company for the issuance of an immediately executory 20-day temporary order of Protection.

From the July 2014 Order, Okada elevated the case to the Court of Appeals via a Petition for Review sometime on 13 August 2014. They questioned the Order of the lower court essentially on the ground that they have complied with the provisions of the related Agreements arguing that: (a) they have provided sufficient documents to complete the due diligence of the Parent Company; (b) the Parent Company failed in fulfilling the closing conditions, one of which is the payment of 25% subscription; (c) the Parent Company failed to establish the requisites for the issuance of interim reliefs prayed for, among others. On 29 September 2014, the Parent Company filed an opposition to the Petition for Review. And pursuant to the order of the Court of Appeals, the Parent Company filed its Memorandum on 8 December 2014.

In January 2015, the Parent Company received a copy of the Supplemental Petition filed by Okada in relation to the denial by the Court a quo of its motion for the lifting of the notices of lis pendens. In an Order dated 30 January 2015, the Court of Appeals issued a Resolution submitting the Petition for decision, even without the Parent Company's comment thereto. Hence, the Parent Company filed on 3 March 2015 an urgent motion for the filing of an opposition to the Supplemental Position. On 5 April 2015, the Parent Company received the reply of Okada to the Parent Company's urgent motion. Considering that all the necessary pleadings have been filed, the management expects that the case is now submitted for resolution by the Court of Appeals.

36. **Contingencies**

The Group is contingently liable for lawsuits or claims filed by third parties (substantially civil cases that are either pending decision by the courts or are under negotiation, the outcomes of which are not presently determinable). In the opinion of management and its legal counsels, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims or assessments. No provisions were made during the year in respect of the foregoing matters.

37. **Note to Consolidated Statements of Cash Flows**

Below are the noncash investing and financing transactions for the year ended December 31, 2014, 2013 and 2012:

a. Accretion of unamortized discount for noninterest-bearing contracts receivable amounting to ₱825.65 million, ₱654.76 million and ₱401.60 million for the year ended December 31, 2014, 2013 and 2012, respectively (see Note 5).

b. Capitalization of borrowing costs amounting to ₱464.78 million, ₱414.99 million and ₱159.55 million for the years ended December 31, 2014, 2013 and 2012, respectively (see Note 6).

c. Transfer of ₱41.76 million and ₱549.10 million worth of investment properties to real estate inventories in 2014 and 2013, respectively (see Notes 6 and 13).

d. Transfer of ₱69.86 million and ₱109.70 million worth of land held for future development to real estate inventories in 2013 and 2012, respectively (see Notes 6 and 7).

e. Transfer of ₱568.10 million worth of real estate inventories to investment property in 2013 (see Notes 6 and 13).

f. Transfer of ₱1,040.28 million worth of land held for future development to investment properties in 2013 (see Note 7).

g. Declaration of stock dividends amounting to ₱1,060.00 million in 2014.

38. **Events After Reporting Date**

In January 2015, the Parent Company received a copy of the Supplemental Petition filed by Okada in relation to the denial by the Court a quo of its motion for the lifting of the notices of lis pendens. In an Order dated 30 January 2015, the Court of Appeals issued a Resolution submitting the Petition for decision, even without the Parent Company's comment thereto. Hence, the Parent Company filed on 3 March 2015 an urgent motion for the filing of an opposition to the Supplemental Position. On 5 April 2015, the Parent Company received the reply of Okada to the Parent Company's urgent motion. Considering that all the necessary pleadings have been filed, the management expects that the case is now submitted for resolution by the Court of Appeals.