

**SOCResources, Inc. (Formerly South China Resources, Inc.)
and Subsidiary**

Consolidated Financial Statements
December 31, 2014 and 2013
and for Each of the Three Years in the
Period Ended December 31, 2014

and

Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
SOCResources, Inc. and Subsidiary

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of SOCResources, Inc. (formerly South China Resources, Inc.) and Subsidiary, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SOCResources, Inc. and Subsidiary 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.



Ladislao Z. Avila, Jr.

Partner

CPA Certificate No. 69099

SEC Accreditation No. 0111-AR-3 (Group A),

January 18, 2013, valid until January 17, 2016

Tax Identification No. 109-247-891

BIR Accreditation No. 08-001998-43-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 4751254, January 5, 2015, Makati City

April 10, 2015



**SOCRESOURCES, INC. (Formerly South China Resources, Inc.)
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱283,564,615	₱183,089,876
Receivables (Note 5)	160,568,561	78,524,234
Real estate for sale (Note 6)	1,365,439,533	1,042,159,389
Prepayments and other current assets (Note 7)	47,204,403	65,717,677
Due from related parties (Note 16)	150,400	21,786,900
Total Current Assets	1,856,927,512	1,391,278,076
Noncurrent Assets		
Available-for-sale (AFS) financial assets (Note 8)	36,313,568	362,560,662
Property and equipment (Note 9)	34,545,195	17,226,977
Other noncurrent assets (Note 10)	31,695,342	60,668,880
Total Noncurrent Assets	102,554,105	440,456,519
TOTAL ASSETS	₱1,959,481,617	₱1,831,734,595
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities (Note 11)	₱326,679,810	₱133,221,091
Income tax payable (Note 15)	—	112,546
Total Current Liabilities	326,679,810	133,333,637
Noncurrent Liabilities		
Retirement benefit obligation (Note 14)	3,428,292	2,961,336
Deferred tax liabilities (Note 15)	—	4,976,921
Total Noncurrent Liabilities	3,428,292	7,938,257
Total Liabilities	330,108,102	141,271,894
Equity		
Common stock - ₱1 par value (Note 17a)		
Authorized - 1,000,000,000 shares		
Issued - 600,489,569 shares in 2014 and 2013	600,489,569	600,489,569
Subscribed - 306,070,000 shares in 2014 and 2013 (net of subscription receivables of ₱229,552,500 as of December 31, 2014 and 2013)	76,517,500	76,517,500
Additional paid-in capital	72,272,140	72,272,140
Unrealized valuation gains on AFS financial assets - net of deferred tax liability (Note 8)	1,329,647	24,244,915
Retained earnings		
Appropriated (Note 17b)	500,000,000	500,000,000
Unappropriated	383,616,782	421,803,639
Treasury stock (Note 17c)	(4,961,650)	(4,961,650)
Actuarial gains on defined benefit plan (Note 14)	109,527	96,588
Equity	1,629,373,515	1,690,462,701
TOTAL LIABILITIES AND EQUITY	₱1,959,481,617	₱1,831,734,595

See accompanying Notes to Consolidated Financial Statements.



**SOCRESOURCES, INC. (Formerly South China Resources, Inc.)
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013	2012
REVENUES			
Sale of real estate	₱125,308,012	₱82,701,994	₱20,303,767
Gain on sale of AFS financial assets (Note 8)	24,525,927	18,944,678	183,593,532
Foreign exchange gains	3,398,108	22,428,404	–
Interest income (Notes 4, 8 and 16)	2,892,358	12,395,134	26,768,573
Dividend income (Note 8)	1,299,658	5,775,742	4,300,582
Gain on sale of HTM investments (Note 8)	–	–	1,274,911
Other income	6,399,384	4,258,612	879,933
	163,823,447	146,504,564	237,121,298
COSTS AND EXPENSES			
Cost of real estate sold (Note 6)	100,712,652	66,460,200	14,558,716
General and administrative expenses (Note 12)	52,367,413	49,157,777	82,899,760
Sales and marketing expenses (Note 13)	46,074,196	42,642,037	39,986,088
Foreign exchange losses	–	–	17,460,202
Interest expense	–	–	30,427
	199,154,261	158,260,014	154,935,193
GAIN ON SALE OF NONCURRENT ASSET HELD FOR SALE (Note 9)	–	–	32,153,046
INCOME (LOSS) BEFORE INCOME TAX	(35,330,814)	(11,755,450)	114,339,151
PROVISION FOR INCOME TAX (Note 15)	2,856,043	303,928	12,824,822
NET INCOME (LOSS)	(38,186,857)	(12,059,378)	101,514,329
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Net gains (losses) on AFS financial assets (Note 8)	(22,915,268)	5,745,198	8,110,098
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gains (losses) on defined benefit plan (Note 14)	12,939	191,920	(95,332)
	(22,902,329)	5,937,118	8,014,766
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱61,089,186)	(₱6,122,260)	₱109,529,095
Basic/Diluted Earnings (Loss) Per Share (Note 18)	(₱0.0422)	(₱0.0133)	₱0.1120

See accompanying Notes to Consolidated Financial Statements.



**SOCRESOURCES, INC. (Formerly South China Resources, Inc.)
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	(₱35,330,814)	(₱11,755,450)	₱114,339,151
Adjustments for:			
Depreciation and amortization (Note 9)	2,681,692	2,672,631	5,894,159
Unrealized foreign exchange losses (gains)	5,839,137	(22,428,404)	16,644,348
Gain on sale of AFS financial assets (Note 8)	(24,525,927)	(18,944,678)	(183,593,532)
Interest income (Notes 4, 8 and 16)	(2,892,358)	(12,395,134)	(26,768,573)
Dividend income (Note 8)	(1,299,658)	(5,775,742)	(4,300,582)
Pension expense	479,895	386,313	344,136
Provision for impairment loss on AFS financial assets	4,129,214	–	7,263
Write-off of:			
Deferred exploration costs (Note 1)	–	–	21,633,806
Project advances (Note 11)	–	–	4,128,213
Noncurrent asset held for sale (Note 9)	–	–	(32,153,046)
HTM investments (Note 8)	–	–	(1,274,911)
Operating loss before working capital changes	(50,918,819)	(68,240,464)	(85,099,568)
Decrease (increase) in:			
Real estate for sale	(339,616,361)	(382,103,373)	(212,440,128)
Receivables	(85,357,220)	(30,575,074)	(8,261,316)
Prepayments and other current assets	23,289,820	(52,436,911)	2,855,963
Other noncurrent assets	28,973,538	(25,785,502)	(34,883,378)
Increase in accounts payable and other liabilities	191,732,710	46,671,460	44,794,581
Net cash used in operations	(231,896,332)	(512,469,864)	(293,033,846)
Interest received	674,065	6,105,207	18,276,103
Income tax paid	(6,019,125)	(7,950,303)	(5,087,863)
Net cash flows used in operating activities	(237,241,392)	(514,314,960)	(279,845,606)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
AFS financial assets	326,181,603	58,705,982	495,559,937
Noncurrent asset held for sale	–	–	31,937,645
HTM investments	–	–	17,844,160
Payments received from related parties (Note 16)	22,686,107	54,012,589	7,240,199
Dividends received (Note 8)	1,589,677	5,745,455	4,300,582
Interest received (Note 8)	3,020,632	4,733,892	3,412,373
Acquisitions of:			
AFS financial assets (Note 8)	(6,247,447)	(95,532,169)	(223,498,601)
Property and equipment (Note 9)	(3,663,693)	(725,113)	(4,022,478)
HTM investments (Note 8)	–	–	(103,898,005)
Investment property (Note 1)	–	–	–

(Forward)



	Years Ended December 31		
	2014	2013	2011
Advances to related parties (Note 16)	(₱11,611)	(₱515,626)	(₱5,017,053)
Additions to:			
Deferred exploration costs (Note 1)	-	-	(70,000)
Project advances (Note 11)	-	-	(305,022)
Net cash flows from investing activities	343,555,268	26,425,010	223,483,737
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of treasury stock (Note 17c)	-	(3,920,900)	(462,750)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(5,839,137)	15,463,381	(13,899,972)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	100,474,739	(476,347,469)	(70,724,591)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	183,089,876	659,437,345	730,161,936
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱283,564,615	₱183,089,876	₱659,437,345

See accompanying Notes to Consolidated Financial Statements.



**SOCRESOURCES, INC. (Formerly South China Resources, Inc.)
AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 and 2012**

	Common Stock (Note 17a)			Unrealized Valuation Gains on AFS Financial Assets - net (Note 8)	Share in Unrealized Valuation Gains on AFS Financial Assets of an Associate (Note 8)	Actuarial gains (losses) on defined benefit plan	Retained Earnings (Note 17b)		Treasury Stock (Note 17c)	Total
	Issued	Subscribed - net	Additional Paid-in Capital				Appropriated	Unappropriated		
Balances at January 1, 2012	₱600,489,569	₱76,517,500	₱72,272,140	₱10,389,619	₱-	₱-	₱500,000,000	₱332,348,688	(₱578,000)	₱1,591,439,516
Treasury stock acquisition (Note 17)	-	-	-	-	-	-	-	-	(462,750)	(462,750)
Net income	-	-	-	-	-	-	-	101,514,329	-	101,514,329
Other comprehensive income	-	-	-	8,110,098	-	(95,332)	-	-	-	8,014,766
Total comprehensive income (loss)	-	-	-	8,110,098	-	(95,332)	-	101,514,329	-	109,529,095
Balances at December 31, 2012	600,489,569	76,517,500	72,272,140	18,499,717	-	(95,332)	500,000,000	433,863,017	(1,040,750)	1,700,505,861
Treasury stock acquisition	-	-	-	-	-	-	-	-	(3,920,900)	(3,920,900)
Net loss	-	-	-	-	-	-	-	(12,059,378)	-	(12,059,378)
Other comprehensive income	-	-	-	5,745,198	-	191,920	-	-	-	5,937,118
Total comprehensive income (loss)	-	-	-	5,745,198	-	191,920	-	(12,059,378)	-	(6,122,260)
Balances at December 31, 2013	600,489,569	76,517,500	72,272,140	24,244,915	-	96,588	500,000,000	421,803,639	(4,961,650)	1,690,462,701
Net loss	-	-	-	-	-	-	-	(38,186,857)	-	(38,186,857)
Other comprehensive income	-	-	-	(22,915,268)	-	12,939	-	-	-	(22,902,329)
Total comprehensive income (loss)	-	-	-	(22,915,268)	-	12,939	-	(38,186,857)	-	(61,089,186)
Balances at December 31, 2014	₱600,489,569	₱76,517,500	₱72,272,140	₱1,329,647	₱-	₱109,527	₱500,000,000	₱383,616,782	(₱4,961,650)	₱1,629,373,515

See accompanying Notes to Consolidated Financial Statements.



**SOCRESOURCES, INC. (Formerly South China Resources, Inc.)
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Business

Corporate Information

SOCResources, Inc., formerly South China Resources, Inc. (the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on September 25, 1992, primarily to undertake oil and gas exploration, development and production. The Parent Company's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

In October 2003, the SEC approved the amendment of the Parent Company's articles of incorporation, particularly the change in its primary purpose of business. The Parent Company is now registered primarily to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, in particular shares of stocks, voting trust certificates, bonds, debentures, notes, evidences of indebtedness of associations and corporations, domestic or foreign, without being a stockbroker or dealer, and to issue in exchange therefore shares of the capital stock, bonds, notes, or other obligations and/or assets of the Parent Company and while the owner thereof, to exercise all the rights, powers, and privileges of ownership, including the right to vote any shares of stock or voting trust certificates so owned, and to do every act and thing that may generally be performed by entities known as "holding companies". The former primary purpose of oil and gas exploration was reclassified as among the secondary purposes of the Parent Company.

On April 25, 2014, the Board of Directors (BOD) approved the amendment in the articles of incorporation to change the name of the Parent Company from South China Resources, Inc. to SOCResources, Inc. The change was approved by the Philippine SEC on September 4, 2014.

SOC Land Development Corporation (the Subsidiary) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 25, 2010.

The registered office address of the Parent Company and the Subsidiary is 4th floor ENZO Bldg., 399 Senator Gil Puyat Avenue, Makati City.

Status of Operations

Real Estate Development

In 2011, SOC Land undertook its maiden project called Anuva Residences (the Project). The Project involves the development of a 2.4-hectare community situated near Sucat Interchange and will have four (4) tandem buildings with the first building targeted to be completed by 2013. The total estimated cost of the Project is ₱2.0 billion and is targeted for completion within five (5) years from the start of its construction.

On July 12, 2011, the groundbreaking ceremony for the Project was held and construction for the Project's Tandem Building 1 (Anala) commenced thereafter. As of December 31, 2014 and 2013, structural works has an accomplishment rate of 100.00% and 86.71%, respectively.



On September 2, 2011, SOC Land's Phase 1 project was duly registered with the BOI as a New Developer of Low- Cost Mass Housing on a Non-pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226). With the registration, SOC Land is entitled to an Income Tax Holiday (ITH) for three (3) years from October 2011 or actual start of commercial operations or selling, whichever is earlier, but in no case earlier than the date of registration. Under the specific terms and conditions of the registration, SOC Land shall submit proof of compliance that it has developed socialized housing project and accomplished corporate social responsibility activities that were duly identified by BOI in conjunction with the entitlement of ITH.

On December 14, 2011, the Housing and Land Use Regulatory Board (HLURB) released SOC Land's License to Sell (LTS) for the Project.

On August 14, 2013, SOC Land has opted to surrender the original copy of the Certificate of Registration no. 2011-193 issued to SOC Land as New Developer of Low-Cost Mass Housing Project which will cancel SOC Land's entitlement to an Income Tax Holiday (ITH) for three (3) years.

SOC Land had ventured into the horizontal development arena. SOC Land acquired a property in Binan, Laguna and will be the first house and lot/lots only project of SOC Land that will be known as Althea Residences. The Althea Residences was formally launched in November 2014 and initially offer 214 choice lots, commercial and residential combined.

With 214 choice lots - 63 commercial and 151 residential lots, A total of 64 house and lot packages are also available as part of the allocated residential lots of Althea Residences which are as follows:

Aralia	- 10 Bungalow Units
Ayanna	- 27 Single Attached Units
Aurea	- 27 Single Detached Units

The second tandem building of Anuva (Azalea) and is expecting to sell 476 units combined of studio, 1BR and 2BR.

Approval of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 were approved and authorized for issue by the Board of Directors (BOD) on April 10, 2015.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis except for AFS financial assets that have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company and Subsidiary's functional currency. All values are rounded off to the nearest peso, except when otherwise indicated.

Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations from the International



Financial Reporting Interpretation Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its wholly owned subsidiary, SOC Land. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control and continue to be consolidated until the date when such control ceases. The financial statements of the Subsidiary are prepared for the same reporting year as the Parent Company using consistent accounting policies.

Subsidiaries are entities over which the Parent Company has control or generally has an interest of more than one half of the voting rights of the entities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity. Control is achieved where the Parent Company has all of the following:

- a. power over the investee;
- b. exposure, or rights, to variable returns from its involvement with the investee; and
- c. the ability to use its power over the investee to affect the amount of investor's returns.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions that are recognized are eliminated in full.

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
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes 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.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended Philippine Financial Reporting Standards (PFRS) and new Philippine Interpretation which the Company has adopted starting January 1, 2014. The nature and the impact of each standard and amendment are described below:

- Investment Entities (PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*), provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The application of these exceptions requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant since the Group does not qualify as an investment entity.



- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments), clarifies the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. 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), removes 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 assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The amendments affect disclosures only and have no impact on the Group’s financial position or performance.
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments), provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. It is not expected that this amendment would be relevant since the Group has no derivatives during the period.
- Philippine Interpretation from IFRIC 21, *Levies*, 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. The amendment has no impact on the Group’s financial position or performance as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of the Philippine Interpretation from IFRIC 21 in prior years.

Improvements to PFRSs

The Annual Improvements to PFRSs contain non-urgent but necessary amendments to PFRSs.

2010-2012 Cycle

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables* is effective immediately and 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. The amendment has no significant impact on the Group’s financial position or performance.

2011-2013 Cycle

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of “Effective PFRSs”* is effective immediately and 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 is not applicable to the Group as it is not a first-time adopter of PFRS.

Future Changes in Accounting Policies

The following are the new and revised accounting standards and interpretations that will become effective subsequent to December 31, 2014. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PAS, PFRS and Philippine Interpretations to have any significant impact on the consolidated financial statements.



Effective January 1, 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments), requires an entity to consider contributions from employees or third parties when accounting for 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. These amendments are not expected to be relevant to the Group since it has no defined benefit plan with contributions from employees or third parties.

Improvements to PFRSs (2010-2012 Cycle)

The following annual improvements to PFRSs are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact to the Group:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*, 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; and
 - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The amendment has no impact on the Group's financial position or performance.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, 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 amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. 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*, clarifies 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. The amendments are to be applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance



- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method Proportionate Restatement of Accumulated Depreciation and Amortization*, clarifies 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 is to be applied retrospectively. The amendment has no impact on the Group's financial position or performance.
- PAS 24, *Related Party Disclosures - Key Management Personnel*, 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 are to be applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

Improvements to PFRSs (2011-2013 Cycle)

The following annual improvements to PFRSs are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact to the Group:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Ventures*, clarifies that joint arrangements, not just joint ventures, are outside the scope of PFRS 3. It further clarifies that this scope exception applies only to the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has no impact on the Group's financial position or performance.
- PFRS 13, *Fair Value Measurement - Portfolio Exception*, 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). The amendment is applied prospectively.
- PAS 40, *Investment Property*, 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). The amendment is applied prospectively. The amendment has no impact on the Group's financial position or performance.

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements* and PAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, 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), requires 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. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendment has no impact on the Group's financial position or performance.

- PFRS 14, *Regulatory Deferral Accounts*, 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. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. The amendment has no impact on the Group's financial position or performance.
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (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. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendments have no impact on the Group's financial position or performance.
- PAS 16 and PAS 41, *Agriculture - Bearer Plants* (Amendments), change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments have no impact on the Group's financial position or performance.



- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements (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. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments have no impact on the Group's financial position or performance.

Improvements to PFRSs (2012-2014 Cycle)

The Annual Improvements to PFRSs are effective for annual periods beginning on or after January 1, 2016 contain non-urgent but necessary amendments to the following standards:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*, 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. The amendment is to be applied prospectively. The amendment has no impact on the Group's financial position or performance.
- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts* 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. The amendment has no impact on the Group's financial position or performance.
- PFRS 7, *Financial Instruments: Disclosures - Applicability of the Amendments to PFRS 7, Disclosure - Offsetting Financial Assets and Financial Liabilities to Condensed Interim Financial Statements*, 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. The amendments are to be applied retrospectively.
- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*, 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. The amendments are to be applied prospectively.
- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*, 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). The amendments are to be applied



retrospectively. The amendment has no impact on the Group's financial position or performance.

Effective January 1, 2018

- PFRS 9, *Financial Instruments*, 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 will have an effect on the classification and measurement of the Group's financial assets but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting. The Group is currently assessing the impact of PFRS 9 and plans to adopt the new standard on the required effective date once adopted locally.

- PFRS 9, *Financial Instruments (2014 or final 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.

Standards issued but not yet effective

- PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version), reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the



principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine FRSC. Such adoption, however, is still for approval by the BOA.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the Group's financial statements.

New standard issued by the IASB has not yet been adopted by the FRSC

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers* 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 recognized 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.

Summary of Accounting Policies

Cash and Cash Equivalents

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



Financial Instruments

Date of Recognition

Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

All regular way purchases and sales of financial assets are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs.

“Day 1” Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in 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 the recognition as some other type of asset. 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 amount of “Day 1” difference.

Classification of Financial Instruments

Financial instruments are classified as liabilities 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.

Financial assets are further classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. Financial liabilities are classified as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

The Group has no financial assets or liabilities at FVPL and HTM as of December 31, 2014 and 2013.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are integral part of the EIR and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized



or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

The Group's loans and receivables consist of Cash and cash equivalents, Receivables, Due from related parties and Refundable deposits.

AFS Financial Assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at FVPL. Debt securities under this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in "Unrealized valuation gains (losses) on AFS financial assets" until the investment is derecognized, at which time the cumulative gain or loss is transferred to other income (expenses), or determined to be impaired, at which time the cumulative loss is recognized in profit or loss as other expenses. Interest earned while holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates its AFS financial assets whether the ability and intention to sell them in the near term is appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intent to hold the financial asset accordingly until maturity.

For a financial asset reclassified out of the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in other comprehensive income is amortized to profit or loss over the remaining life of the investment using EIR method. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR method. If the asset is subsequently determined to be impaired, then the amount recorded in other comprehensive income is reclassified to profit or loss.

The Group's AFS financial assets consist of debt and equity shares, bonds and golf club shares (see Note 8).

HTM Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance income in the consolidated statement of comprehensive income. The losses arising from impairment are recognized in profit or loss as finance costs.



Where the Parent Company sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets and the Parent Company will be precluded from using the HTM investments category for the current period and for the next two succeeding periods from the tainting date.

In 2012, the Parent Company initially recognized investment in bonds as HTM investments; however, following the sale of more than an insignificant amount of these investments prior to their maturity, the Group reclassified the remaining portfolio of HTM investments as AFS financial assets (see Note 8).

Other Financial Liabilities

Other financial liabilities pertain to issued financial instruments or their components that are not classified or designated at FVPL and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

This category includes loans and borrowings which are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains or losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

The Group's other financial liabilities consist of Accounts payable and other liabilities.

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 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 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 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.

The Group's valuation committee determines the policies and procedures for both recurring fair value measurement, such as unquoted AFS financial assets, and for non-recurring measurement. The valuation committee comprises of the head of the risk management department and chief finance officers.

External valuers are involved for valuation of significant assets, such as properties and AFS financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the valuation committee after discussion with and approval by the Group's BOD. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The valuation committee decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the valuation committee analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the valuation committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The valuation committee, in conjunction with the Group's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the valuation committee and the Group's external valuers present the valuation results to the BOD. This includes a discussion of the major assumptions used in the valuations.

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.

The Group has financial assets under Levels 1 and 3 of the fair value hierarchy as of December 31, 2014 and 2013 (see Note 19).



Impairment of Financial Assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in profit or loss. 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 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 contracted parties or a group of contracted parties 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.

Financial Assets Carried at Amortized Cost

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, 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.

AFS Financial Assets Carried at Fair Value

In the case of equity investments, evidence of impairment would include a significant or prolonged decline in fair value of investments below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original 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, is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.



In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at fair value. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- 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
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset 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 the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

When 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 the consolidated statement of comprehensive income.

Offsetting Financial Instruments

Financial assets and liabilities are offset with the net amount reported in the parent company statement 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.



Real Estate for Sale

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
- Amounts paid to contractors for construction
- 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 the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale.

Prepayments and Other Current Assets

Prepayments

Prepayments are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than 12 months.

Advances to Suppliers and Contractors

Advances to suppliers and contractors represent advance payments on services to be incurred in connection with the Subsidiary's operations. Advances to contractors are recognized under "Prepayments and other current assets" account in the consolidated statement of financial position. These are charged to expense in profit or loss, or capitalized to real estate for sale in the consolidated statement of financial position, as appropriate, when the services are rendered, which is normally within 12 months.

Input Value-Added Tax (VAT)

Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations. Input VAT will be used to offset against the Group's current output VAT liabilities. Any excess which will be claimed as tax credits within twelve (12) months or within the normal operating cycle is presented as part of "Prepayments and other current assets" in the consolidated statement of financial position. Otherwise, these are classified as other noncurrent assets. Input VAT is stated at its estimated NRV.

Noncurrent Asset Held for Sale

Noncurrent asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

An asset should be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset must be available for immediate sale in its present condition subject only to the terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell, and an active program to locate a buyer and complete the plan must have been initiated. Further, the assets must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as completed sale within one year from the date of classification.



Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such equipment when the recognition criteria are met. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets, except for leasehold improvements which are amortized on a straight-line basis over the term of the lease or the estimated lives of the improvements, whichever is shorter, as follows:

<u>Asset Type</u>	<u>Number of years</u>
Building	20
Office furniture and equipment	1-3
Transportation equipment	5
Leasehold improvements	2

The estimated useful lives and depreciation and amortization methods are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized. Fully depreciated items are retained as property and equipment until these are no longer in use.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses from continuing operations are recognized in profit or loss.

For nonfinancial assets excluding goodwill, 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 Group makes an estimate of recoverable



amount. 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 depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. This accounting policy applies primarily to the Group's property and equipment.

Retirement Benefit Obligation

The Company has an unfunded, non-contributory, defined benefit retirement obligation.

The Company recognizes the net defined benefit liability or asset which is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of comprehensive loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as an expense or income in the statement of comprehensive loss.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive loss in the period in which they occur. Re-measurements are not reclassified to the statement in comprehensive loss in subsequent periods.

Common Stock

The Parent Company has issued common stocks that are classified as equity. Common stock is measured at par value for all shares issued.

When the shares are sold at premium, the difference between the proceeds at the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings.



Subscription receivables pertain to the uncollected portion of the subscribed shares.

Retained Earnings

The amount included in retained earnings includes profit attributable to the Group's stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Group's stockholders. Interim dividends are deducted from equity when they are paid. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Treasury Stock

Own equity instruments which are reacquired (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference in the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury stock are nullified for the Group and no dividends are allocated to them respectively. When the stocks are retired, the common 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.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Sale of Real Estates

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. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of actual costs incurred to date over the estimated total costs to complete the project. Any excess of collections over the recognized revenue are included under the "Accounts payable and other current liabilities" account in the statement of financial position.

If any of the criteria under the 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 as "Customers' deposits" included under the "Accounts payable and other current liabilities" account in the statement of financial position.

Interest Income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Dividend Income

Dividend income is recognized when the Group's right to receive the payment is established, usually upon declaration of the dividends.

Gain on Sale of AFS Financial Assets and HTM investments

Realized gain or loss on sale of AFS financial assets and HTM investments is recognized in profit or loss when the Group disposes its AFS financial assets and HTM investments.



Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Cost of real estate sold

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of 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 Subsidiary's in-house technical staff.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

Sales and Marketing Expenses

Expenses incurred in the direct selling and marketing activities are generally recognized when the service is incurred or the expense arises.

General and Administrative Expenses

Expenses incurred in the general administration of day-to-day operation of the Group are generally recognized when the service is used or the expense arises.

Commission Expense

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. Accordingly, when the percentage-of-completion method is used, commissions are likewise charged to expense in the period the related revenue is recognized. Commission expense is included in the "Sales and marketing" account in the consolidated statement of comprehensive income. Commission expense incurred but not yet paid as of reporting date is presented as part of "Accounts payable and other liabilities" in the consolidated statement of financial position.

Income Taxes

Current Tax

Current tax liabilities for the current and prior periods are measured at the amount expected to be paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred Tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences 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. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) and carryforward benefits of unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized.



The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets 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 assets to be recovered.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Foreign Currency-denominated Transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the rate of exchange at the reporting date. Foreign currency gains or losses are recognized in profit or loss.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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 that 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 a 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) above, and at the date of renewal or extension period for scenario (b).

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the Group's profit or loss on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized.

Basic Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing net income (loss) attributable to the equity holders of the Parent Company by the weighted average number of common shares outstanding during the year.



Diluted Earnings (Loss) Per Share

Diluted earnings (loss) per share is calculated by dividing the net income (loss) attributable to common equity holders of the Parent Company (after adjusting for interest on convertible preferred shares) by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all dilutive potential common shares into common shares, excluding treasury shares.

Segment Reporting

For management purposes, the Group is organized into business units based on its products and services and has three reportable segments. Financial information on business segments is presented in Note 20.

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. 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 assessment 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 an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Borrowing costs also include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. All other borrowing costs are expensed in the period they occur.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They 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 are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

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



3. Significant Accounting Judgments, Estimates and Assumptions

The consolidated financial statements prepared in accordance with PFRS requires management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes. The judgments, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgment

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Parent Company and its subsidiary, the functional currency of the Parent Company and its subsidiary has been determined to be the Philippine peso. It is the currency that mainly influences its revenues and costs of operation.

Classification of Financial Instruments

The Group exercises judgment in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

In addition, the Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Determination of Control

The Parent Company determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The Parent Company controls an entity if and only if the Parent Company has all the following:

- a. power over the entity
- b. exposure, or rights, to variable returns from its involvement with the entity; and
- c. the ability to use its power over the entity to affect the amount of the Parent's Company's returns.

Operating Leases - The Group as Lessee

The Group has entered into a lease for its administrative office location. The Group has determined that all the significant risks and benefits of ownership of these properties remain with the lessors. Accordingly, these leases are accounted for as operating leases.

Estimates and Assumptions

Valuation of Financial Instruments

PFRS requires certain financial assets and liabilities to be carried at fair value, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies. Any changes in fair value of these financial assets would affect profit and loss and equity. The fair value of the Group's financial assets and liabilities are disclosed in Note 19.



Impairment Losses on Loans and Receivables

The Group reviews the balance of receivables and due from related parties at each reporting date to assess whether impairment losses should be recorded 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 and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant receivables and due from related parties, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the Group's assessment of the accounts since their inception.

These assessments take into consideration factors such as any deterioration in country risk, industry and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

There is no allowance for impairment losses on receivables and due to related parties as of December 31, 2014 and 2013. Receivables amounted to ₱160.6 million and ₱78.5 million as of December 31, 2014 and 2013, respectively (see Note 5). Due from related parties amounted to ₱0.2 million and ₱21.8 million as of December 31, 2014 and 2013, respectively (see Note 16).

Revenue Recognition on Real Estate Sales

Selecting an appropriate revenue recognition method for a particular real estate sales transaction requires certain judgments based on the buyer's and seller's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development. The buyer's commitment is evaluated based on collections, credit standing of the buyer and execution of contract to sell. The completion of development is determined based on actual costs incurred over the total estimated development costs reconciled with the engineer's judgment and estimates on the physical portion of contract work done if the development is beyond the preliminary stage. In determining whether the sales prices are collectible, the Group considers that the initial and continuing investments by the buyer of about 20% would demonstrate the buyer's commitment to pay.

Impairment of AFS financial assets

The Group treats AFS financial assets as impaired when there has been significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or when is 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more of the cost of AFS and 'prolonged' if greater than six (6) months. In addition, the Group evaluates other factors, including normal and/or unusual volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. The Group also considers the ability of the investee to provide dividends.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at fair value. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss.

The Company recognized provision for impairment loss on AFS financial assets amounting to ₱4.1 million due to the significant decline in value. The carrying amounts of AFS financial assets amounted to ₱36.3 million and ₱362.6 million as of December 31, 2014 and 2013, respectively



(see Note 8). The change in the fair value of the AFS financial assets is recorded as “Unrealized valuation gains on AFS financial assets” account in the equity section of the consolidated statement of financial position. As of December 31, 2014 and 2013, the unrealized valuation gains on AFS financial assets amounted to ₱1.3 million and ₱24.2 million, respectively (see Note 8).

Evaluation of NRV of Real Estate for Sale

The Group adjusts the cost of its real estate for sale to NRV based on its assessment of the recoverability of the inventories. NRV in respect of real estate for sale under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. Real estate for sale at cost amounted to ₱1,365.4 million and ₱1,042.2 million as of December 31, 2014 and 2013, respectively. In 2014 and 2013, the Group assessed that the NRV of real estate for sale is higher than cost, hence, the Group did not recognize any losses on write down of real estate for sale (see Note 6).

Useful Lives of Property and Equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

In 2012, the Group reviewed the useful life of its building and assessed to change its useful life from 5 years to 20 years as this more accurately reflects the expected period over which the assets will be used.

The change in useful lives was applied prospectively. As a result of the change, depreciation expense decreased by ₱2.4 million; noncurrent assets increased by ₱2.4 million.

The net book values of property and equipment amounted to ₱34.5 million and ₱17.2 million as of December 31, 2014 and 2013, respectively (see Note 9).

Impairment of Nonfinancial Assets

The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount. The estimated recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific assets, the



recoverable amount represents the fair value less costs to sell.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

No provision for impairment losses was recognized in 2014, 2013 and 2012. The carrying values of nonfinancial assets amount to ₱1,478.6 million and ₱1,185.8 million as of December 31, 2014 and 2013, respectively.

Recognition of Deferred Tax Assets

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and excess MCIT to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management 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 profits together with future tax planning strategies. Conversely, the Group recognizes deferred tax liabilities from taxable temporary differences.

The Group has deductible temporary differences, carryforward of unused tax credits from excess MCIT and unused NOLCO for which no deferred tax assets were recognized as it is not probable that sufficient taxable profit will be available against which the benefit of these deductible temporary differences, carryforward of unused tax credits from excess MCIT and unused NOLCO can be utilized. As of December 31, 2014 and 2013, deductible temporary differences, carryforward of unused tax credits from excess MCIT and unused NOLCO for which no deferred tax assets were recognized amounted to ₱131.6 million and ₱106.8 million, respectively (see Note 15).

Estimating Provision for Legal Obligations

The Group has outstanding legal obligations. The Group's estimate of probable costs for the assessments and resolution of these proceedings have been developed in consultation with outside legal counsel handling the prosecution and defense and is based upon an analysis of potential results. The Group and its legal counsel believe that some of these obligations may have material adverse effect on its financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these obligations.

The Group's provision for legal obligation pertaining to labor cases amounted to ₱0.5 million as of December 31, 2012 (see Note 22).

4. Cash and Cash Equivalents

	2014	2013
Cash on hand and with banks	₱268,564,615	₱160,663,895
Cash equivalents	15,000,000	22,425,981
	₱283,564,615	₱183,089,876

Cash with banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates. Interest income earned amounted to ₱0.6 million, ₱5.3 million and ₱18.2 million in 2014, 2013 and 2012, respectively (see Note 5).



5. **Receivables**

	2014	2013
Installment contract receivable	₱137,662,522	₱60,584,552
Receivable from officers and employees	4,907,955	6,728,015
Accrued interest (see Notes 4 and 8)	–	1,930,290
Others	17,988,084	9,281,377
	₱160,568,561	₱78,524,234

SOC Land's Installment Contract Receivable (ICR)

Upon turnover of the inventory in 2014, the full balance of ICR becomes due and demandable. Customers may avail of in-house financing to settle the ICR which will be collectible in monthly installments over a period ranging from one to ten years. Titles to real estate properties are not transferred to the buyers until full payment has been made.

Receivable from Officers and Employees

Receivables from officers and employees pertain to noninterest-bearing advances which will be settled through salary deduction or through liquidation within the next financial year.

Others

Other receivables in 2014, consists mostly of receivables from unit owners.

No impairment loss on receivables was recognized in 2014 and 2013.

6. **Real Estate for Sale**

	2014	2013
Land	₱337,704,389	₱304,381,388
Construction/development costs incurred	768,957,220	618,036,421
Real estate for development	258,777,924	119,741,580
	₱1,365,439,533	₱1,042,159,389

A summary of the movement in inventory is set out below:

	2014	2013
Balances at beginning of year	₱1,042,159,389	₱660,056,016
Construction/development costs incurred (see Note 22)	440,329,013	448,563,573
Land reclassified to property and equipment	(16,336,217)	–
Sale of inventory (recognized as cost of real estate sold)	(100,712,652)	(66,460,200)
	₱1,365,439,533	₱1,042,159,389

Real estate for development pertains to land purchased for the development of the Althea Residences. This account was reclassified to Construction in Progress in 2014.



7. Prepayments and Other Current Assets

	2014	2013
Input VAT - current portion (see Note 10)	₱39,957,333	₱48,282,399
Prepaid taxes	3,432,835	400,070
Refundable deposits (see Note 22)	2,946,657	1,336,030
Others	867,578	15,699,178
	₱47,204,403	₱65,717,677

Input VAT - Current Portion

Input VAT is stated at its estimated net realizable value. Input VAT can be applied against output VAT and the Group believes that the amount can be applied next year.

Refundable Deposits

Refundable deposits are composed of security deposits related to the Group's lease agreement and utilities deposits.

8. AFS Financial Assets

	2014	2013
Shares of stock	₱21,013,568	₱244,664,347
Golf club shares	15,300,000	17,650,000
Quoted bonds	-	100,246,315
	₱36,313,568	₱362,560,662

Shares of Stock

Listed shares consist of equity securities that are traded in the PSE, New York Stock Exchange (NYSE), Shanghai Stock Exchange (SSE), Taiwan Stock Exchange (TWSE), Bursa Malaysia (MYX), Stock Exchange of Thailand (SET), London Stock Exchange (LSE) the Stock Exchange of Hong Kong Limited (HKEx) and the Singapore Exchange (SGX). Listed shares have no fixed maturity dates or coupon rates and are measured at fair value. The fair values of listed shares are determined at 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 as of reporting date. The unrealized fair value changes of the investments are presented as "Unrealized valuation gains on AFS financial assets" in the equity section of the consolidated statement of financial position.

Dividend income earned from equity securities classified as "AFS financial assets" amounted to ₱1.3 million, ₱5.8 million and ₱4.3 million in 2014, 2013 and 2012, respectively.

Sale of Equity Shares

In 2014 and 2013, the Parent Company sold its AFS investments in listed equity shares. Gain on sale of AFS financial assets recognized in profit or loss amount to ₱21.4 million and ₱18.9 million, respectively.

Quoted Bonds

Investments in bonds are denominated in various currencies and are stated at fair value based on quoted prices. Changes in market values are included in the parent company statements of comprehensive income. Fixed interest rate of these bonds range from 4.625% to 6.625% per annum.



The value dates of the investments are on February 27, 2012 and November 2, 2012 and with maturity dates ranging from March 31, 2016 to January 5, 2018. Interests on investments are received and settled semi-annually in United States dollar.

Sale of HTM investments

On November 2, 2012, the Parent Company sold a significant amount of its HTM investments before maturity with amortized cost of ₱16.6 million. The gain on sale of HTM investments amounted to ₱1.3 million.

Reclassification of HTM investments to AFS Financial Assets

Under the provisions of PAS 39, no investment should be classified as HTM during the current financial year and in the next two financial years if the reporting entity has sold or reclassified more than an insignificant (in relation to the total) amount of such investments before maturity.

Following the stated provisions, the Parent Company reclassified its remaining portfolio of HTM investments to AFS financial assets. The remaining bonds had an amortized cost of ₱66.5 million and fair value was determined to be ₱70.6 million as of reclassification date. Net unrealized gain on changes in fair value of AFS financial assets recognized in other comprehensive income at the time of reclassification amounted to ₱4.1 million.

Sale of Quoted Bonds

In 2014, the Parent Company sold its quoted bonds. Gain on sale of AFS financial assets recognized in profit or loss amount to ₱3.1 million.

Interest income earned from bonds classified as “AFS financial assets” in 2014 and 2013 amounted to ₱1.2 million and ₱4.7 million, respectively.

Movements in the unrealized valuation gains on AFS financial assets are as follows:

	2014	2013
Balances at beginning of year	₱24,244,915	₱18,499,717
Fair value adjustments	(14,213,713)	23,926,239
Disposals	(8,701,555)	(13,204,120)
	1,329,647	29,221,836
Less deferred tax liabilities	-	4,976,921
Balances at end of year	₱1,329,647	₱24,244,915

AGP International Holdings Ltd. (AGP International)

In 2010, the Parent Company subscribed to and subsequently fully paid for 26,086,957 preferred shares of AGP International at a purchase price of ₱264.0 million. AGP International invested in 40% of the outstanding capital stock of AGP Philippines Holdings, Inc. (AGP Philippines), which was incorporated on December 13, 2010. In 2010, AGP Philippines finalized the acquisition of all of the shares of DMCI Holdings, Inc. (DMCI-HI) in Atlantic Gulf & Pacific Group of Manila, Inc. (AG&P). The shares comprise of 973,089,025 shares directly owned and 17 shares beneficially owned by DMCI-HI, representing 98.19% of the outstanding capital of AG&P. AG&P provides modular engineering and construction and general engineering design services, including fabrication, assembly and manpower services, particularly in the oil, gas, petrochemical, power generation and mining industries. Accordingly, the Parent Company’s risk factor types include those factors that impact, either positively or negatively, the markets for engineering and construction services.



As of December 31, 2011, the Parent Company accounts for its investment in AGP International as AFS financial assets carried at cost since its ownership interest does not provide it significant influence to participate in the financial and operating policy decisions of AGP International.

On January 31, 2012, the Parent Company, together with the other legal owners of AGP International's preferred shares, entered into a Share Purchase Agreement with AGP International to sell its shares to the latter for \$0.4 cents per share. On the same date, AGP International and AG&P executed a waiver and release form in favor of each seller, relieving them from any claims related to the shares. The Parent Company recognized gain on the sale of its shares in AGP International amounting to ₱183.6 million in 2012.

9. Property and Equipment

December 31, 2014

	Land	Building	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost:						
Balances at beginning of year	₱-	₱16,365,656	₱7,770,157	₱13,762,035	₱720,482	₱38,618,330
Additions	-	2,368,403	1,295,290	-	-	3,663,693
Reclassification (see Note 6)	16,336,217	-	-	-	-	16,336,217
Balances at end of year	16,336,217	18,734,059	9,065,447	13,762,035	720,482	58,618,240
Accumulated depreciation and amortization:						
Balances at beginning of year	-	1,619,408	5,672,316	13,379,147	720,482	21,391,353
Depreciation and amortization (see Notes 13 and 14)	-	978,331	1,555,145	148,216	-	2,681,692
Balances at end of year	-	2,597,739	7,227,461	13,527,363	720,482	24,073,045
Net book values	₱16,336,217	₱16,136,320	₱1,837,986	₱234,672	₱-	₱34,545,195

December 31, 2013

	Land	Building	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost:						
Balances at beginning of year	₱-	₱16,365,656	₱7,045,044	₱13,762,035	₱720,482	₱37,893,217
Additions	-	-	725,113	-	-	725,113
Balances at end of year	-	16,365,656	7,770,157	13,762,035	720,482	38,618,330
Accumulated depreciation and amortization:						
Balances at beginning of year	-	801,125	3,975,110	13,230,934	711,553	18,718,722
Depreciation and amortization (see Notes 13 and 14)	-	818,283	1,697,206	148,213	8,929	2,672,631
Balances at end of year	-	1,619,408	5,672,316	13,379,147	720,482	21,391,353
Net book values	₱-	₱14,746,248	₱2,097,841	₱382,888	₱-	₱17,226,977

In 2014, the Company reclassified portion of land that are not intended for sale presented under real estate for sale to property and equipment amounting to ₱16.3 million (see Note 6).

Fully depreciated property and equipment

As of December 31, 2014 and 2013, the cost of fully depreciated property and equipment amounted to ₱13.5 million. These are retained in the records and still used by the Parent Company until these are disposed or the Parent Company vacate the leased premises.



10. Other Noncurrent Assets

Other noncurrent assets as at December 31, 2014 and 2013 consist of input VAT that is expected to be offset against output VAT in more than one year and deferred input VAT amounting to ₱31.7 million and ₱60.7 million, respectively.

As of December 31, 2011, other noncurrent assets amounting to ₱3.8 million pertain to advances for the processing of bid documents, costs for pre-bidding conferences and consultancy fees related to the Group's participation in the bid submission for the Philippine Mining Development Corporation's Diwalwal Mineral Reservation Project and advances for its prospective agriculture-related projects. In 2012, management assessed that the advances were no longer recoverable. As a result, the balances of the advances as of December 31, 2011 and the additional advances incurred during the year amounting to ₱0.4 million were written-off in 2012 (see Note 12).

11. Accounts Payable and Other Liabilities

	2014	2013
Contractors' payable	₱183,876,578	₱-
Customers' deposits	84,686,370	50,862,091
Retention payable (see Note 22)	32,029,892	29,159,504
Accounts payable	15,418,494	37,898,821
Accrued expenses		
Personnel	3,188,300	4,500,000
Professional fees	300,000	492,800
Travel	145,380	184,899
Taxes	36,000	4,713,616
Others	5,179,780	2,705,631
Government payables	1,819,016	1,575,229
Advanced processing fees	-	608,301
Provision for legal obligation (see Note 22)	-	520,199
	₱326,679,810	₱133,221,091

SOC Land's Customers' Deposits

Customers' deposits include collections received from buyers which:

- i. have not met the revenue recognition criteria and/or
- ii. have met the revenue recognition criteria but the collections received are greater than the recognized installment contracts receivable based on the percentage of completion method.

Forfeited buyer deposits pertain to reservation fees which have been forfeited due to customers' inability to comply with the terms and conditions indicated in the reservation agreement or who have decided to withdraw their reservation.

Accrued Contractors' Payables

Accrued contractors' payables represent accruals for billings of various contractors in relation to the Anuva and Althea Project. These accruals are reclassified to accounts payable once billings are actually received.



Retention Payable

Retention payable represents the amount retained by the Subsidiary as security for any defects and damages on the construction of Anala arising from or due to faulty workmanship and/or defective contractor-supplied materials before the final acceptance of the Anala and the payment of the last billing. Retention payable is expected to be settled within the next financial year.

Accounts Payable

Accounts payable includes billings of various suppliers and contractors for liabilities incurred in relation to the Project and office administrative functions. Accounts payable are noninterest-bearing with payment terms which are dependent on the suppliers' or contractors' credit terms, which is generally 30 to 60 days.

Government Payables

Government payables consist of mandatory contributions and payments to the Social Security System (SSS), Philippine Health Insurance Corporation (PHIC), and the Home Development Mutual Fund (HDMF) and withholding tax payables which have an average term of 15 to 30 days.

12. General and Administrative Expenses

	2014	2013	2012
Personnel costs	₱13,931,841	₱10,322,140	₱14,284,321
Outside services	10,319,352	9,043,196	3,098,467
Professional fees	4,491,352	6,580,761	9,023,102
Provision for impairment loss on AFS financial assets (see Note 8)	4,129,214	-	7,263
Travel and transportation	3,076,630	2,248,026	6,824,961
Rent and utilities (see Note 22)	2,643,165	1,078,139	1,726,504
Taxes and licenses	2,565,237	5,622,696	4,001,929
Depreciation and amortization (see Note 9)	2,021,379	1,953,425	5,369,454
Research and development expenses	1,572,846	4,381,198	-
Telecommunications and postage	1,068,903	915,119	815,038
Business development costs	-	346,960	493,010
Supplies	809,692	734,405	662,346
Dues and subscription	617,913	276,162	542,370
Insurance	366,180	60,720	267,278
Trainings and seminars	288,128	367,656	508,880
Entertainment and representation	262,376	486,944	2,621,203
Repairs and maintenance	258,183	236,614	137,578
Write-off of deferred exploration costs (see Note 1)	-	-	21,633,806
Write-off of project advances (see Note 10)	-	-	4,128,213
Provision for legal obligation (see Note 22)	-	-	520,999
Others	3,945,022	4,503,616	6,233,038
	₱52,367,413	₱49,157,777	₱82,899,760

Others include bank charges and other miscellaneous costs.



Personnel costs consist of:

	2014	2013	2012
Salaries and wages	₱10,077,846	₱7,820,691	₱12,167,225
Short term employee benefits	3,374,100	2,115,136	1,772,960
Retirement benefit expense (Note 14)	479,895	386,313	344,136
	₱13,931,841	₱10,322,140	₱14,284,321

13. Sales and Marketing Expenses

	2014	2013	2012
Commissions and incentives	₱21,086,201	₱13,904,791	₱1,980,090
Product presentation	11,024,446	6,263,599	4,136,611
Consultancy fees	8,781,578	9,200,325	11,360,079
Rent and utilities (see Note 22)	2,098,364	1,277,528	1,344,437
Personnel costs	1,023,309	3,446,174	3,397,172
Depreciation and amortization (see Note 9)	660,313	719,206	524,705
Advertising (see Note 22)	497,595	5,860,606	14,632,823
Telecommunications and postage	394,930	521,816	120,918
Travel and transportation	224,532	519,629	542,369
Supplies	149,325	141,998	485,014
Repairs and maintenance	69,454	75,125	82,077
Trainings and seminars	8,069	646,948	905,824
Others	56,080	64,292	473,969
	₱46,074,196	₱42,642,037	₱39,986,088

Others include expenses from meetings, janitorial fees and other expenses directly attributable to sales and marketing.

Personnel expenses consist of:

	2014	2013	2012
Salaries and wages	₱856,322	₱2,851,802	₱2,799,241
Other employee benefits	166,987	594,372	597,931
	₱1,023,309	₱3,446,174	₱3,397,172

14. Retirement Benefit Obligation

The following tables summarize the components of net benefit expense recognized in the statement of comprehensive income and the retirement benefit obligation and amounts recognized in the balance sheets for the respective plans:

Net benefit expense

	2014	2013
Current service cost	₱330,927	₱246,597
Interest cost on benefit obligation	148,968	139,716
	₱479,895	₱386,313



Amounts recognized in other comprehensive income pertaining to actuarial gain and loss amounting to ₱12,939 and ₱191,920, in 2014 and 2013, respectively.

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

	2014	2013
Opening defined benefit obligation	₱2,961,336	₱2,766,943
Current service cost	330,927	246,597
Interest cost	148,968	139,716
Actuarial gain due to experience adjustments	(156,592)	(198,056)
Actuarial loss due to changes in assumptions	143,653	6,136
Closing defined benefit obligation	₱3,428,292	₱2,961,336

The principal assumptions as of December 31 used in determining pension benefit obligations for the plan are shown below:

	2014	2013
Discount rate	4.78%-5.59%	4.42%-5.05%
Future salary increase	5.00%-10.00%	3.00%-10%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2014, assuming if all other assumptions were held constant:

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100	(₱157,513)
	(100)	181,659
Future salary increases	100	₱153,810
	(100)	(94,937)

15. Income Taxes

The Parent Company's current provision for income tax represents regular corporate income tax (RCIT) in 2014 and 2012 and MCIT in 2013. The Subsidiary's current provision for income tax represents minimum corporate income tax (MCIT) in 2014 and 2012.

In 2014, deferred tax asset on NOLCO was recognized amounting to ₱0.1 million to the extent of deferred tax liability arising from the difference between tax and book basis of accounting for real estate transactions amounted to ₱0.1 million.

Deferred tax liability recognized directly in equity as of December 31, 2014 and 2013 consists of unrealized valuation gain on changes in fair value of AFS financial assets amounting to nil and ₱5.0 million, respectively.



The Group has deductible temporary differences, unused NOLCO, and excess MCIT for which no deferred tax assets were recognized since the Group expects that these deferred tax assets will not be realized in the future. These deductible temporary differences, unused NOLCO, and excess MCIT are as follows:

	2014	2013
<i>Deferred tax asset:</i>		
NOLCO	₱131,581,061	₱106,836,365
Unrealized foreign exchange losses	5,839,137	-
Difference between tax and book basis of accounting for real estate transactions	-	34,035,898
Accrued expenses	4,543,786	3,913,811
Retirement benefit obligation	3,428,292	2,973,032
Provision for legal obligation	520,999	520,999
MCIT	372,141	303,928
Allowance for impairment loss on AFS financial assets	-	7,263
Allowance for impairment losses on deferred exploration costs	-	-
	146,285,416	148,591,296
<i>Deferred income tax liability:</i>		
Unrealized foreign exchange gains	-	(22,428,404)
	₱146,285,416	₱126,162,892

As of December 31, 2013, the Group has the following NOLCO and MCIT that can be claimed as deduction from future taxable income.

Year Incurred	Year of Expiry	NOLCO	MCIT
2014	2017	₱59,267,361	₱372,141
2013	2016	38,184,929	-
2012	2015	34,573,441	-
		₱132,025,731	₱372,141

Movement of the Group's NOLCO and MCIT are as follows:

NOLCO

	2014	2013
Balances at beginning of year	₱117,164,874	₱66,273,973
Additions	59,267,361	42,855,652
Application	(14,999,232)	-
Expirations	(29,407,272)	(2,293,260)
Balances at end of year	₱132,025,731	₱106,836,365

MCIT

	2014	2013
Balances at beginning of year	₱303,928	₱-
Additions	372,141	303,928
Application	(303,928)	-
Balances at end of year	₱372,141	₱303,928



A reconciliation of income tax computed at the statutory income tax rate to provision for income tax shown in the consolidated statements of comprehensive income follows:

	2014	2013	2012
Income tax computed at statutory tax rates	(₱10,599,244)	(₱3,526,635)	₱34,404,986
Additions to (reductions in) income tax resulting from:			
Changes in unrecognized deferred tax assets	15,570,044	9,689,312	(8,207,412)
Nondeductible expenses	4,081,250	717,001	2,375,390
Gain on disposal of asset held for sale subject to CGT	-	(4,322,060)	(9,645,914)
Nontaxable income	(6,031,541)	(667,352)	(619,397)
Interest income subjected to final tax	(164,466)	(1,586,338)	(5,482,831)
	₱2,856,043	₱303,928	₱12,824,822

16. Related Party Disclosures

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

In the normal course of business, the Group has significant related party transactions as follows:

	Transaction	Amount	Outstanding balance	Terms	Conditions
International Pipe Industries Corporation (IPIC)					
2014	Advances	(₱21,648,111)	₱-	30 days,	Secured by receivables and finished goods with fair value equivalent; no impairment.
2013		₱-	₱21,648,111	8% per annum	
South China Petroleum International (SCPI)					
2014	Advances	11,611	150,400	Due and demandable	Unsecured; no impairment
2013		12,290	138,789		
2014		(₱21,636,500)	₱150,400		
2013		₱12,290	₱21,786,900		



a. IPIC

IPIC is the pioneer manufacturer of large-diameter spiral welded pipes and machinery fabrication in the Philippines and Southeast Asia and has been producing quality pipes for the last 48 years. IPIC is the only company to date that has secured the American Petroleum Institute monogram in the Philippines. IPIC was also the first company in the Southeast Asia to pioneer in the design and exportation of high-tension transmission poles, weight coating of submarine line pipe and non-tension and pre-tension concrete pressure pipes.

In May 2011, the BOD authorized the Parent Company to enter into a related party agreement with IPIC to provide a standby fund facility of up to ₱50.0 million for the acquisition of raw materials to be processed into finished steel pipe products. The Parent Company will receive a guaranteed return on investment of at least 8% per annum. Interest earned by the Parent Company in relation to these advances amounted to ₱1.0 million and ₱1.6 million in 2014 and 2013, respectively.

As of December 31, 2014 and 2013, the outstanding receivable from IPIC amounted to nil and ₱21.6 million, respectively.

IPIC's accounts receivable and finished goods with fair value equivalent to the outstanding balance are used as collateral for the amount owed to the Group.

b. PSC

PSC is a world-class manufacturer of galvanized and pre-painted steel sheets and coils used in roofing and walling profiles and bended accessorial products established in 1956. PSC set up the first galvanizing plant in the Philippines to answer to the need of the country for galvanized iron sheets to be used in the construction, building and roofing materials. In 1998, PSC inaugurated in Rosario, Batangas, the Philippines' first ever state-of-the-art continuous galvanizing line utilizing the modern non-oxidizing furnace (NOF) technology in a globally competitive stature. By the year 2000, PSC became the first NOF continuous galvanizing plant to be ISO 9002 certified. PSC is under common control with the Group.

The BOD through a board resolution dated January 24, 2008 authorized the Group to enter into a related party agreement with PSC to advance an amount of up to ₱130.0 million for the acquisition of raw materials to be processed into finished steel products. The funding facility extended to PSC is secured by way of assignment to the Group of finished goods inventories and all receivables and proceeds of postdated checks issued arising from the sale of the finished goods. The funding facility is renewable on a yearly basis. Under this arrangement, the Group receives a guaranteed return on investment (ROI) of at least 8% per annum. Interest earned by the Group in relation to these advances amounted to nil, ₱0.7 million and ₱3.2 million in 2014, 2013 and 2012, respectively.

PSC fully settled its payable to the Parent Company amounting to ₱45.0 million on May 3, 2013.

Interest receivable included in to the total outstanding balance amounted to ₱0.3 million as of December 31, 2012. The amount was collected in its entirety on May 3, 2013.



c. SCPI

SCPI is a corporation established to prospect for, explore, extract, dig and drill for, exploit, produce, purchase, or otherwise obtain from the earth, any and all kinds of petroleum and petroleum products, rocks or carbon oils, natural gas and other volatile materials, chemical substance and salts, precious and base metals, diatomaceous earth as well as other minerals of whatever nature whether similar or dissimilar to those listed herein, and to manufacture, refine, prepare for market, buy, sell, import, export and transport and otherwise deal in petroleum and other minerals of whatever nature, whether similar or dissimilar thereto, their products, compounds and derivatives and other mineral and chemical substances in crude or refined condition, and to generally engage, as may be permitted by law, in the business of, and/or investing in mining, manufacturing, contracting and servicing, in addition to oil exploration.

The total amount of receivable from SCPI as of December 31, 2014 and 2013 amounting to ₱0.1 million pertains to the amount paid for business permit and registration. The amount is due and demandable.

d. Key Management Personnel Compensation

Salaries and short-term employee benefits of key management personnel amounted to ₱4.4 million, ₱4.5 million and ₱2.3 million in 2014, 2013 and 2012, respectively.

17. Equity

a. Common Stock

The Parent Company's authorized, issued and outstanding common shares are as follows:

	December 31, 2014		December 31, 2013	
	No. of Shares	Amount	No. of Shares	Amount
Authorized - ₱1 par value	1,000,000,000	1,000,000,000	1,000,000,000	₱1,000,000,000
Issued	600,489,569	600,489,569	600,489,569	600,489,569
Subscribed	306,070,000	306,070,000	306,070,000	306,070,000
Treasury	4,639,000	(4,961,650)	4,639,000	(4,961,650)

The Parent Company was registered on September 25, 1992 with authorized capital stock amounting to ₱1.0 billion composed of one billion shares with par value ₱1.0 per share.

In 2011, 3,300,000 subscribed shares were fully paid and issued. Collections from such subscribed shares amounted to ₱2.5 million in 2011. There were no collections in 2012.

b. Retained Earnings

On April 7, 2010, the BOD approved a resolution earmarking ₱500.0 million of the retained earnings for purposes of funding its investments in SOC Land related to the Anuva Residences and Diwalwal Mine Reserve projects. On December 21, 2011, the BOD approved a resolution for the reversal of the 2010 appropriation of retained earnings and further earmarking ₱500.0 million in 2011 for purposes of funding its investments related to the Anuva



Residences and other investment projects. The construction of second tandem building of Anuva project, “Azalea” is estimated to start on the 2nd quarter of 2016 and expected to be completed on the 4th quarter of 2018.

c. Treasury Stock

On December 21, 2011, the Parent Company formalized its share repurchase program. Under the terms and conditions of the share repurchase program, 100,000,000 shares shall be repurchased from the market covering a period of twenty-four (24) months starting December 22, 2011. The total budget allocated for the share repurchase program is ₱120.0 million. Total treasury stock amounted to ₱4,961,650 representing 4,639,000 shares.

In 2014 and 2013, the Parent Company acquired 3,732,000 and 407,000 of its own shares for a total cost of ₱3.9 million and ₱0.5 million, respectively.

18. Basic/Diluted Earnings (Loss) Per Share

	2014	2013	2012
Net income (loss)	(₱38,186,857)	(₱12,059,378)	₱101,514,329
Weighted average number of shares	905,575,387	905,575,387	906,048,899
Basic/Diluted Earnings (Loss) per Share	(₱0.0422)	(₱0.0133)	₱0.1120

There are no dilutive potential common shares outstanding as of December 31, 2014, 2013 and 2012.

19. Financial Instruments

Financial Risk Management Objectives and Policies

The Group has various financial assets and liabilities such as cash and cash equivalents, receivables, due from related parties, refundable deposits, AFS financial assets. The main purpose of the Group’s financial instruments is to finance its operations. The Group has other financial instruments such as accounts payable and other liabilities which arise directly from its operations.

The BOD has overall responsibility for the establishment and oversight of the Group’s risk management framework. The Group’s risk management policies are established to identify and manage the Group’s exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group’s activities.

The Group has exposure to credit risk, liquidity risk, foreign exchange risk, interest rate risk and equity price risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.



Credit Risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its counterparties to fulfill their obligations on maturity dates or due to adverse market conditions.

The Group is exposed to credit risk primarily because of its investing and operating activities. The Group is exposed to credit risk arising from the counterparties (ie., foreign currency denominated debt instruments, fixed income deposits and receivables) to its financial assets.

Credit Risk Management

In managing credit risk on these investments, capital preservation is paramount. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all counterparties who wish to trade on credit terms are subject to credit verification procedures. For investment in bonds, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investment in equities securities represent investments in companies with good dividend track record, as well as capital appreciation. The investment portfolio mix between debt and equity is reviewed by management.

With respect to credit risk arising from the other financial assets of the Group, which comprise of "Cash and cash equivalents", "Receivables", "Due from related parties" and "Refundable deposits", management monitors these financial assets on an ongoing basis with the result that the Group's exposure to impairment losses is not significant.

Credit Risk Exposures

The maximum exposure to credit risk for financial assets, which is composed of "Cash and cash equivalents", "Receivables", "Due from related parties", "AFS financial assets" and "Refundable deposits", is equivalent to the carrying amount of these financial assets as carried in the consolidated statement of financial position. The maximum exposure to credit risk for "Due from related parties" is equivalent to the carrying amount of these financial assets as carried in the consolidated statement of financial position, which is secured by collateral.

Credit Risk Concentration Profile

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

Credit Quality of Financial Assets

The credit quality of financial assets is managed by the Group using high quality and standard quality as internal credit ratings.

High Grade - pertains to a counterparty who is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies.

Standard Grade - other financial assets not belonging to high quality financial assets are included in this category.



The tables below show the credit quality by class of financial asset based on the Group's rating system as of December 31, 2014 and 2013:

	2014				
	Neither Past Due Nor Impaired		Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade			
Loans and receivables					
Cash and cash equivalents*	₱282,498,677	₱-	₱-	₱-	₱282,498,677
Receivables	138,282,291	-	4,368,432	-	142,650,723
Due from related parties	150,400	-	-	-	150,400
Refundable deposits	67,536	2,879,121	-	-	2,946,657
AFS financial assets					
Shares of stock	21,013,568	-	-	-	21,013,568
Golf club shares	15,300,000	-	-	-	15,300,000
	₱457,312,472	₱2,879,121	₱4,368,432	₱-	₱464,560,025

*Excluding cash on hand.

	2013				
	Neither Past Due Nor Impaired		Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade			
Loans and receivables					
Cash and cash equivalents*	₱182,404,970	₱-	₱-	₱-	₱182,404,970
Receivables	60,584,552	2,445,485	6,677,025	-	69,707,062
Due from related parties	-	-	-	-	-
Refundable deposits	-	1,273,210	-	-	1,273,210
AFS financial assets					
Shares of stock	241,323,584	-	-	3,340,763	244,664,347
Bonds	100,246,315	-	-	-	100,246,315
Golf club shares	17,650,000	-	-	-	17,650,000
	₱602,209,421	₱3,718,695	₱6,677,025	₱3,340,763	₱613,399,484

*Excluding cash on hand.

Cash and cash equivalents are considered high grade as the Group trades only with top banks in the Philippines. AFS financial assets are considered high grade due to high probability of collection when sold. High grade receivables pertain to installment contract receivables with no default in payments and settlements are obtained from counterparty in advance or ahead of the due date. Standard grade receivables are for receivables from officers and employees and third parties, due from related parties and refundable deposits which would require some reminder follow-ups to obtain settlement from the counterparties.

The tables below show the aging analysis of financial assets per class that the Group held as of December 31, 2014 and 2013. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

	2014						
	Neither Past Due nor Impaired	Past Due but Not Impaired				Impaired	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 91 Days		
Loans and receivables							
Cash and cash equivalents*	₱282,498,677	₱-	₱-	₱-	₱-	₱-	₱282,498,677
Receivables	138,282,291	-	-	-	4,368,432	-	142,650,723
Due from related parties	-	-	-	-	150,400	-	150,400
Refundable deposits	2,946,657	-	-	-	-	-	2,946,657

(Forward)



	2014						Total
	Neither Past Due nor Impaired	Past Due but Not Impaired				Impaired	
		Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 91 Days		
AFS financial assets							
Shares of stock	₱21,013,568	₱-	₱-	₱-	₱-	₱21,013,568	
Golf club shares	15,300,000	-	-	-	-	15,300,000	
	₱460,041,193	₱-	₱-	₱-	₱4,518,832	₱464,560,025	

*Excluding cash on hand.

	2013						Total
	Neither Past Due nor Impaired	Past Due but Not Impaired				Impaired	
		Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 91 Days		
Loans and receivables							
Cash and cash equivalents*	₱182,779,970	₱-	₱-	₱-	₱-	₱182,779,970	
Receivables	63,030,037	-	2,329,750	100,111	4,395,274	69,855,172	
Due from related parties	-	-	-	-	-	-	
Refundable deposits	1,273,210	-	-	-	-	1,273,210	
AFS financial assets							
Shares of stock	244,664,347	-	-	-	-	244,664,347	
Bonds	100,246,315	-	-	-	-	100,246,315	
Golf club shares	17,650,000	-	-	-	-	17,650,000	
	₱606,303,116	₱-	₱2,329,750	₱100,111	₱4,395,274	₱616,469,014	

*Excluding cash on hand.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risks, related processes and policies are overseen by management. The Group manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The tables below summarize the maturity profile of the Group's financial assets used for liquidity purposes based on contractual undiscounted cashflows, and the Group's financial liabilities based on contractual undiscounted payments.

2014

	Total	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	₱282,513,677	₱282,513,677	₱-	₱-	₱-
Receivables	142,650,723	-	138,229,631	401,959	4,019,133
Due from related parties	150,400	-	-	-	150,400
Refundable deposits	2,946,657	2,879,121	67,536	-	-
AFS financial assets					
Shares of stock	21,013,568	21,013,568	-	-	-
Golf club shares	15,300,000	15,300,000	-	-	-
	₱464,575,025	₱321,706,366	₱138,297,167	₱401,959	₱4,169,533
Financial Liabilities					
Other financial liabilities:					
Accounts payable and other liabilities**	₱240,174,424	₱-	₱240,174,424	₱-	₱-

**Excluding government payables.



2013

	Total	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	₱51,716,096	₱51,716,096	₱-	₱-	₱-
Receivables	74,266,070	67,425,311	2,445,485	68,000	4,327,274
Due from related parties	21,786,900	6,840,759	-	-	14,946,141
AFS financial assets					
Shares of stock	244,664,347	244,664,347	-	-	-
Bonds	100,246,315	100,246,315	-	-	-
Golf club shares	17,650,000	17,650,000	-	-	-
	510,329,728	488,861,310	2,445,485	68,000	19,273,415
Financial Liabilities					
Other financial liabilities:					
Accounts payable and other liabilities**	₱80,783,770	₱-	₱80,783,770	₱-	₱-

**Excluding government payables.

Equity Price Risk

Equity price risk is the likelihood that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Group's AFS financial assets in equity securities. For investments in Philippine equities, majority of funds are invested in equities listed in the PSE.

The Group measures the sensitivity of its domestic AFS financial assets by using stock market index fluctuations and its effect to respective share prices. For foreign AFS financial assets, the Group uses index fluctuation in the respective stock exchanges where these assets are quoted.

The following table demonstrates the sensitivity to a reasonably possible change in the equity price based on past price performance and macroeconomic forecast for 2012, with all other variables held constant, of the Group's equity:

Stock Exchange	Change in Stock Market Index	Effect on Equity	
		2014	2013
PSE	+10%	₱948,189	₱10,785,432
	-10%	(948,189)	(10,785,432)
HKEx	+5%	-	2,082,175
	-5%	-	(2,082,175)
NYSE	+10%	-	2,858,335
	-10%	-	(2,858,335)
SSE	+5%	-	197,759
	-5%	-	(197,759)
MYX	+5%	-	86,420
	-5%	-	(86,420)
SET	+5%	-	444,292
	-5%	-	(444,292)
TWSE	+5%	-	646,610
	-5%	-	(646,610)
NASDAQ	+10%	-	436,197
	-10%	-	(436,197)
LSE	+10%	-	549,865
	-10%	-	(549,865)



Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in foreign currencies.

In the normal course of business, the Group enters into transactions denominated in US dollar and other foreign currencies. As a result, the Group is subject to transaction and translation exposures resulting from currency exchange rate fluctuations. The Group regularly monitors outstanding financial assets in foreign currencies and maintains them at a level responsive to the current exchange rates so as to minimize the risks related these foreign currency denominated assets.

Information on the Group's foreign currency denominated monetary assets and their Philippine peso equivalent are as follows:

	2014		2013	
	Original Currency	Peso Equivalent	Original Currency	Peso Equivalent
Financial Assets				
Cash - USD	128,163	₱5,731,462	557,373	₱24,747,361
Receivables - USD	–	–	43,475	1,930,290
AFS financial assets:				
Shares of stock				
Hong Kong Dollar	–	–	13,048,990	74,673,048
USD	–	–	1,225,866	59,418,603
Singapore Dollar	–	–	126,600	8,808,621
Taiwan Dollar	–	–	5,958,400	4,428,881
Malaysia Ringgit	–	–	143,640	1,934,751
Bonds - USD	–	–	2,257,290	100,223,680
	128,163	₱5,731,462	23,361,634	₱276,165,235

The table below demonstrate the sensitivity to a reasonable change in the foreign exchange rates, with all other variables held constant, of the Group's income (loss) before income tax (due to the changes in the fair value of the foreign-currency-denominated assets and liabilities). The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts their translation at the period end for the following percentage change in foreign currency rates:

	2014		2013	
	Effect on income before tax		Effect on income before tax	
	Change in Peso-Foreign Exchange Rate		Change in Peso-Foreign Exchange Rate	
	Increase by 5%	Decrease by 5%	Increase by 5%	Decrease by 5%
USD	₱286,573	(₱286,573)	₱9,315,997	(₱9,315,997)
HKD	–	–	652,450	(652,450)
NTD	–	–	297,920	(297,920)
SGD	–	–	6,330	(6,330)
MYR	–	–	7,182	(7,182)
	₱286,573	(₱286,573)	₱10,279,879	(₱10,279,879)



The exchange rates as of December 31, 2014 and 2013 were:

	USD	HKD	MYR	SGD	NTD
2014	₱44.72	₱-	₱-	₱-	₱-
2013	44.40	5.42	13.47	34.98	1.48

Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group derives a portion of its revenue from interest-bearing cash equivalents and bonds. Accordingly, the Group is subject to financial risk arising from changes in interest rates. The Group manages interest rate risk by investing mainly on fixed coupon bonds and other investment. By doing so, the Group is assured of future interest revenues from such investments. Since the Group invests on fixed coupon interest bonds and other investments, the Group is not exposed significantly to cash flow interest rate risk.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value.

Cash and Cash Equivalents, Receivables, Due from Related Parties, Refundable Deposits and Accounts Payable and Other Liabilities

The carrying amounts of cash and cash equivalents, receivables, due from related parties, refundable deposits and accounts payable and other liabilities approximate their fair values due to the short-term maturities of these financial instruments.

AFS financial assets

Fair value of AFS financial assets is based on the quoted market bid prices at the close of business as of the reporting date.

Fair Value Hierarchy

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or 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

The following table is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value for the period ended December 31, 2014 and 2013.

December 31, 2014

	Level 1	Level 2	Level 3	Total
AFS financial assets:				
Shares of stock	₱21,013,568	₱-	₱-	₱21,013,568
Golf club shares	15,300,000	-	-	15,300,000
	₱36,313,568	₱-	₱-	₱36,313,568



December 31, 2013

	Level 1	Level 2	Level 3	Total
AFS financial assets:				
Shares of stock	₱244,664,347	₱-	₱-	₱244,664,347
Bonds	100,246,315	-	-	100,246,315
Golf club shares	17,650,000	-	-	17,650,000
	₱344,910,662	₱-	₱-	₱362,560,662

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize stockholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2014 and 2013.

The following table pertains to the account balances which the Group considers as its core economic capital:

	2014	2013
Common stock	₱600,489,569	₱600,489,569
Subscribed common stock - net	76,517,500	76,517,500
Additional paid-in capital	72,272,140	72,272,140
Retained earnings	883,312,854	921,803,639
Treasury stock	(4,961,650)	(4,961,650)
	₱1,627,630,413	₱1,666,121,198

20. Segment Information

For management purposes, the Group is organized into business units based on its products and services and has three reportable segments, as follows:

- The real estate development segment, which is engaged in the real estate business.
- Others pertain to the activities of the Parent Company as a holding entity.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating income or loss in the consolidated financial statements.

The following tables regarding business segments present assets and liabilities, revenue and profit information for each of the three years in the period ended December 31, 2014.



2014

	Real Estate Development	Others	Total	Eliminations	Consolidated
Segment results					
Income (loss) before income tax	(₱52,498,670)	₱17,167,855	(₱35,330,814)	₱-	(₱35,330,814)
Provision for income tax	372,141	2,483,902	2,856,043	-	3,159,971
Net income (loss)	(₱52,870,811)	₱14,683,953	(₱38,186,857)	₱-	(₱38,490,785)
Assets					
Segment assets	₱1,659,013,832	₱1,833,517,814	₱3,492,531,646	(₱1,210,752,029)	₱1,959,481,617
Investments	-	322,298,000	322,298,000	(322,298,000)	-
	₱1,659,013,832	₱2,155,815,814	₱3,814,829,646	(₱1,533,050,029)	₱1,959,481,617
Other segment information					
Segment liabilities	₱1,532,307,228	₱8,552,903	₱1,540,860,131	(₱1,210,752,029)	₱329,938,123
Depreciation and amortization	₱2,648,540	₱33,152	₱2,681,692	₱-	₱2,681,692

2013

	Real Estate Development	Others	Total	Eliminations	Consolidated
Segment results					
Income (loss) before income tax	₱55,131,189	(₱43,375,739)	₱11,755,450	₱-	₱11,755,450
Provision for income tax	-	-	-	-	-
Net income (loss)	₱55,131,189	(₱43,375,739)	₱11,755,450	₱-	₱11,755,450
Assets					
Segment assets	₱1,308,976,065	₱1,525,510,559	₱2,834,486,624	(₱1,002,752,029)	₱1,831,734,595
Investments	-	322,298,000	322,298,000	(322,298,000)	-
	₱1,308,976,065	₱1,847,808,559	₱3,156,784,624	(₱1,325,050,029)	₱1,831,734,595
Other segment information					
Segment liabilities	₱126,735,880	₱14,536,013	₱141,271,893	(₱322,298,000)	₱181,026,107
Depreciation and amortization	₱2,611,150	₱61,481	₱2,672,631	₱-	₱2,672,631

2012

	Real Estate Development	Others	Total	Eliminations	Consolidated
Segment results					
Income (loss) before income tax	(₱55,878,525)	₱170,561,812	₱114,683,287	₱-	₱114,683,287
Provision for income tax	-	12,824,822	12,824,822	-	12,824,822
Net income (loss)	(₱55,878,525)	₱157,736,990	₱101,858,465	₱-	₱101,858,465
Assets					
Segment assets	₱801,702,780	₱1,511,219,814	₱2,312,922,594	(₱489,989,820)	₱1,800,459,635
Investments	-	322,298,000	322,298,000	(322,298,000)	-
	₱801,702,780	₱1,811,044,675	₱2,612,747,455	(₱812,287,820)	₱1,800,459,635
Other segment information					
Segment liabilities	₱567,095,131	₱20,081,520	₱587,176,651	(₱489,989,820)	₱97,186,831
Depreciation and amortization	₱2,665,797	₱3,228,362	₱5,894,159	₱-	₱5,894,159



21. Registration with the Board of Investments (BOI)

As disclosed in Note 1, SOC Land's current project is the Anuva Residences. The Project has been divided into two (2) development phases with Phase 1 comprising of Tandem Buildings 1 and 2 and Phase 2 comprising of the other two (2) buildings.

On September 2, 2011, Phase 1 project was duly registered with the Board of Investments (BOI) as a New Developer of Low- Cost Mass Housing on a Non-pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226). With the registration, SOC Land is entitled to an Income Tax Holiday (ITH) for three (3) years from October 2011 or actual start of commercial operations or selling, whichever is earlier, but in no case earlier than the date of registration. Under the specific terms and conditions of the registration, SOC Land shall submit proof of compliance that it has developed socialized housing project and accomplished corporate social responsibility activities that were duly identified by BOI in conjunction with the entitlement of ITH. The compliance with the socialized housing requirement shall be completed within the ITH entitlement period of SOC Land.

On August 14, 2014, the Subsidiary has opted to surrender the original copy of the Certificate of Registration no. 2011-193 issued to the Subsidiary as New Developer of Low-Cost Mass Housing Project which will cancel the Subsidiary's entitlement to an Income Tax Holiday (ITH) for three (3) years.

22. Contracts and Commitments

The Group has the following significant commitments and agreements:

Construction Agreements and Purchase Commitments

On various dates in 2011 and 2012, the Subsidiary entered into various construction-related contracts for the Anala. These contracts pertain to construction management, general construction works, exterior wall construction works, land development works, mechanical works and electrical and auxiliary works. The contracts commenced on various dates in 2011 and 2012, with terms ranging from three (3) weeks to two (2) years. These contracts will expire on various dates in 2012 until December 2013, the anticipated turnover date of Anala.

These agreements require down payment of 15% to 20% of the contract price while the balance will be settled through progress billings. The agreements also include a provision whereby the Subsidiary shall deduct 10% retention from every progress payment until full completion of the project work. Retention payable related to these contracts amounted to ₱32.0 million and ₱29.2 million as of December 31, 2014 and 2013, respectively (see Note 11). These are expected to be settled upon completion of the Anala.

On various dates in 2011 and 2012, the Group entered into agreements to purchase steel, pipes and other construction materials. Outstanding purchase commitments amounted to nil as of December 31, 2014 and 2013, respectively.



Lease Agreements

- a. In 2012, the Parent Company entered into a renewable lease contract with Haldane Investment NV, duly represented by E. Zobel, Inc. for the lease of the 4/F Unit of ENZO Building, located at No. 399 Gil J. Puyat Avenue, Makati City. The contract is for a term of eight (8) months commencing on May 1, 2012 and expiring December 31, 2012. In line with the contract, the Parent Company paid a rental deposit amounting ₱42,828, which is classified under “Prepayment and other current assets”. Rent expense related to this lease contract, presented as “Rental and Utilities” amounted to ₱0.1 million in 2012 (see Note 12). The agreement was renewed for one year under the same terms. Minimum lease payments related to this lease is ₱0.1 million.
- b. On February 1, 2011, SOC Land entered into a lease contract with YL Holdings Corporation for the lease of office space at 6/F, YL Holdings Building, 115 VA Rufino corner Salcedo Streets, Legaspi Village, Makati City. SOC Land renews the lease agreement on a yearly basis. SOC Land paid security deposit amounting to ₱0.2 million to answer for any and all damages to the leased premises and as security for the return of the leased premises in proper condition (see Note 7). The related rent expense recognized by the Subsidiary amounted to ₱1.6 million and ₱0.7 million in 2014 and 2013, respectively (see Note 12). The agreement was renewed for one year under the same terms. Minimum lease payments related to this lease is ₱60,180.

Contingencies

SOC Land is contingently liable for amounts arising from lawsuits or claims. On December 3, 2012, the Subsidiary received a copy of the decision that ruled against the Subsidiary. The Company recognized provision arising from the legal obligation amounting to ₱0.5 million (see Notes 11 and 12).

On December 13, 2012, the Company filed its Notice of Appeal and Appeal Memorandum with the National Labor Relation Commission. As of April 10, 2015, SOC Land is still awaiting resolution of the Notice of Appeal.

23. Other Matters and Notes to Consolidated Statements of Cash Flows

- a. Comparative figures have been adjusted to conform to changes in presentation in the current year. Receivables from related parties which was previously presented under “Receivables” account was reclassified under “Due from related parties” account in the consolidated statement of financial position.
- b. In 2012, the noncash activities pertain to the reclassification of investments in debt securities of about ₱66.6 million from HTM investment to AFS financial assets on November 2, 2012 as discussed in Note 8.

