Empire East

Empire East Land Holdings, Inc.

Stories of Life

ANNUAL REPORT **2013**

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Stories of Life

Empire East

Empire East Land Holdings, Inc.

Empire East Land Holdings Inc. aims to be a brand in touch with the humanity of its customers. It is committed to crafting new and better ways of life by tapping into what they really want and need, now and in the future. In building communities, improving on how things are done, and ultimately, transforming the landscape, it plants the seed of a story for each customer it serves—a personal anecdote of just how good life can be in an Empire East development.

President's Message

The year 2013 saw the exceptional growth of Empire East Land Holdings Inc. as a vibrant and evolving real estate brand. Over the past year, we strengthened the positioning of our developments in the mind space of our customers by communicating the value of our projects—the positive ways in which they are shaping the urban landscape, and how they are upgrading the lifestyles of Filipinos on a large scale.

Our successful efforts translated to solid financial results. Empire East and its subsidiaries turned in a net income of P300.4 million, a 27 percent jump from P236 million in 2012. The company's sales in 2013 grew by an impressive 23 percent to P1.7 billion from P1.38 billion. Meanwhile, reservation sales for Empire East projects alone amounted to P20 billion, up 17 percent from P17 billion in the previous year.

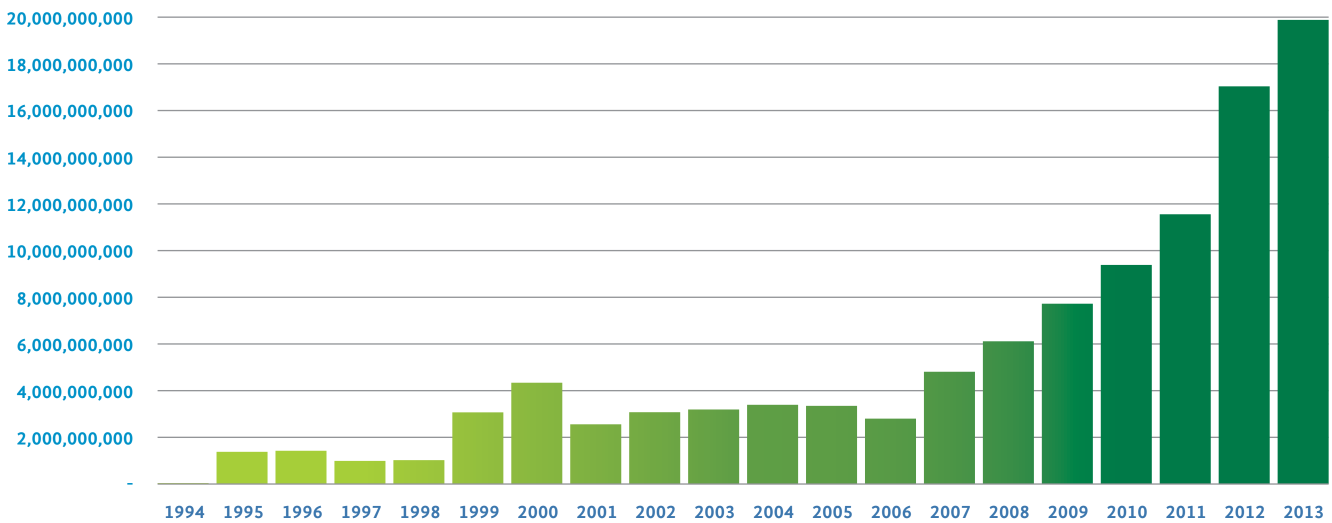
With our commitment to drive the company to profitability, we see our performance continuing on an upward trajectory. Historically, our reservation sales have been notably resilient, showing steady growth despite economic downturns.
For 2014, we estimate reservation sales for Empire East developments as well as Empire East-managed developments to reach P22 billion, buoyed by much-awaited project launches and new product roll-outs.

Luxury branding as a core strategy

Empire East further reinforced its message of "accessible luxury" to its customers in 2013. Luxury marketing group Empire East Elite rebranded the company's transit-oriented and urban-based developments by emphasizing the projects' value-oriented benefits and their differentiating promise. As a result, our real estate offerings continued to be warmly received by middle-income homebuyers enjoying a higher level of affluence.

The demand for a convenient, more mobile lifestyle close to the trains drove sales for Little Baguio Terraces in San Juan City. The project is nearly halfway sold, with Towers 1 and 4 over 90 percent taken up. The two- and three-bedroom units of Tower 3 are close to 30 percent sold. In June last year, we launched Tower 2, the project's fourth tower, with 389 new condominium units.

GROWTH OF RESERVATION SALES



With a take-up rate of over 80 percent, our Pioneer Woodlands project along EDSA in Mandaluyong City is also performing well. Its first two towers are fast approaching sold-out status, a testament to the prominence of the project with regard to strategic location and link to mass transport. Towers 3 and 4, called Woodland Park 1 and Woodland Park 2, respectively, are also making headway in the market.

All 2,177 residential units of the four-tower San Lorenzo Place in the Makati central business district are on stream. Offering CBD-standard homes with one- to three-bedroom layouts, the project is 72 percent sold. Tower 4, the first to be unveiled, is nearly 90 percent taken up. Tower 1 and the recently launched Tower 3 are nearly 65 percent sold, while Tower 2 is over halfway sold.

"With our commitment to drive the company to profitability, we see our performance continuing on an upward trajectory."

Renewed focus on the human experience

Communicating the humanity of our brand was a key component of our marketing initiatives. We linked the stability of the Empire East name to universal values such as family cohesion, a sense of community and an innate desire for the good life. Our developments, created to uplift the quality of future residents' everyday experiences, are undoubtedly in service of human connections.

The Sonoma in the South first revealed its integrated township concept in 2010. The Enclave, its first residential village phase, was met with immediate enthusiasm. Subsequent phases such as The Country Club, The Esplanade and The Pavilion have all been successfully marketed and have pushed the take-up rate of the entire project to 96 percent. The Sonoma's commercial strip is now sold out as well.

A complete and fully functional recreational area has drawn even more buyers to The Rochester, now 70 percent taken up. Garden Villa 1 and Garden Villa 2 are nearing sold-out status, while the Breeze and Parklane towers are 86 percent and 74 percent sold, respectively. The Palmridge Tower is nearly halfway taken up, as is Hillcrest Tower, which put on stream 182 new residential units last year.

For its part, Kasara is nearly 75 percent sold. Three of its six towers have already been opened to the public, with the recently unveiled Tower 3 already boasting a 78 percent take-up rate. Solidifying the project's popularity is its resort concept, which comprises a layout that is 65 percent open spaces, and features a water-centered amenity area that rivals other communities in size and recreational variety.

"Our developments, created to uplift the quality of everyday experiences, are undoubtedly in service of human connections."

Delivering on commitments with results

As pleased as we are to share the healthy clamor for our developments, we are even more excited to report the renewed efficiency of our delivery cycles. In 2013, we spent P3.15 billion for various development activities, assuring our customers of on-time construction work and the prompt turnover of homes. Meanwhile, we expect to spend about P4 billion for the development of ongoing and new projects.

We are currently handing over Tower 1 of Little Baguio Terraces and Pioneer Woodlands, The Enclave and The Country Club phases at The Sonoma and Garden Villa 1 of The Rochester. Turnover for the fourth tower of San Lorenzo Place will begin by the second half of 2014. More residential towers and village phases are slated to be turned over starting this year until 2018.

Aside from fast-tracking our turnover schedules in 2013, we replenished our real estate inventory to meet robust demand by opening a total of 1,388 residential units for sale in different projects. This year, we are looking to pursue marketing initiatives that will allow us to reach customers in a unique way. We want to replicate the success of our "Olivia" out-of-home campaign, which went viral in early 2014, and drove awareness for our projects as viable investments.

"As a market leader, we are committed to seeing our vision through by strategically capturing and creating value."

2014: Twenty years of strong business

Empire East marked record highs last year, but we look forward to an even stronger performance this 2014, the year of our 20th anniversary. Vital to our accomplishments down the road will be the launch of new projects in locations such as Quezon City, Sta. Mesa in Manila, San Juan City, Pasig City and Makati City. Together with other properties in various locations, the company's total land bank has an aggregate area of 454 hectares worth P4.09 billion.

Our longevity in the business has always been anchored on a solid foundation and sound fundamentals. As a market leader, we are committed to seeing our vision through by strategically capturing and creating value. We will actively tap new areas for growth, innovate to differentiate, meet the market head on with relevant and responsive products, and keep ourselves accountable when it comes to customer service and satisfaction.

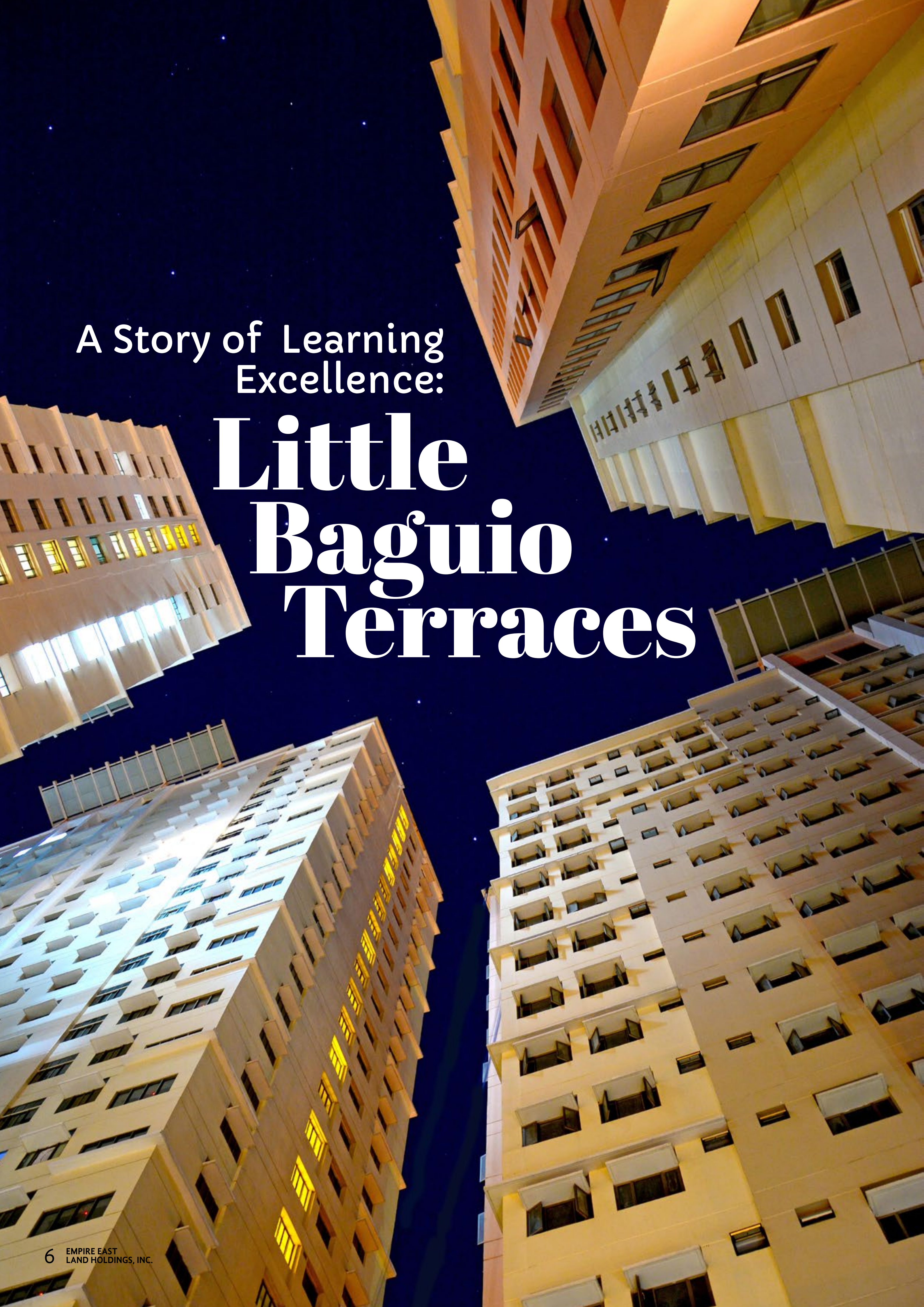
We aim to leverage our resources and strengths in a much-improved economic environment this year. Empire East has many milestones in the making, and our growth aspirations can only be achieved through the support of our shareholders, business partners and customers, as well as the concerted efforts of the men and women that make up the company's workforce. We would like to thank you all for continuing on this journey with us.

Anthony Charlemagne C. Yu
President

Transit-oriented Developments

Transit-oriented developments, or TODs, occupy precious space in the minds and hearts of the market. These communities do not just symbolize connection and mobility—they forge precious linkages and offer an efficient way to move that has become vital to life in the 21st century.

Empire East vastly changed the real estate scene when it first launched three of its TODs in rapid succession. Today, the reception for these projects has hardly waned, making the TOD category a continued bright spot in the industry.

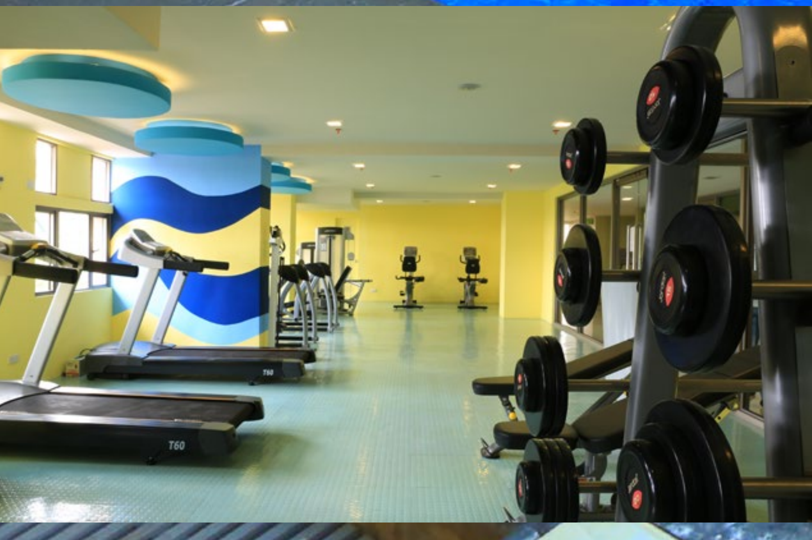


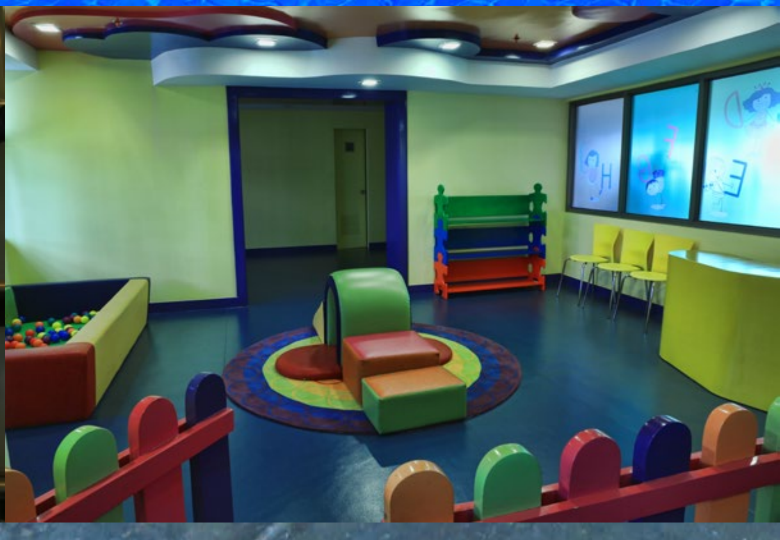
A Story of Learning Excellence:

Little Baguio Terraces

A transit-oriented residential project designed for families that consider their children's education a priority, Little Baguio Terraces, set at the junction of N. Domingo Street and Aurora Boulevard in San Juan City, has the distinct advantage of being at the center of two LRT-2 stations: J. Ruiz and Gilmore. Its location close to these transport hubs makes the country's premier centers of learning quickly accessible, and therefore, makes it the ideal home base for students.

Trains from the Gilmore Station bring commuting students to Ateneo, Miriam College and the University of the Philippines in Diliman. Meanwhile, from the J. Ruiz Station, the university belt of Manila is easily reached. The efficient connection of the LRT-2 to the MRT-3 and the LRT-1 opens up expansive opportunities for mobility.





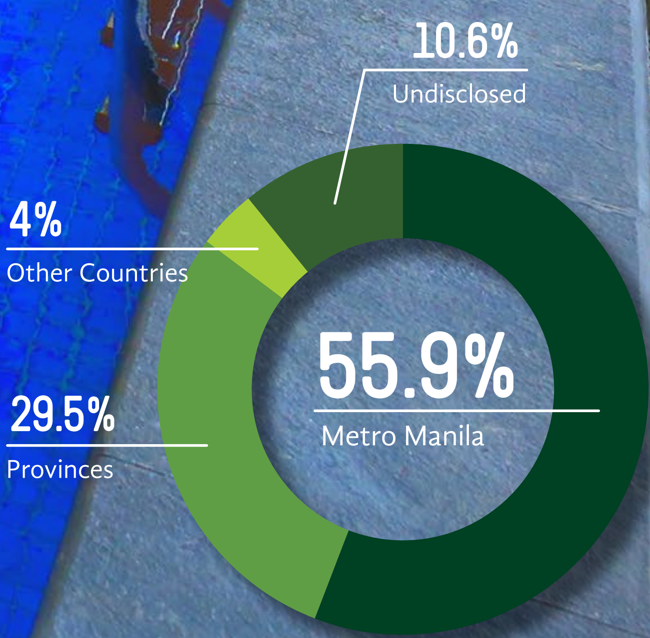
A total of 1,226 condominium units in four of the project's six residential towers have been made available to customers that consider it a privilege to own a San Juan address and a mobile lifestyle. Two-and three-bedroom homes, ranging from 30 to 60 square meters, are paired with amenities for diversion and relaxation. A swimming pool, sunbathing lounge, children's pool, spa, playground, landscaped area with benches, gym and day care center are all hosted at the first level of Towers 1 and 2.

Sales take-up for Little Baguio Terraces has reached the 48 percent mark following the July 2013 launch of Tower 2, the fourth tower in the project to be unveiled. Towers 1 and 4, the first two towers launched, are each over 90 percent sold. Over 90 of 314 units at Tower 3 have already been snapped up.

Tower 1 is currently being turned over. The installation of stair nosing and railings are ongoing for Tower 2. Accomplishments for Tower 3 include tower crown cladding and the installation of electrical devices, leak testing for windows and doorjambs, and the assembly of elevator cars. Plumbing works, louver and duct installation, as well as waterproofing works at the deck are under way for Tower 4.

DID YOU KNOW?

According to Empire East's 2013 customer profile for Little Baguio Terraces, over half of its buyers are based in Metro Manila and comprise of families with students.



A Story of City Adventures: Pioneer Woodlands

For those based in Mandaluyong City, a lifestyle centered on mobility is easily enjoyed at Pioneer Woodlands. This transit-oriented condominium community is ideal for the city adventurer with its location in Pioneer Avenue, and its instant link to the MRT-3 Boni Station along EDSA, Metro Manila's main thoroughfare. Here at the "center of the north and south," would-be residents can go from one exciting destination to another without losing sight of the cozy pleasures of home.

Executive studios, one- to two-bedroom homes and three-bedroom combined units make up the residential offerings of the six-tower project. They range from 20.50 to 61 square meters in size, allowing clients a wide berth in terms of choice.

The entire city may be laid out for discovery beyond the project's gates, but a well-planned recreational setting has been carefully put together for the leisure of future homeowners. Tower 1 hosts a landscaped area with pathways and sitting areas, a swimming pool, playground, gym and garden, as well as a two-story retail arcade that is already home to a 7-11 establishment.


ENTRANCE
INFINITY

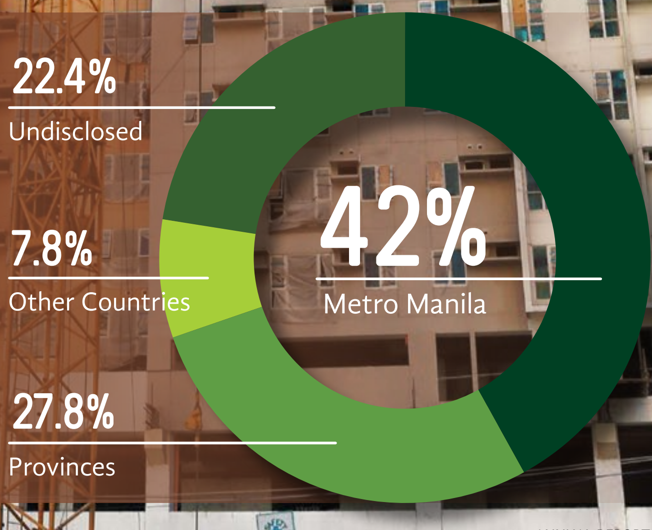
Brisk demand has pushed the sales for Pioneer Woodlands to 82 percent. Four of its six towers have been well-received, with Towers 1 and 2 nearly completely taken up. The third tower, named Woodland Park 1, is 84 percent sold. Woodland Park 2, the fourth tower, is 57 percent taken up.

Construction is currently on track, with the seventh to 30th levels of Tower 1 now complete. Landscaping for the 29th and 30th floor, as well as the parking areas at the third and fourth floors are substantially completed. For Tower 2, drywall partitions have been successfully completed up to the 29th level, with partition painting finished at the 25th floor. Glass works, interior painting and the installation of aluminum frames are also under way.

Accomplishments for Woodland Park 1 include complete structural and concrete works up to the 35th level. The same work, inclusive of pre-cast installation, is in progress at the 36th floor. Tiling and the installation of drywall framing is ongoing at the 15th and 17th floors, respectively. Meanwhile, masonry work is taking place at the 29th floor.

DID YOU KNOW?

Empire East noted that over 40 percent of the buyers of Pioneer Woodlands last year said that relocating to Mandaluyong City to enjoy a mobile lifestyle was a worthy undertaking.



A Story of CBD Privilege: San Lorenzo Place

Empire East brought new edge to its roster of transit-oriented developments when it also marketed its San Lorenzo Place project as a covetable Makati CBD address. Located at the junction of EDSA and Chino Roces Avenue, the four-tower community calls the country's topnotch financial district its base. Its connection to the MRT-3 Magallanes gives future residents unbeatable proximity not only to key destinations in Makati but also to places around the metro.

The mobility that San Lorenzo Place offers is unparalleled to the Makati-based professional. Business centers, corporate offices and commercial hot spots are easily reached from home using the trains and other transport options that are in abundance in the area.

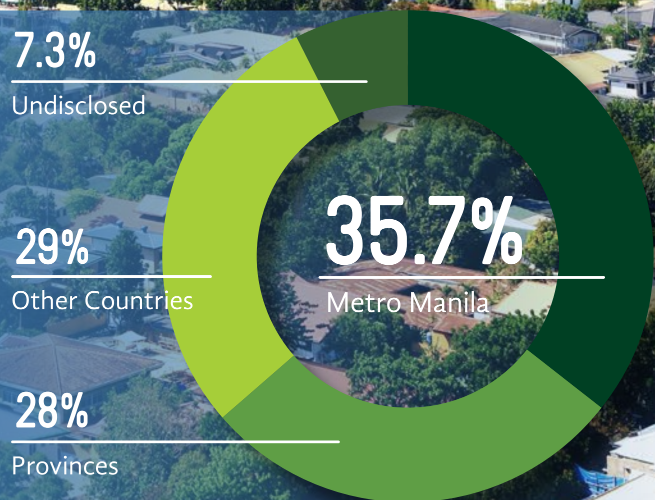
For those that are versed in the language of upscale living, the project speaks volumes. Units come in one- to three-bedroom layouts, and offer 25.50 to 77 square meters of space. A convergence point for the community is the recreational area at the sixth level, which hosts landscaped paths, a swimming pool complex, an outdoor spa, a clubhouse, children's playground and tennis court.

Due to the popularity of Makati CBD residences, San Lorenzo Place boasts a 72 percent sales mark. Tower 4, the first tower to be unveiled, is now 89 percent sold. Towers 1 and 2 are 64 percent and 54 percent sold, respectively. Tower 3, the project's last tower, was launched in June last year, and is now 64 percent taken up.

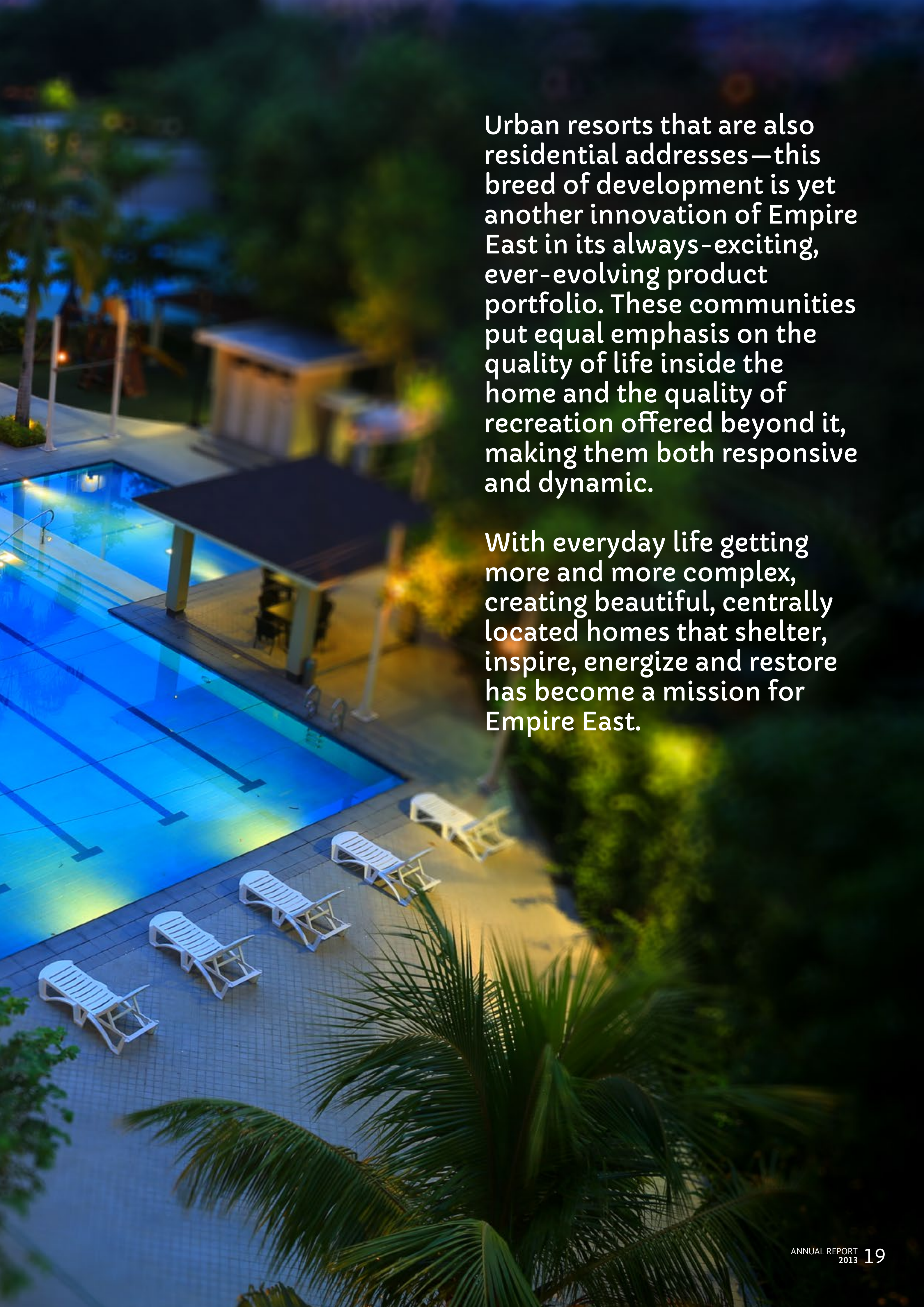
Work for Tower 1 has reached the 30th floor. Its lower floors are the site of ongoing architectural, waterproofing and masonry works. Meanwhile, installation of exterior precast walls is in progress at the 10th and 11th floors of Tower 2. Also under way is concreting work at the 15th level, the installation of rebars and formworks at the 16th floor, and the installation of interior precast walls at the 15th and 16th levels. Architectural works and the installation of ceiling boards and floor and wall tiles are under way at Tower 3.

DID YOU KNOW?

In 2013, San Lorenzo Place saw an influx of international buyers looking to invest in a Makati CBD address.



Urban Resort Developments



Urban resorts that are also residential addresses—this breed of development is yet another innovation of Empire East in its always-exciting, ever-evolving product portfolio. These communities put equal emphasis on the quality of life inside the home and the quality of recreation offered beyond it, making them both responsive and dynamic.

With everyday life getting more and more complex, creating beautiful, centrally located homes that shelter, inspire, energize and restore has become a mission for Empire East.

A Story of Familial Ties:
The Sonoma

The 50-hectare master-planned township of The Sonoma is Empire East's first salvo in urban resort residential development. Its location in highly urbanized Sta. Rosa, Laguna, and its lush, everyday holiday ambiance makes it an exceptional offering in this real estate category.

A horizontal luxury project such as The Sonoma targets close-knit families that see the benefits of a lifestyle away from the hustle and bustle of Metro Manila. At the heart of its offerings are residential lots that range from 150 to 670 square meters in size, and house-and-lot packages with homes that boast a unique Modern Asian theme.

The project's model houses include two-story house types Banyan, Cassia and Atria. Recently, Dara, Evira and Atria II expanded the community's original product inventory, giving customers even more choices for their dream home.

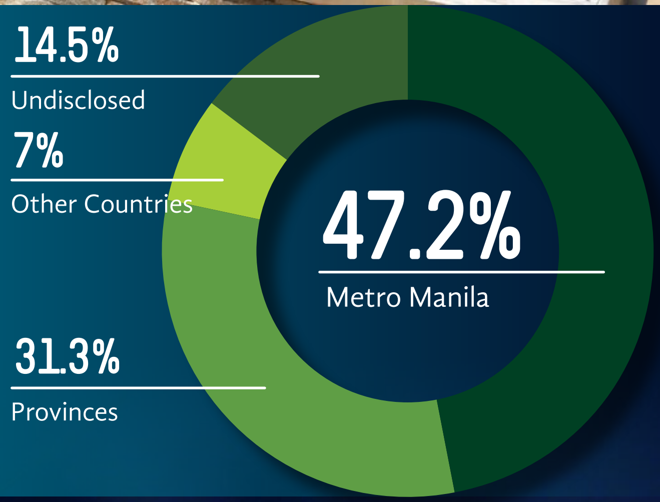
With its relaxed nature-centered theme and a wealth of wide, open spaces, increased social interaction is encouraged. Inviting even more socialization are leisure amenities including a clubhouse with a multi-purpose area ideal for 200 guests, a mini bar, game room and fitness center. Meanwhile, a 25-meter-long lap pool, children's pool, dip pool, children's playground, basketball court, tennis court, jogging path, pocket gardens and sunken deck round up the list of outdoor amenities.

The Sonoma enjoys an impressive 96 percent sales take-up rate. Both The Enclave and The Country Club, the first two phases of the project, are nearly sold out. Third and fourth phases The Esplanade and The Pavilion are both 93 percent taken up. The commercial strip's 18 lots have also been sold.

The Enclave, The Country Club and The Esplanade, are complete. The fourth phase, The Pavilion, is 52 percent complete. Road preparations are under way here, as is construction work for its service entrance posts.

DID YOU KNOW?

Nearly half of the buyers of The Sonoma in 2013 are currently based in Metro Manila, which is more than an hour away from Laguna. Buyers from the province identify with the city's laidback environment.



A Story of Close Connections:

The Rochester

With its fully constructed clubhouse and a complete array of indoor and outdoor amenities, the resort vibe of the Modern Asian-themed The Rochester, set along Elisco Road in San Joaquin, Pasig City, is undeniable.

Future homeowners are spoiled for choice at the clubhouse, which showcases a bar with lounge, a game area for billiard and darts, a gym as well as a function hall that can accommodate up to 100 guests. Also located here are a property administration office, business center, convenience shop and laundry pick-up station.

Meanwhile, a variety of vibrant outdoor amenities continue the vein of upscale recreation. Surrounding the centerpiece 25-meter-long lap pool and children's pool is a children's playground, gazebo, basketball/tennis court, jogging paths and pocket gardens.

The development, imbued with a keen sense of place by Empire East, makes neighborly interaction a given. With a large part of the community set aside for open spaces and greenery, getting truly connected to oneself and to others becomes an everyday privilege.

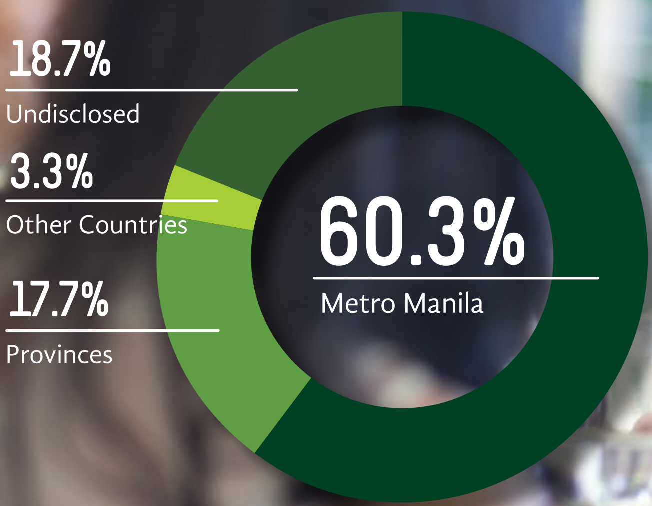
Complementing the insightfully planned play zone are condominium units in a wide range of layouts. There are one-bedroom suites, a suite with two or three bedrooms and bi-level suites, which range from 24.20 to 93 square meters.

The Rochester is currently 70 percent sold, with Garden Villa 1 and Garden Villa 2 are nearing sold-out status. The Breeze, Parklane and Palmridge towers are 86 percent, 74 percent and 44 percent taken up. Empire East launched Hillcrest Tower in June 2013 to excited buyers, and it is nearly 50 percent sold.

Work for the project is proceeding on schedule. Garden Villa 1 is complete, while architectural works for Garden Villa 2 are substantially complete. The Breeze Tower, for its part, is currently undergoing concreting works.

DID YOU KNOW?

A large chunk of buyers for The Rochester last year currently call Metro Manila home, but desired accessible and holistic recreation in their new address.



A Story of Everyday Fun: Kasara

The Kasara urban resort residential development, centrally located at the junction of Eagle and P. Antonio streets in Ugong, Pasig City, is the latest offering of Empire East. Standing out with its exceptional commitment to the resort concept, the six-tower project is all about enjoying the very best leisure experiences at home.

About 65 percent of the community is dedicated to greenery, wide, open spaces and water-oriented amenities. A large man-made lake is at the very center of this one-of-a-kind recreational space. At the heart of the lake is a multi-purpose area, which is surrounded by smaller freeform pools, a beach volleyball court, multi-purpose court and landscaped gardens.

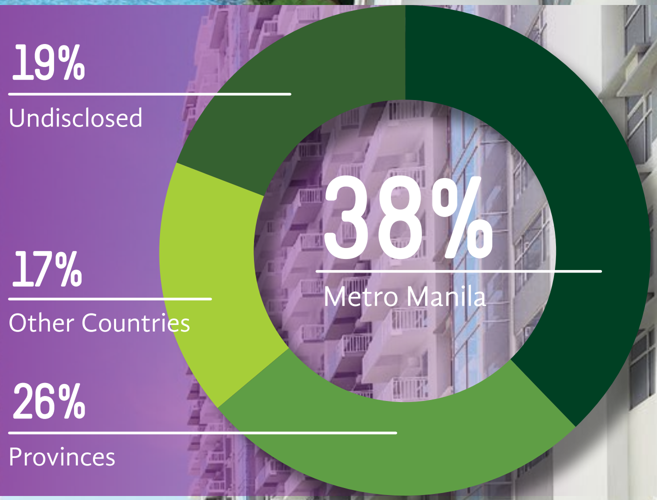
There are more privileges for would-be residents with fun podium amenities including pocket pools, jogging paths, gazebos and putting greens. Facilities such as the gym, bar, day care center and library have been provided for added comfort and convenience.

Of the 1,568 units made available at Kasara, 73 percent has already been snapped up by buyers. Towers 1 and 2 are 75 percent and 66 percent taken up, respectively. Sales for Tower 3, unveiled in April 2013, were just as strong, with a take-up rate of 78 percent.

Overall site development has been completed, as well as piling works for Towers 1 and 2. Construction work for the clubhouse, multi-purpose building and swimming pool is nearing its end, while landscaping works are 80 percent accomplished.

DID YOU KNOW?

The abundance of resort-style amenities at Kasara attracted a large number of buyers from Metro Manila and the provinces in 2013.



Statement of Management's Responsibility for Financial Statements

The management of **Empire East Land Holdings, Inc. and subsidiaries** (the Group) is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2013 and 2012, in accordance with Philippine Financial Reporting Standards, including the following additional supplemental information filed separately from the basic financial statements:

a. Supplementary Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68
b. Reconciliation of Retained Earnings Available for Dividend Declaration
c. Schedule of PFRS Effective as of December 31, 2013
d. Schedule of Financial Indicators for December 31, 2013 and 2012
e. Map Showing the Relationship Between and Among the Company and its Related Entities
f. Schedule of Proceeds and Expenditures for the Recent Stock Rights Offering;

Management responsibility on the financial statements includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the Financial statements of the Company in accordance with Philippine Standards on Auditing and, in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

ANDREW L. TAN	ANTHONY CHARLEMAGNE C. YU	EVELYN G. CACHO
Chairman of the Board	Chief Executive Officer	Chief Financial Officer

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

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

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

CELESTE Z. SIOSON NOTARY PUBLIC ROLL NO. 48369 MAKATI CITY, PHILIPPINES

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

Report of Independent Auditors

Punongbayan & Araullo

An instinct for growth™

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

We have audited the accompanying consolidated financial statements of Empire East and Holdings, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012; and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Empire East Land Holdings, Inc. and Subsidiaries as at December 31, 2013 and 2012 and their consolidated financial performance and the consolidated cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: **Nelson L. Dinio**
Partner

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

March 7, 2014

Consolidated Statements of Financial Position

December 31, 2013 and 2012 *(With Corresponding Figures as of January 1, 2012)*
(Amounts in Philippine Pesos)

	Notes	2013	December 31, 2012 (As Restated - see Note 2)	January 1 2012 (As Restated - see Note 2)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5	**P 504,471,331**	P 3,033,222,982	P 827,666,321
Trade and other receivables - net	6	**2,979,566,315**	2,590,588,931	2,226,231,335
Advances to related parties	22	**2,053,791,774**	1,687,392,195	1,631,182,339
Residential and condominium units for sale	7	**12,824,659,670**	11,342,431,118	9,456,554,184
Property development costs	7	**2,902,642,906**	2,659,616,892	2,423,789,010
Prepayments and other current assets	2	**760,206,175**	666,244,553	501,974,011
Total Current Assets		**22,025,338,171**	21,979,496,671	17,067,397,200
NON-CURRENT ASSETS				
Trade and other receivables - net	6	**2,421,692,485**	2,194,358,817	1,835,563,506
Advances to landowners and joint ventures	8	**787,075,245**	822,584,793	940,216,193
Land held for future development	9	**4,088,300,118**	3,662,752,341	3,111,506,103
Investment in associates	10	**293,372,235**	970,146,246	592,414,710
Available-for-sale financial assets	11	**2,905,080,000**	1,887,176,000	1,652,746,082
Investment property - net	12	**185,552,516**	202,357,339	233,621,784
Property and equipment - net	13	**160,370,094**	171,065,623	176,529,059
Other non-current assets	11	**84,458,536**	84,746,150	100,897,875
Total Non-current Assets		**10,925,901,229**	9,995,187,309	8,643,495,312
TOTAL ASSETS		**P 32,951,239,400**	P 31,974,683,980	P 25,710,892,512
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	14	**P 71,200,342**	P 152,989,611	P 221,870,556
Trade and other payables	15	**438,132,758**	948,441,503	321,219,814
Deferred gross profit on real estate sales	2	**49,703,647**	90,416,874	47,369,747
Customers' deposits	16	**2,957,368,755**	2,739,542,408	2,345,829,862
Advances from related parties	22	**1,643,353,984**	2,750,593,347	901,155,124
Reserve for property development	2	**132,642,060**	175,551,262	200,022,819
Income tax payable		**7,267,113**	7,053,140	7,020,264
Other current liabilities	17	**305,700,294**	197,271,282	148,623,630
Total Current Liabilities		**5,605,368,953**	7,061,859,427	4,193,111,816
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	14	**148,530,809**	236,893,851	417,377,123
Deferred gross profit on real estate sales	2	**125,286,085**	224,930,063	204,313,730
Reserve for property development	2	**815,738,947**	906,875,613	654,934,198
Retirement benefit obligation	20	**288,880,437**	150,302,400	123,982,926
Deferred tax liabilities - net	21	**1,177,480,246**	1,114,258,209	1,084,714,978
Total Non-current Liabilities		**2,555,916,524**	2,633,260,136	2,485,322,955
Total Liabilities		**8,161,285,477**	9,695,119,563	6,678,434,771
EQUITY				
Capital stock	23	**14,803,455,238**	13,603,455,238	10,908,215,404
Additional paid-in capital		**4,307,887,996**	4,247,887,996	4,281,564,705
Treasury stock - at cost	23	**(102,106,658)**	(102,106,658)	(116,233,808)
Revaluation reserves		**1,980,515,883**	1,030,385,774	452,715,833
Retained earnings	23	**3,186,793,388**	2,887,326,539	2,652,723,154
Equity attributable to parent company's shareholders		**24,176,545,847**	21,666,948,889	18,178,985,288
Non-controlling interest		**613,408,076**	612,615,528	853,472,453
Total Equity		**24,789,953,923**	22,279,564,417	19,032,457,741
TOTAL LIABILITIES AND EQUITY		**P 32,951,239,400**	P 31,974,683,980	P 25,710,892,512

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2013, 2012 and 2011 *(Amounts in Philippine Pesos)*

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

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2013, 2012 and 2011 *(Amounts in Philippine Pesos)*

		Attributable to Parent Company's Shareholders							
	Notes	Capital Stock	Additional Paid-in-Capital	Treasury Stock	Revaluation Reserves	Retained Earnings	Total	Non-controlling Interest	Total
Balance at January 1, 2013									
As previously reported	23	**P 13,603,455,238**	**P 4,247,887,996**	**(P 102,106,658)**	**P 1,054,226,000**	**P 2,888,249,604**	**P 21,691,712,180**	**P 612,916,679**	**P 22,304,628,859**
Prior period adjustment, net of tax	2	**-**	**-**	**-**	**(23,840,226)**	**(923,065)**	**(24,763,291)**	**(301,151)**	**(25,064,442)**
As restated		**13,603,455,238**	**4,247,887,996**	**(102,106,658)**	**1,030,385,774**	**2,887,326,539**	**21,666,948,889**	**612,615,528**	**22,279,564,417**
Transactions with owners:									
Additional subscription during the year	23	**1,200,000,000**	**60,000,000**	**-**	**-**	**-**	**1,260,000,000**	**-**	**1,260,000,000**
Total comprehensive income for the year:									
Net profit for the year		**-**	**-**	**-**	**-**	**299,466,849**	**299,466,849**	**1,004,932**	**300,471,781**
Fair value gains on available-for-sale financial assets		**-**	**-**	**-**	**1,017,904,000**	**-**	**1,017,904,000**	**-**	**1,017,904,000**
Remeasurements on retirement benefit obligation	2, 20				**(96,579,876)**	**-**	**(96,579,876)**	**(212,384)**	**(96,792,260)**
Tax income on remeasurement	2, 21	**-**	**-**	**-**	**28,805,985**	**-**	**28,805,985**	**-**	**28,805,985**
Balance at December 31, 2013	23	**P 14,803,455,238**	**P 4,307,887,996**	**(P 102,106,658)**	**P 1,980,515,883**	**P 3,186,793,388**	**P 24,176,545,847**	**P 613,408,076**	**P 24,789,953,923**
Balance at January 1, 2012	23								
As previously reported		P 10,908,215,404	P 4,281,564,705	(P 116,233,808)	P 473,951,067	P 2,654,315,360	P 18,201,812,728	P 853,612,716	P 19,055,425,444
Prior period adjustment, net of tax	2	-	-	-	(21,235,234)	(1,592,206)	(22,827,440)	(140,263)	(22,967,703)
As restated		10,908,215,404	4,281,564,705	(116,233,808)	452,715,833	2,652,723,154	18,178,985,288	853,472,453	19,032,457,741
Transactions with owners:									
Additional subscription during the year	23	2,695,239,834	-	-	-	-	2,695,239,834	-	2,695,239,834
Direct costs in issuance of shares of stock		-	(33,676,709)	-	-	-	(33,676,709)	-	(33,676,709)
Reduction in noncontrolling interest representing the shares held by a deconsolidated subsidiary		-	-	14,127,150	-	-	14,127,150	-	14,127,150
Deconsolidation of balance related to GPMAI		-	-	-	78,382,933	-	78,382,933	-	78,382,933
Total comprehensive income for the year:									
Net profit for the year		-	-	-	-	234,603,385	234,603,385	1,418,601	236,021,986
Available-for-sale financial assets:									
Fair value gains on available-for-sale financial assets		-	-	-	722,892,000	-	722,892,000	-	722,892,000
Reclassification to profit or loss		-	-	-	(221,000,000)	-	(221,000,000)	-	(221,000,000)
Remeasurements on retirement benefit obligation	2, 20	-	-	-	(3,534,810)	-	(3,534,810)	(165,158)	(3,699,968)
Tax income on remeasurement	2, 21	-	-	-	929,818	-	929,818	-	929,818
Reduction in non-controlling interest		-	-	-	-	-	-	(242,110,368)	(242,110,368)
Balance at December 31, 2012	23	P 13,603,455,238	P 4,247,887,996	(P 102,106,658)	P 1,030,385,774	P 2,887,326,539	P 21,666,948,889	P 612,615,528	P 22,279,564,417
Balance at January 1, 2011	23								
As previously reported		P 10,908,215,404	P 4,281,564,705	(P 116,233,808)	P 826,334,027	P 2,474,931,832	P 18,374,812,160	P 1,155,674,589	P 19,530,486,749
Prior period adjustment, net of tax	2	-	-	-	1,286,773	(1,833,057)	(546,284)	5,169	(541,115)
As restated		10,908,215,404	4,281,564,705	(116,233,808)	827,620,800	2,473,098,775	18,374,265,876	1,155,679,758	19,529,945,634
Total comprehensive loss for the year:									
Net profit for the year		-	-	-	-	179,624,379	179,624,379	6,739,304	186,363,683
Available-for-sale financial assets:									
Fair value losses on available-for-sale financial assets		-	-	-	(346,355,500)	-	(346,355,500)	(45,359,540)	(391,715,040)
Reclassification to profit or loss		-	-	-	(6,027,460)	-	(6,027,460)	(5,563,809)	(11,591,269)
Remeasurements on retirement benefit obligation	2, 20	-	-	-	(32,009,977)	-	(32,009,977)	(145,432)	(32,155,409)
Tax income on remeasurement	2, 21	-	-	-	9,487,970	-	9,487,970	-	9,487,970
Reduction in noncontrolling interest representing the shares held by a deconsolidated subsidiary		-	-	-	-	-	-	(257,877,828)	(257,877,828)
Balance at December 31, 2011	23	P 10,908,215,404	P 4,281,564,705	(P 116,233,808)	P 452,715,833	P 2,652,723,154	P 18,178,985,288	P 853,472,453	P 19,032,457,741

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2013, 2012 and 2011 *(Amounts in Philippine Pesos)*

	Notes	2013	2012 (As Restated - see Note 2)	2011 (As Restated - see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 470,608,136**	P 310,809,022	P 221,122,384
Adjustments for:				
Finance income	19	**(449,788,792)**	(490,908,542)	(374,332,255)
Finance costs	19	**126,572,738**	96,630,630	58,317,356
Dividend income	19	**(42,788,000)**	(40,536,000)	(44,395,338)
Depreciation and amortization	12, 13	**37,015,034**	38,394,105	32,696,704
Loss from sale of investment in associate	10	**35,422,273**	-	-
Equity share in net earnings of associates	10	**(34,635,124)**	(83,770,918)	(16,509,892)
Gain on sale of property and equipment	13	**(487,890)**	-	-
Impairment loss	6	**79,820**	18,300	216,547
Loss from dilution of investment in subsidiary	10	**-**	37,501,256	57,824,732
Gain on disposal of AFS financial assets		**-**	-	(4,401,401)
Gain on disposal of FVTPL financial assets		**-**	-	(3,337,364)
Fair value loss on FVTPL financial assets		**-**	-	616,308
Operating profit (loss) before working capital changes		**141,998,195**	(131,862,147)	(72,182,219)
Increase in trade and other receivables		**(593,261,118)**	(548,433,029)	(77,052,055)
Increase in advances to related parties		**(133,230,631)**	(654,297,479)	(1,419,236,079)
Increase in residential and condominium units for sale		**(1,456,829,490)**	(1,854,871,188)	(1,518,609,497)
Increase in property development costs		**(243,026,014)**	(235,827,882)	(239,142,763)
Increase in prepayments and other current assets		**(93,961,622)**	(172,118,201)	(129,091,319)
Decrease in advances to landowners and joint ventures		**35,509,548**	117,631,400	424,047,714
Increase in land held for future development		**(425,547,777)**	(551,246,238)	(156,817,146)
Decrease in other non-current assets		**287,613**	16,151,725	152,627,038
Increase (decrease) in trade and other payables		**(510,367,292)**	630,744,307	(330,753,633)
Increase (decrease) in deferred gross profit on real estate sales		**(140,357,205)**	63,663,460	(109,998,571)
Increase (decrease) in customers' deposits		**217,826,347**	393,712,546	(270,542,910)
Increase (decrease) in reserve for property development		**(134,045,868)**	227,469,858	85,361,659
Increase in other current liabilities		**108,429,012**	35,141,875	1,445,354,150
Increase in retirement benefit obligation		**32,328,471**	14,820,055	10,910,444
Cash used in operations		**(3,194,247,831)**	(2,649,320,938)	(2,205,125,187)
Interest received		**301,396,245**	291,250,824	191,398,663
Cash paid for income taxes		**(77,894,360)**	(52,039,412)	(71,010,179)
Net Cash Used in Operating Activities		**(2,970,745,946)**	(2,410,109,526)	(2,084,736,703)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investment in shares of stock	10	**471,236,862**	-	-
Dividends received	19	**42,788,000**	40,536,000	44,395,338
Interest received	19	**17,228,413**	24,447,560	19,856,160
Acquisitions of property and equipment	13	**(11,815,910)**	(16,125,846)	(25,849,730)
Proceeds from sale of property and equipment	13	**2,847,666**	-	-
Proceeds from disposal of AFS financial assets		**-**	-	379,297,342
Acquisition of AFS financial assets		**-**	-	(365,726,942)
Acquisition of financial assets at FVTPL		**-**	-	(88,355,740)
Proceeds from disposal of financial assets at FVTPL		**-**	-	88,168,716
Decrease in AFS financial assets		**-**	-	62,514,618
Net Cash From Investing Activities		**522,285,031**	48,857,714	114,299,762
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of advances from related parties	22	**(1,286,978,539)**	(80,417,177)	(73,792,054)
Proceeds from issuance of shares of stock	23	**1,260,000,000**	2,695,239,834	-
Payments of interest-bearing loans and borrowings	14	**(170,152,311)**	(249,364,217)	(349,967,275)
Proceeds from advances from related parties	22	**142,239,176**	1,979,020,494	1,979,400,775
Interest paid		**(25,399,062)**	(43,776,313)	(76,122,701)
Direct costs in issuance of shares of stock	23	**-**	(33,676,709)	-
Net Cash From (Used in) Financing Activities		**(80,290,736)**	4,267,025,912	1,479,518,745
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,528,751,651)**	1,905,774,100	(490,918,196)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**3,033,222,982**	827,666,321	1,491,611,105
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF DECONSOLIDATED SUBSIDIARIES	10	**-**	(195,406,748)	(132,535,045)
PREACQUISITION CHANGES IN CASH AND CASH EQUIVALENTS OF DECONSOLIDATED SUBSIDIARY	10	**-**	495,189,309	(40,491,543)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 504,471,331**	P 3,033,222,982	P 827,666,321

Supplemental Information on Non-cash Investing and Financing Activities:

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

- Capitalization of interest expense as part of Residential and condominium units for sales account (see Note 7) and
- Settlements of Advances to Landowners through receipt of certain parcels of land and reclassification to real estate assets upon full payment (see Note 8).

See Notes to Consolidated Financial Statements.

December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

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

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

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

Subsidiaries/Associate	Explanatory Notes	Percentage of Ownership 2013	2012	2011
Subsidiaries:				
Eastwood Property Holdings, Inc. (EPHI)	(a)	**100%**	100%	100%
Valle Verde Properties, Inc. (VVPI)	(b)	**100%**	100%	100%
Sherman Oak Holdings, Inc, (SOHI)	(c)	**100%**	100%	100%
Empire East Communities, Inc. (EECI)	(d)	**100%**	100%	100%
Laguna BelAir School, Inc. (LBASI)	(e)	**73%**	73%	73%
Sonoma Premier Land, Inc.(SPLI)	(f)	**60%**	60%	60%
Gilmore Property Marketing Associate, Inc. (GPMAI)	(g)	**-**	-	52%
Associates:				
GPMAI	(g)	**47%**	47%	-
SPI	(h)	**-**	33%	33%

Explanatory Notes:

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

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

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

Prior to March 25, 2011, the Company held 80% ownership interest in SPI and, thus, was a consolidated subsidiary in 2010. On March 25, 2011, the percentage ownership of the Company over SPI was reduced to 33% due to the subscription by Megaworld to SPI's increase in authorized capital stock. Accordingly, SPI was treated as an associate in 2012 and 2011. On June 7, 2013, the Company sold its 33% ownership interest in SPI to Megaworld. A total of 315,000,008 shares were sold for a total consideration of P471.2 million (see Note 10.1). As a result of the sale, SPI ceased to be an associate of the Company.

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

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

Starting June 2011, the Company became a subsidiary of Megaworld. Megaworld is engaged in the development of large scale mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. The parent company is presently engaged in property-related activities, such as, project design, construction and property management. Alliance Global Group, Inc. (AGI) is the Company's ultimate parent company. AGI is a holding company with diversified investments in food and beverage, real estate, tourism-entertainment and gaming and quick service restaurant businesses. The shares of common stock of both Megaworld and AGI are listed at the PSE.

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

The consolidated financial statements of Empire East Land Holdings, Inc. and Subsidiaries (the Group) for the year ended December 31, 2013 (including the comparative financial statements for December 31, 2012 and the corresponding figures as of January 1, 2012) were authorized for issue by the Company's BOD on March 7, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Financial Statements

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

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

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

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

(c) Functional and Presentation Currency

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

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

December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

2.2 Adoption of New and Amended PFRS

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

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

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

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

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

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

- eliminates the corridor approach and requires the recognition of remeasurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;

- changes the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit liability or asset; and,

- enhances disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

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

	December 31, 2012		
	As Previously Reported	Effect of Adoption of PAS 19	As Restated
Change in liabilities:			
Retirement benefit obligation	P 114,965,381	P 35,337,019	P 150,302,400
Deferred tax liabilities - net	1,124,530,786	(10,272,577)	1,114,258,209
Net increase in liabilities		P 25,064,442	
Change in components of equity:			
Revaluation reserves, net of tax	P 1,016,726,000	(P 23,840,226)	P 992,885,774
Retained earnings	2,888,249,604	(923,065)	2,887,326,539
Non-controlling interest	612,916,679	(301,151)	612,615,528
Net decrease in equity		(P 25,064,442)	

	January 1, 2012		
	As Previously Reported	Effect of Adoption of PAS 19	As Restated
Change in liabilities:			
Retirement benefit obligation	P 91,390,515	P 32,592,411	P 123,982,926
Deferred tax liabilities - net	1,094,339,686	(9,624,708)	1,084,714,978
Net increase in liabilities		P 22,967,703	
Change in components of equity:			
Revaluation reserves, net of tax	P 473,951,067	(P 21,235,234)	P 452,715,833
Retained earnings	2,654,315,360	(1,592,206)	2,652,723,154
Non-controlling interest	853,612,716	(140,263)	853,472,453
Net decrease in equity		(P 22,967,703)	

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

	As Previously Reported	Effect of Adoption of PAS 19	As Restated
2012			
Changes in profit or loss:			
Salaries and employee benefits	P 199,779,027	(P 8,754,811)	P 191,024,216
Finance costs	88,831,180	7,799,450	96,630,630
Tax expense	74,505,086	281,950	74,787,036
		(P 673,411)	
Change in other comprehensive income:			
Remeasurements on retirement benefit obligation - net of tax	P -	(P 2,770,150)	(P 2,770,150)
Changes in total comprehesive income attributable to:			
Company's shareholders	P 735,826,244	(P 1,935,851)	P 733,890,393
Non-controlling interest	1,414,331	(160,888)	1,253,443
		(P 2,096,739)	

December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

	As Previously Reported	Effect of Adoption of PAS 19	As Restated
2011			
Changes in profit or loss:			
Salaries and employee benefits	P 161,749,075	(P 7,060,478)	P 154,688,597
Finance costs	51,600,951	6,716,405	58,317,356
Tax expense	34,655,479	103,222	34,758,701
		(P 240,851)	
Change in other comprehensive income:			
Remeasurements on retirement benefit obligation - net of tax	P -	(P 22,667,439)	(P 22,667,439)
Changes in total comprehensive income attributable to:			
Company's shareholders	(P 172,999,432)	(P 22,281,156)	(P 195,280,588)
Non-controlling interest	(44,184,045)	(145,432)	(44,329,477)
		(P 22,426,588)	

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

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

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

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

(iv) Consolidation, Joint Arrangements, Associates and Disclosures

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

- PFRS 10 changes the definition of control focusing on three elements which determines whether the investor has control over the investee such as the (a) power over the investee, (b) exposure or rights to variable returns from involvement with the investee, and, (c) ability to use such power to affect the returns. This standard also provides additional guidance to assist in determining controls when this is difficult to assess, particularly in situation where an investor that owns less than 50% of the voting rights in an investee may demonstrate control to the latter.

- PFRS 11 deals with how a joint arrangement is classified and accounted for based on the rights and obligations of the parties to the joint arrangement by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. The option of using proportionate consolidation for arrangement classified as jointly controlled entities under the previous standard has been eliminated. This new standard now requires the use of equity method in accounting for arrangement classified as joint venture.

- PFRS 12 integrates and makes consistent the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, associates, special purpose entities and unconsolidated structured entities. In general, this requires more extensive disclosures about the risks to which an entity is exposed from its involvement with structured entities.

- PAS 27 (Revised) deals with the requirements pertaining solely to separate financial statements while PAS 28 (Revised) includes the requirements for joint ventures, as well as for associates, to be accounted for using the equity method.

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

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

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

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

(vi) 2009-2011 Annual Improvements to PFRS. Annual Improvements to PFRS (2009-2011 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following are relevant to the Group:

(a) PAS 1 (Amendment), *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information*. The amendment clarifies that a statement of financial position as at the beginning of the preceding period (third statement of financial position) is required when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the third statement of financial position. The amendment specifies that other than disclosure of certain specified information in accordance with PAS 8 related notes to the third statement of financial position are not required to be presented.

December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

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

(b) PAS 16 (Amendment), *Property, Plant and Equipment – Classification of Servicing Equipment*. The amendment addresses a perceived inconsistency in the classification requirements for servicing equipment which resulted in classifying servicing equipment as part of inventory when it is used for more than one period. It clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognized as property, plant and equipment when they meet the definition of property, plant and equipment, otherwise, these are classified as inventory. This amendment had no impact on the Group's consolidated financial statements since it has been recognizing those servicing equipment in accordance with the recognition criteria under PAS 16.

(c) PAS 32 (Amendment), *Financial Instruments: Presentation – Tax Effect of Distributions to Holders of Equity Instruments*. The amendment clarifies that the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with PAS 12, Income Taxes. Accordingly, income tax relating to distributions to holders of an equity instrument is recognized in profit or loss while income tax related to the transaction costs of an equity transaction is recognized in equity. This amendment had no effect on the Group's consolidated financial statements as it has been recognizing the effect of distributions to holders of equity investments and transaction costs of an equity transaction in accordance with PAS 12.

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

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

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

(c) Effective Subsequent to 2013 but not Adopted Early

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

(i) PAS 19 (Amendment), *Employee Benefits: Defined Benefit Plans – Employee Contributions* (effective from January 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. Management has initially determined that this amendment will have no impact on the Group's consolidated financial statements.

(ii) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2014). The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that a right of set-off is required to be legally enforceable, in the normal course of business; in the event of default; and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies the principle behind net settlement and provided characteristics of a gross settlement system that would satisfy the criterion for net settlement. The Group does not expect this amendment to have a significant impact on its consolidated financial statements.

(iii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets* (effective from January 1, 2014). The amendment clarifies that the requirements for the disclosure of information about the recoverable amount of assets or cash-generating units is limited only to the recoverable amount of impaired assets that is based on fair value less cost of disposal. It also introduces an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less cost of disposal is determined using a present value technique. Management will reflect in its subsequent years' consolidated financial statements the changes arising from this relief on disclosure requirements.

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

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

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

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

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

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

(v) Philippine IFRIC 15, *Agreements for Construction of Real Estate.* This Philippine interpretation is based on IFRIC interpretation issued by the IASB in July 2008 effective for annual periods beginning on or after January 1, 2009. The adoption of this interpretation in the Philippines, however, was deferred by the FRSC and Philippine Securities and Exchange Commission after giving due considerations on various application issues and the implication on this interpretation of the IASB's on-going revision of the Revenue Recognition standard. This interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts,* or PAS 18, *Revenue,* and accordingly, when revenue from the construction should be recognized. The main expected change in practice is a shift from recognizing revenue using the percentage of completion method (i.e., as a construction progresses, by reference to the stage of completion of the development) to recognizing revenue at completion upon or after delivery. The Group is currently evaluating the impact of this interpretation on its consolidated financial statements in preparation for its adoption when this becomes mandatorily effective in the Philippines.

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

Annual Improvements to PFRS (2010-2012 Cycle)

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

(b) PAS 24 (Amendment), *Related Party Disclosures.* The amendment clarifies that entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also requires and clarifies that the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity should be disclosed in the financial statements, and not the amounts of compensation paid or payable by the key management entity to its employees or directors.

(c) PFRS 3 (Amendment), *Business Combinations* (effective July 1, 2014). Requires contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

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

Annual Improvements to PFRS (2011-2013 Cycle)

(a) PFRS 3 (Amendment), *Business Combinations* (effective July 1, 2014). Clarifies that PFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

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

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

2.3 Basis of Consolidation and Interests in Joint Ventures

The Group's consolidated financial statements comprise the accounts of the Company and its subsidiaries as enumerated in Note 1, after the elimination of intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

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

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

(a) Investments in Subsidiaries

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

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Company recognizes any non-controlling interest in the acquiree, either at fair value or at the noncontrolling interest's proportionate share of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see also Note 2.9).

(b) *Investments in Associates*

Associates are those entities over which the Company is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint venture. Investments in associate are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Company's share in the associate is included in the amount recognized as investment in associates.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Equity Share in Net Earnings of Associates in the Group's consolidated statement of comprehensive income.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.17).

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in consolidated other comprehensive income or equity of the Company, as applicable. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

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

(c) *Transactions with Non-controlling Interests*

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recognized in equity.

When the Company ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(d) *Interests in Joint Ventures*

For interests in jointly controlled operations, the Group recognizes in its consolidated financial statements its share of the jointly controlled assets, any liabilities that it has incurred, its share of any liabilities incurred jointly with the other venturers in relation to the joint venture, any income from the sale or use of its share of the output of the joint venture, and any expenses that it has incurred in respect of its interest in the joint venture. No adjustment or other consolidation procedures are required for the assets, liabilities, income and expenses of the joint venture that are recognized in the separate financial statements of the venturers.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value, plus transaction costs. Financial assets carried at FVTPL are initially recognized at fair value and transaction costs are charged as expense and included in the profit or loss.

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

(a) Financial Assets at FVTPL

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

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

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables include Cash and Cash Equivalents, Trade and Other Receivables (excluding Advances to Suppliers and Contractors) and Advances to Related Parties account in the consolidated statement of financial position. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows discounted at the effective interest rate (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

(c) AFS Financial Assets

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

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity. When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income.

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

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

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

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

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party.

2.5 Prepayments and Other Assets

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

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

2.6 Property and Equipment

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

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

2.7 Investment Property

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

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

2.8 Financial Liabilities

Financial liabilities which include Interest-bearing Loans and Borrowings, Trade and Other Payables (except tax-related liabilities), Advances from Related Parties and Other Current Liabilities (excluding deferred income), are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as an expense in the consolidated profit or loss under the caption Finance Costs in the consolidated statement of comprehensive income.

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance charges are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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

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

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

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

2.9 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.17).

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

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

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

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

2.10 Offsetting of Financial Instruments

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

2.11 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.12 Real Estate Transactions and Revenue and Expense Recognition

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

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

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

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

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

Cost of real estate property sold before completion of the development is determined based on the actual costs incurred to date plus estimated costs to complete the development of the property. The estimated expenditures for the development of real estate property sold, as determined by the entities' project engineers, are charged to the cost of residential and condominium units sold with a corresponding credit to the Reserve for Property Development account, which pertains to the remaining costs that will be incurred relative to the development/construction of the sold units.

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

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

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

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

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

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

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

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

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

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

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

2.13 Commissions

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

2.14 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) *Group as Lessor*

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

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.15 Segment Reporting

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

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

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

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

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

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.16 Foreign Currency Transactions and Translation

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in the consolidated statement of comprehensive income.

2.17 Impairment of Non-financial Assets

The Group's interest in joint ventures, investment property, property and equipment, investment in associates, goodwill and other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.18 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan, as well as various defined contribution plans.

(a) Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of pension plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets. The DBO is calculated at least every two years by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of a zero coupon government bonds as published by Philippine Dealing & Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

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

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

(b) Defined Contribution Plans

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

(c) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables account in the statement of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

2.19 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. For financial reporting purposes, interest and other costs on certain borrowings that are attributable to the acquisition, construction or development of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of Property Development Costs and Residential and Condominium Units for Sale accounts in the consolidated statement of financial position (see Note 2.12). The capitalization of borrowing costs commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

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

2.20 Income Taxes

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

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the consolidated profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates and tax laws have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in consolidated other comprehensive income or directly in equity, respectively.

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

2.21 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) the Group's retirement fund; and, (d) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

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

2.22 Earnings Per Share

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

Diluted earnings per share are computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Group does not have dilutive potential shares outstanding; hence, the diluted earnings per share is equal to the basic earnings per share.

2.23 Equity

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

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

Treasury stock are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

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

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

2.24 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Judgments in Applying Accounting Policies

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

(a) Impairment of AFS Financial Assets

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

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

(b) Distinction Among Investment Property, Owner-managed Properties and Land Held for Future Development

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the Group's main line of business while land held for future development are properties intended solely for future development.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the Group's main line of business or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the Group's main line of business or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

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

(c) Distinction between Operating and Finance Leases

The Group has entered into various lease agreements as either a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements.

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

(d) Recognition of Provisions and Contingencies

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

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

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

In determining the net realizable value of residential and condominium units for sale, property development costs and land held for future development, management takes into account the most reliable evidence available at the times the estimates are made. The future realization of the carrying amounts of these assets is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation and uncertainty and may cause significant adjustments to the Group's Residential and Condominium Units for Sale, Property Development Costs and Land Held for Future Development within the next financial year.

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

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

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

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

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

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

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

(d) *Fair Value Measurements of Financial Instruments*

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

(e) *Determining Realizable Amount of Deferred Tax Assets*

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

The carrying values of the Group's deferred tax assets as of December 31, 2013 and 2012 are disclosed in Note 21.

(f) *Impairment of Non-financial Assets*

The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.17. Though management believes that the assumptions used in the estimation of fair values are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

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

(g) *Valuation of Post-Employment Defined Benefit*

The determination of the Group's obligation and cost of post-employment benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit obligation are presented in Note 20.2.

(h) *Revenue Recognition Based on Percentage-of-Completion Method*

The Group uses the percentage-of-completion method in accounting for its realized gross profit on real estate sales. The use of the percentage-of-completion method requires the Group to estimate the portion completed to date as a proportion of the total budgeted cost of the project. Should the proportion of the percentage of completed projects differ by 10% from management's estimates, the amount of revenue recognized in 2013 and 2012 would have increased by P28.9 million and P33.8 million, respectively, if percentages of completion were increased by 10%. Consequently, revenue would have decreased by P56.1 million and P47.45 million in 2013 and 2012, respectively, if the percentages of completion were decreased by 10%.

(i) *Basis for Revenue Recognition Benchmark*

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

(j) Determination of Fair Value of Investment Property

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

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

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

4. SEGMENT REPORTING

4.1 Business Segments

The Group's operating businesses are organized and managed separately according to the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group is engaged in the development and marketing of mid-cost housing projects in the form of condominium communities, subdivision lots and house and lot packages, and commercial units to a limited extent. It classifies and monitors its projects into high-rise and horizontal. High-rise projects refer to condominiums and other medium scale properties while the horizontal projects refer to house and lot packages and subdivision lots. Both are intended for middle income market.

4.2 Segment Assets and Liabilities

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

4.3 Intersegment Transactions

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

4.4 Analysis of Segment Information

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

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

December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

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

4.5 Reconciliations

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

	2013	2012	2011
Revenues			
Total segment revenues	**P 2,524,372,641**	P 2,049,993,266	P 1,540,446,205
Unallocated revenues:			
Rental income from investment property	**3,035,931**	3,784,977	3,318,465
Finance income	**173,826,741**	177,925,778	172,421,491
Commissions	**147,636,430**	149,623,356	149,817,650
Equity share in net earnings of associate	**34,635,124**	83,770,918	16,509,892
Other income	**67,609,445**	57,655,322	70,862,995
	426,743,671	472,760,351	412,930,493
Revenues as reported in profit or loss	**P 2,951,116,312**	P 2,522,753,617	P 1,953,376,698
Profit or loss			
Segment operating profit	**P 853,727,891**	P 534,547,804	P 395,608,686
Other unallocated income	**426,743,671**	472,760,351	412,930,493
Other unallocated expense	**(809, 863,426)**	(696,499,133)	(587,416,795)
Profit before tax as reported in profit or loss	**P 470,608,136**	P 310,809,022	P 221,122,384
Assets			
Segment assets	**P 19,064,958,515**	P 16,999,478,677	
Unallocated assets:			
Cash and cash equivalents	**504,471,331**	3,033,222,982	
Trade and other receivables	**2,063,602,861**	1,787,517,081	
Advances to related parties	**2,053,791,774**	1,687,392,195	
Prepayments and other current assets	**760,206,175**	666,244,553	
Advances to landowners and joint ventures	**787,075,245**	822,584,793	
Investment in associates	**293,372,235**	970,146,246	
Available for sale financial assets	**2,905,080,000**	1,887,176,000	
Property and equipment – net	**160,370,094**	171,065,623	
Land held for future development	**4,088,300,118**	3,662,752,341	
Investment property – net	**185,552,516**	202,357,339	
Other non-current assets	**84,458,536**	84,746,150	
	13,886,280,885	14,975,205,303	
Total assets as reported in the consolidated statements of financial position	**P 32,951,239,400**	P 31,974,683,980	

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

5. CASH AND CASH EQUIVALENTS

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

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

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

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

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	2013	2012
Current:		
Trade receivables	**P 1,571,441,013**	P 1,524,376,795
Advances to suppliers and contractors	**865,590,629**	576,377,414
Interest receivable	**378,930,113**	419,696,416
Rent receivable	**66,977,121**	-
Others	**97,186,469**	70,656,804
	2,980,125,345	2,591,107,429
Allowance for impairment	**(559,030)**	(518,498)
	2,979,566,315	2,590,588,931
Non-current:		
Trade receivables	**2,313,206,474**	1,948,297,003
Refundable security deposits	**44,665,660**	177,844,987
Others	**63,820,351**	68,216,827
	2,421,692,485	2,194,358,817
	P 5,401,258,800	P 4,784,947,748

December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

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

A reconciliation of the allowance for impairment on current and non-current trade and other receivables at the beginning and end of 2013 and 2012 is shown below.

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

Trade receivables of the Group are either interest-bearing or noninterest-bearing. The installment period of interest-bearing sales contracts ranges from 2 to 15 years. Interest-bearing receivables bear nominal interest rates, which are equal to the effective interest rates ranging from 14% to 19% in 2013 and 14% to 18% in 2012 and 2011. The related finance income earned on those sales contracts amounting to P267.5 million in 2013, P319.2 million in 2012 and P216.4 million in 2011 are reported as part of Finance Income in the consolidated statements of comprehensive income (see Note 19.1).

The installment period of noninterest-bearing sales contracts ranges from 3 to 5 years. The fair values of the noninterest-bearing trade receivables as of December 31, 2013 and 2012 were determined by calculating the present value of the cash flows anticipated to be received until the end of the installment term using 10% discount rate. Amortization of day one loss amounting to P51.3 million in 2013, P34.4 million in 2012 and P37.2 million in 2011 are presented as part of Finance Income in the consolidated statements of comprehensive income (see Note 19.1).

All trade receivables are subject to credit risk exposure. The Group does not identify specific concentrations of credit risk with regard to trade and other receivables, as the amounts recognized resemble a large number of receivables from various customers. In addition, certain accounts receivable from trade customers are covered by post-dated checks. The Group also retains the titles to the property until the trade receivables are fully collected. Repossessed properties are offered for sale to other customers.

The Group partially finances its real estate projects and other business undertakings through discounting of its trade receivables on a with-recourse basis with certain local banks. The carrying amount of discounted trade receivables amounted to P220.0 million and P333.0 million as of December 31, 2013 and 2012, respectively, while the related liability is presented as part of Bank Loans under Interest-bearing Loans and Borrowings in the consolidated statements of financial position (see Note 14.1).

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

Refundable security deposits include various deposits to third parties for electrical and other utilities equipment needed in the development of housing projects, i.e., condominium communities and house and lot packages. Such deposits are only refundable upon completion of the projects or upon return of the equipment used. However, the exact date or period of completion of projects or return of equipment is indeterminable. Accordingly, refundable deposits are accounted for at cost.

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

7. REAL ESTATE PROPERTIES

7.1 Residential and Condominium Units for Sale

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

Total capitalized borrowing cost during the year amounted to P25.4 million and P43.8 million in 2013 and 2012, respectively (see Note 14.3).

7.2 Property Development Costs

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

7.3 Net Realizable Value

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

8. ADVANCES TO LANDOWNERS AND JOINT VENTURES

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

The details of advances to landowners and joint ventures are as follows:

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

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

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

The net commitment for construction expenditures amounts to:

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

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

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

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

December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

9. LAND HELD FOR FUTURE DEVELOPMENT

This account includes cost of several parcels of land acquired by the Group and other costs incurred to effect the transfer of the title of the properties to the Group. Most of these properties are located in Metro Manila and Calabarzon areas and are intended for future development. Real estate taxes paid relating to these properties amounted to P9.4 million, P4.8 million and P1.0 million in 2013, 2012 and 2011, respectively, and is presented as part of Taxes and Licenses in the consolidated statements of comprehensive income. Management believes that the net realizable value of land held for future development is higher than its related carrying value as of the end of the reporting periods.

10. INVESTMENT IN AN ASSOCIATES

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

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

10.1 Sale of Investment in SPI

On June 7, 2013, the Company sold its 33% ownership interest in SPI to Megaworld. A total of 315,000,008 shares were sold for a total consideration of P471.2 million. The carrying amount of investment in SPI at the time of sale is P506.7 million. Accordingly, loss on the sale of investment amounting to P35.4 million was recognized and presented as part of Other Expenses in the 2013 consolidated statement of comprehensive income (See Note 18).

10.2 Dilution of Ownership Interest in GPMAI and SPI

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

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

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

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

10.3 Summarized Financial Information

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

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

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

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	Note	**2013**	2012
Balance at beginning of year		**P 1,887,176,000**	P 1,652,746,082
Fair value gains – net		**1,017,904,000**	464,392,000
Deconsolidation of balance related to GPMAI	10	**-**	(229,962,082)
Balance at end of year		**P 2,905,080,000**	P 1,887,176,000

AFS financial assets mainly consist of investments held by EPHI in equity securities of the Ultimate Parent Company listed in the PSE. The fair value of these securities has been determined directly by reference to published prices in an active market. The fair value of these investments, amounting to P2.9 billion, is categorized as Level 1 in the fair value hierarchy. On the other hand, the Group's Level 3 investments amounting to P2.7 million include equity instruments which are presented as part of Other Non-Current Assets account in the consolidated statements of financial position.

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

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

12. INVESTMENT PROPERTY

The Group's investment property pertains to building and office/commercial units for lease and a parcel of land held for capital appreciation. Rental revenues recognized for the years ended December 31, 2013, 2012 and 2011 amounted to P121.4 million, P45.0 million and P47.6 million, respectively, and are presented as Rental Income in the consolidated statements of comprehensive income. Real estate taxes and depreciation substantially represent direct costs related to these properties. Real estate tax amounting to P1.1 million, P1.6 million and P1.0 million was recognized as a related expense in 2013, 2012 and 2011, respectively, and presented as part of Taxes and Licenses in the consolidated statements of comprehensive income.

December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

The gross carrying amounts and accumulated depreciation of investment property as of the reporting period is shown below.

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

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

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

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

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

13. PROPERTY AND EQUIPMENT

As of December 31, 2013 and 2012, this account includes land amounting to P81,095,000 which is used as LBASI's school site. The gross carrying amounts and accumulated depreciation and amortization of other items of property and equipment at the beginning and end of 2013 and 2012 are shown below.

	Building and Other Improvements	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
December 31, 2013					
Cost	P 73,617,523	P 110,449,797	P 51,677,754	P 59,561,765	P 295,306,839
Accumulated depreciation and amortization	(25,130,765)	(98,267,819)	(42,325,796)	(50,307,365)	(216,031,745)
Net carrying amount	**P 48,486,758**	**P 12,181,978**	**P 9,351,958**	**P 9,254,400**	**P 79,275,094**
December 31, 2012					
Cost	P 73,144,723	P 104,133,832	P 55,886,319	P 57,990,193	P 291,155,067
Accumulated depreciation and amortization	(22,195,567)	(92,500,052)	(43,614,764)	(42,874,061)	(201,184,444)
Net carrying amount	P 50,949,156	P 11,633,780	P 12,271,555	P 15,116,132	P 89,970,623
January 1, 2012					
Cost	P 73,144,723	P 97,038,848	P 52,345,401	P 52,500,247	P 275,029,219
Accumulated depreciation and amortization	(19,269,778)	(87,425,798)	(38,161,309)	(34,738,275)	(179,595,160)
Net carrying amount	P 53,874,945	P 9,613,050	P 14,184,092	P 17,761,972	P 95,434,059

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

	Building and Other Improvements	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
Balance at January 1, 2013, net of accumulated depreciation and amortization	P 50,949,156	P 11,633,780	P 12,271,555	P 15,116,132	P 89,970,623
Additions	472,800	6,419,491	3,100,482	1,823,137	11,815,910
Disposals	-	(67,434)	(2,108,346)	(125,448)	(2,301,228)
Depreciation and amortization charges for the year	(2,935,198)	(5,803,859)	(3,911,733)	(7,559,421)	(20,210,211)
Balance at December 31, 2013 net of accumulated depreciation and amortization	**P 48,486,758**	**P 12,181,978**	**P 9,351,958**	**P 9,254,400**	**P 79,275,094**
Balance at January 1, 2012, net of accumulated depreciation and amortization	P 53,874,945	P 9,613,050	P 14,184,093	P 17,761,972	P 95,434,060
Additions	-	7,094,984	3,540,918	5,489,944	16,125,846
Reclassification	-	28,524	-	(28,524)	-
Depreciation and amortization charges for the year	(2,925,789)	(5,102,778)	(5,453,456)	(8,107,260)	(21,589,283)
Balance at December 31, 2012 net of accumulated depreciation and amortization	P 50,949,156	P 11,633,780	P 12,271,555	P 15,116,132	P 89,970,623

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

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

14. INTEREST-BEARING LOANS AND BORROWINGS

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

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

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

December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

14.1 Bank Loans

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

Finance costs that are directly attributable to construction of the Group's projects are capitalized as part of Residential and Condominium Units for Sale (see Note 14.3).

Certain bank loans require the Group to maintain a debt-to-equity ratio of not more than 1:1 and a current ratio of not less than 2:1. As of December 31, 2013 and 2012, the Group is in compliance with such financial covenant obligation.

14.2 Commercial/Term Loans

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

14.3 Interest

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

15. TRADE AND OTHER PAYABLES

This account consists of:

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

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

16. CUSTOMERS' DEPOSITS

Presented below are the details of this account.

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

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

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

17. OTHER CURRENT LIABILITIES

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

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

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

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

18. OTHER INCOME AND EXPENSES

18.1 Other Income

The details of this account are shown below.

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

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

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

Miscellaneous income mostly includes collections of common area charges.

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18.2 Other Expenses

The breakdown of other operating expenses is shown below.

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

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

19. FINANCE INCOME AND COSTS

The details of this account are shown below.

19.1 Finance Income

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

19.2 Finance Cost

The breakdown of Finance cost is shown below.

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

20. SALARIES AND EMPLOYEE BENEFITS

20.1 Salaries and Employee Benefits Expense

Expenses recognized for employee benefits are presented below.

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

20.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Retirement Age	Average Remaining Working Life
Company	60	28
LBASI	60	24
EPHI	60	21

These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as interest rate risk, longevity risk and salary risk.

Interest Risks

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

Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

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(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

Sensitivity Analysis

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

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Company			
Discount rate	+0.50%/-1.00%	(41,570,957)	51,824,55
Salary increase rate	+0.75%/-1.25%	46,249,221	(38,411,489)
EPHI			
Discount rate	+/-1.00%	(557,697)	693,575
Salary increase rate	+/-1.00%	641,647	(530,851)
LBASI			
Discount rate	+/-0.50%	(2,355,692)	2,604,416
Salary increase rate	+/-2.00%	15,588,813	(9,414,363)

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

Asset-liability Matching Strategies

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

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

Funding Arrangements and Expected Contributions

The plan is currently underfunded by P285.3 million based on the latest actuarial valuation. While there are no minimum funding requirements in the country, the size of the underfunding may pose a cash flow risk in about 10 years' time when a significant number of employees is expected to retire.

The Company expects to make contribution of P2.0 million to the plan during the next financial year.

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

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

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

21. TAXES

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

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

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

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

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

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

	Consolidated Statements of Financial Position		Consolidated Statements of Comprehensive Income		
	2013	2012 (As Restated – see Note 2.2)	**2012**	2012 (As Restated – see Note 2.2)	2011 (As Restated – see Note 2.2)
Deferred tax assets:					
Retirement benefit obligation	**P 85,593,828**	P 44,380,202	**(P 12,407,640)**	(P 6,667,694)	(5,216,262)
Unamortized past service cost	**2,400,000**	1,773,000	**(627,000)**	(423,000)	(399,000)
Unrealized foreign currency losses - net	**-**	1,385,764	**-**	(1,385,764)	1,284,426
Accrued rent	**78,144**	109,898	**31,754**	(59,674)	364,122
Net operating loss carryover (NOLCO)	**-**	-	**-**	-	(1,034,824)
MCIT	**-**	-	**-**	-	7,068
	88,071,972	47,648,864	**(13,002,886)**	(8,536,132)	(4,994,470)
Deferred tax liabilities:					
Uncollected realized gross profit	**(1,026,966,308)**	(918,819,728)	**108,146,579**	36,907,489	30,538,969
Capitalized borrowing cost	**(236,853,126)**	(243,087,345)	**(6,234,219)**	(5,656,609)	(34,544,655)
Unrealized foreign exchange gains – net	**(1,732,784)**	-	**3,118,548**	-	-
Accrued rent	**-**	-	**-**	-	-
	(1,265,552,218)	(1,161,907,073)	**105,030,908**	31,250,880	(4,005,686)
Deferred Tax Expense (Income)			**P 92,028,022**	P 22,714,748	(P 9,000,156)
Net Deferred Tax Liabilities	**P1,177,480,246**	P1,114,258,209			

The deferred tax income recognized in other comprehensive income amounting to P28.8 million, P0.9 million and P9.5 million in 2013, 2012 and 2011, respectively, pertains to the tax effect of remeasurement of retirement benefit obligation.

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

The details of NOLCO incurred by certain subsidiaries, which can be claimed as deduction from their respective future taxable income within three years from the year the loss was incurred, are shown below.

Subsidiary	Year Incurred	Amount	Valid Until
EECI	2013	P 33,552,513	2016
	2012	45,231,215	2015
	2011	39,432,442	2014
SPLI	2013	158,754	2016
	2012	165,981	2015
	2011	161,714	2014
SOHI	2013	1,332,016	2016
	2012	1,150,692	2015
	2011	1,162,432	2014
VVPI	2013	271,483	2016
	2012	262,501	2015
	2011	259,494	2014

EECI, SPLI, SOHI and VVPI did not recognize deferred tax assets on their respective NOLCO as management believes that the related deferred tax assets may not be recovered within the prescriptive period. The amount of NOLCO as of the end of 2013 for which the related deferred tax asset has not been recognized amounted to a total of P35.3 million with a total tax effect of P10.6 million.

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

	Assets	Deficit	Revenues	Net Loss
2013				
EECI	P 28,397,146	P 167,892,337	P 20,746,854	P 33,549,522
SPLI	511,899,161	9,326,437	-	158,754
SOHI	16,936,665	7,282,275	-	1,505,855
VVPI	90,918,618	3,275,078	-	271,483
	P 648,151,590	**P 187,776,127**	**P 20,746,854**	**P 35,485,614**
2012				
EECI	P 19,256,571	P 134,342,815	P 16,417,537	P 45,224,030
SPLI	511,859,612	9,167,683	-	165,982
SOHI	16,840,595	5,776,420	-	1,150,692
VVPI	90,814,617	3,003,595	-	753,406
	P 638,771,395	P 152,290,513	P 16,417,537	P 47,294,110

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

22. RELATED PARTY TRANSACTIONS

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

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

Related Party		Amounts of Transaction			Outstanding Balance	
Category	Notes	**2013**	2012	2011	**2013**	2012
Ultimate Parent:						
AFS financial assets	11	**P 1,017,904,000**	P 464,392,000	P 352,382,960	**P 2,905,080,000**	P 1,887,176,000
Dividend income	19.1	**42,788,000**	40,536,000	44,395,338	**-**	-
		P 1,060,692,000	P 504,928,000	P 396,778,298	**P 2,905,080,000**	P 1,887,176,000
Advances to related parties:						
Associates:	22.1					
Loans and interest		**(P 913,981,506)**	P 102,712,258	P 811,269,247	**P -**	P 913,981,506
Capital expenditure		**(231,570,819)**	-	231,570,819	**-**	231,570,819
Working capital		**5,778,194**	42,563,867	61,466,469	**284,200,727**	278,422,533
		(P 1,139,774,131)	P 145,276,125	P 1,104,306,535	**P 284,200,727**	P 1,423,974,858
Under common ownership:	22.1					
Loans and interest		**P 1,029,390,050**	P 2,219,097	(P 15,686,203)	**P 1,063,221,733**	P 33,831,683
Investment		**242,250,000**	-	-	**242,250,000**	-
Capital expenditure		**231,570,819**	-	-	**234,164,981**	2,594,162
Working capital		**2,962,841**	(91,285,366)	106,779	**229,954,333**	226,991,492
		P 1,506,173,710	(P 89,066,269)	(P 15,579,424)	**P 1,769,591,047**	P 263,417,337

December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

Related Party Category	Notes	Amounts of Transaction 2013	2012	2011	Outstanding Balance 2013	2012
Advances from related parties:						
Parent Company:	22.1					
Loans and interest		**P 1,151,623,215**	P 84,645,102	(P 49,709,28)	**P 610,004,941**	(P 541,618,274)
Capital expenditure		**(25,795,000)**	(1,494,000,000)	(209,076,757)	**(1,728,871,757)**	(1,703,076,757)
Working capital		**8,154,691**	68,052,310	109,954,915	**(71,578,461)**	(79,733,152)
		P 1,133,982,906	(P 1,510,592,792)	(P 148,831,127)	**(P 1,190,445,277)**	(P 2,324,428,183)
Associates:	22.1					
Capital expenditure		**P -**	(P 380,770,134)	P -	**(P 380,770,134)**	(P 380,770,134)
Working capital		**(493,543)**	(6,432,028)	-	**(6,925,571)**	(6,432,030)
		(P 493,543)	(P 387,202,162)	P -	**(P 387,695,705)**	(P 387,202,164)
Under common ownership:	22.1					
Loans and interest		**P -**	(P 65,021)	(P 54,381)	**P -**	P -
Capital expenditure		**11,250,000**	10,921,754	(39,375,000)	**(63,367,245)**	(74,617,246)
Working capital		**(37,500,000)**	37,500,000	32,557,809	**(1,845,757)**	35,654,242
		(P 26,250,000)	P 48,356,733	(P 6,871,572)	**(P 65,213,002)**	(P 38,963,000)

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

22.1 Advances to and from Related Parties

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

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

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

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

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

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

The details of Advances from Related Parties are as follows:

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

These advances to/from stockholders, associates and other related parties are generally unsecured. Some of these are interest-bearing (see Note 19.1). The amounts are generally collectible/payable in cash on demand or through offsetting arrangements with the related parties; hence, their carrying values are considered to be a reasonable approximation of their fair values.

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

22.2 Marketing Fee

The Group earns marketing fee from the sale of Megaworld's real estate properties and also from the sale of landowners' share/ units in the joint venture projects with the Group. The marketing fee recognized amounted to P147.6 million, P149.6 million and P149.8 million in 2013, 2012 and 2011, respectively, which is presented as Commission in the consolidated statements of comprehensive income. The related receivables arising from marketing fees are presented as part of Advances to Related Parties in the consolidated statements of financial position (see Note 22.1).

22.3 Commercial/Term Loan

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

22.4 Deed of Assignment

In June 2011, Fil-Estate Properties, Inc. (FEPI), a related party under common ownership, has agreed to assign the right to develop a certain property. In consideration of the assignment, the Group shall pay FEPI a non-refundable cash consideration totaling P60.0 million. As of December 31, 2013 and 2012, the unpaid portion of the cash consideration amounting to P16.8 million and P28.1 million, respectively, is presented as part of the Advances from Related Parties account in the consolidated statements of financial position.

December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

22.5 Key Management Personnel Compensation

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

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

These are presented as part of Salaries and Employee Benefits under Cost and Expenses in the consolidated statements of comprehensive income for the years ended December 31, 2013, 2012 and 2011 (see Note 20.1).

22.6 Retirement Plan

The Group's retirement fund for its post-employment defined benefit plan is administered and managed by a trustee bank. The plan assets solely consist of cash and cash equivalents amounting to P11.5 million and P8.5 million as of December 31, 2013 and 2012, respectively (see Note 20.2).

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

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

23. EQUITY

23.1 Capital Stock

Capital stock consists of:

	Shares		**Amount**	
	2013	2012	**2013**	2012
Common shares – P1 par value				
Authorized:				
Balance at beginning of year	**31,495,200,000**	21,495,200,000	**P 31,495,200,000**	P 21,495,200,000
Additions during the year	-	10,000,000,000	-	10,000,000,000
Balance at end of year	**31,495,200,000**	31,495,200,000	**31,495,200,000**	31,495,200,000
Issued:				
Balance at beginning of year	**13,603,455,238**	10,622,492,325	**13,603,455,238**	10,622,492,325
Issuance during the year	**1,200,000,000**	2,980,962,913	**1,200,000,000**	2,980,962,913
Balance at end of yeart	**14,803,455,238**	13,603,455,238	**14,803,455,238**	13,603,455,238
Preferred shares – P1 par value				
Authorized, issued and outstanding	**2,000,000,000**	2,000,000,000	**2,000,000,000**	2,000,000,000
Subscribed and outstanding:				
Balance at beginning of year	-	285,723,080	-	285,723,080
Conversion to common shares	-	(285,723,080)	-	(285,723,080)
Balance at end of year	-	-	-	-

On June 26, 2013, the Company issued additional 1.2 billion common shares to Megaworld at P1.05 per share for a total cash consideration of P1.3 billion resulting to additional paid in capital of P60.0 million. Megaworld's ownership interest in the Company as of December 31, 2013 and 2012 is 81.53% and 78.59%, respectively.

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

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

The Series B preferred shares are nonredeemable, convertible into common shares and are nonvoting. The shares have zero coupon rate and shall not be entitled to dividends. The Series B preferred shares shall be convertible to common shares anytime after the end of the 18 months from the implementation date, May 29, 1998, as defined in the subscription agreements. On August 31, 2012, the Company converted all the issued preferred shares into common shares amounting to P285.7 million.

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

As of December 31, 2013 and 2012, the Company's outstanding number of shares totalled 14,676,199,167 and 13,476,199,167, respectively, with total of 127,256,071 treasury stock as of the end of both years in which 13,603,455,238 as of December 31, 2013 and 2012 were listed and closed at a price of P0.92 and P0.99 per share (as of December 27, 2013 and December 28, 2012, respectively). The Company has 12,894 and 13,125 holders of equity securities listed in PSE as of December 31, 2013 and 2012, respectively.

23.2 Treasury Stock

The details of this account are as follows:

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

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

23.3 Retained Earnings

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

24. EARNINGS PER SHARE

Earnings per share amounts were computed as follows:

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

December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

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

25. COMMITMENTS AND CONTINGENCIES

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

25.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases covering real estate properties for commercial use. The leases have terms ranging from one to three years, with renewal options, and include annual escalation rates of 2% to 10%. The average annual rental covering these agreements amounts to about P121.4 million in 2013, P45.0 million in 2012 and P47.6 million in 2011.

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

25.2 Operating Lease Commitments – Group as Lessee

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

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

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

25.3 Legal Claims

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

25.4 Credit Lines

The Group has existing credit lines with local banks for a maximum amount of P2.9 billion, P3.3 billion, and P3.8 billion as of December 31, 2013, 2012 and 2011, respectively. The Group has unused lines of credit amounting to P670.0 million as of December 31, 2013 and 2012 and P168.0 million as of December 31, 2011.

25.5 Capital Commitments

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

25.6 Others

There are other commitments and contingent liabilities that may arise in the normal course of operations of the Group which are not reflected in the consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements.

26. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

26.1 Market Risk

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

(a) Foreign Currency Risk

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

The Group's U.S. dollar-denominated financial assets, translated into Philippine pesos at the closing rate, amounted to P81.1 million, P77.1 million and P90.3 million as of December 31, 2013, 2012 and 2011, respectively. There were no U.S. dollar-denominated financial liabilities as of December 31, 2013, 2012 and 2011.

At December 31, 2013, 2012 and 2011, if the Philippine peso had strengthened by 23.40%, 15.67% and 16.23% against the U.S. dollar with all other variables held constant, profit before tax for the year would have been lower by P19.0 million, P12.1 million and P14.7 million, respectively, mainly as a result of foreign currency loss on translation of U.S. dollar-denominated cash and cash equivalents.

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

The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the end of reporting period.

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

(b) Interest Rate Risk

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

The following paragraph presents the sensitivity of the net result for the year and equity to a reasonably possible change in interest rate of +/- 2.14% and +/- 2.16% for cash and cash equivalents and interest-bearing loans and borrowings, respectively, in 2013, +/- 1.53% and +/- 3.65% for cash and cash equivalents and interest-bearing loans and borrowings, respectively, in 2012 and, +/- 0.66% and +/- 0.76% for cash and cash equivalents and interest-bearing loans and borrowings, respectively, in 2011. These changes are considered to be reasonably possible based on observation of current market conditions. The calculation is based on changes in the average market interest rates for the period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

If the interest rates were to increase, net profit before tax would increase by P5.3 million and P31.6 million in 2013 and 2012, respectively, and decrease by P2.9 million in 2011. If interest rates were to decrease, net profit before tax would decrease in 2013 and 2012 and increase in 2011 by the same amounts.

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

(c) Other Price Risk

The Group's market price risk arises from its investments carried at fair value (classified as AFS financial assets). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, an average volatility of 73.12%, 49.09% and 33.63% has been observed during 2013, 2012 and 2011. If quoted price for these securities increased or decreased by that amount, profit before tax would have changed by P2.1 billion in 2013, P530.8 million in 2012 and P516.8 million in 2011.

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

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

The Group is not subject to commodity price risk.

26.2 Credit Risk

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

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

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

(a) Cash and Cash Equivalents

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

(b) Trade and Other Receivables

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

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

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

(c) Advances to Related Parties

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

The table below shows the credit quality by class of financial assets as of December 31, 2013.

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

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

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

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

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

26.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for 6-month and one-year periods are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits, mutual funds or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

As at December 31, 2013, the Group's financial liabilities have contractual maturities which are presented below.

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

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

	Within 6 Months	1 to 5 Years
Interest-bearing loans and borrowings	P 170,684,851	P 413,846,258
Trade and other payables	891,315,116	-
Advances from related parties	2,750,593,347	-
Other current liabilities	180,245,087	-
	P 3,992,838,401	**P 413,846,258**

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

27. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

27. 1 Carrying Amounts and Fair Values by Category

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

	Notes	**2013**		2012	
		Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets					
Loans and Receivables					
Cash and cash equivalents	5	**P 504,471,331**	**P 504,471,331**	P 3,033,222,982	P 3,033,222,982
Trade and other receivables	6	**4,535,668,171**	**4,601,327,906**	4,208,570,334	4,259,863,683
Advances to related parties	22.1	**2,053,791,774**	**2,053,791,774**	1,687,392,195	1,687,392,195
		7,093,931,276	**7,159,591,011**	8,929,185,511	8,980,478,860
AFS Financial assets	11	**2,905,080,000**	**2,905,080,000**	1,887,176,000	1,887,176,000
		P 9,999,011,276	**P 10,064,671,011**	P 10,816,361,511	P 10,867,654,860
Financial Liabilities at amortized cost					
Interest-bearing loans and borrowings	14	**P 219,731,151**	**P 219,731,151**	P 389,883,462	P 389,883,462
Trade and other payables	15	**377,303,492**	**377,303,492**	891,315,116	891,315,116
Advances from related parties	22.1	**1,643,353,984**	**1,643,353,984**	2,750,593,347	2,750,593,347
Other current liabilities	17	**287,912,670**	**287,912,670**	180,245,087	180,245,087
		P 2,528,301,297	**P 2,528,301,297**	P 4,212,037,012	P 4,212,037,012

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

27.2 Offsetting of Financial Assets and Liabilities

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

	December 31, 2013		
	Gross amounts in the statement of financial position		Net amount presented in the statement of financial position
	Financial Assets	Financial Liabilities set-off	
Advances to related parties	**P 2,090,792,331**	**P 557**	**P 2,053,791,774**

	December 31, 2012		
	Gross amounts in the statement of financial position		Net amount presented in the statement of financial position
	Financial Assets	Financial Liabilities set-off	
Advances to related parties	P 1,851,255,914	P 88,001,890	P 1,687,392,195

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

	December 31, 2013		
	Gross amounts in the statement of financial position		Net amount presented in the statement of financial position
	Financial Liabilities	Financial Assets set-off	
Advances to related parties	**P 2,930,332,523**	**P 9,812,366**	**P 1,643,353,984**

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

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

28. FAIR VALUE MEASUREMENT AND DISCLOSURES

28.1 Fair Value Hierarchy

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

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

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

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

December 31, 2013, 2012 and 2011 (Amounts in Philippine Pesos)

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

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

28.2 Financial Instruments Measured at Fair Value

As of December 31, 2013 and 2012, only the equity securities classified as AFS financial assets in the consolidated statements of financial position is classified as Level 1. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period. There were no other financial assets measured at fair value on these dates. Further, the Group has no financial liabilities measured at fair value as of December 31, 2013 and 2012.

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

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

The table below summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the 2013 statement of financial position but for which fair value is disclosed.

		Fair Value Hierarchy as at December 31, 2013			
	Notes	Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and Receivables					
Cash and cash equivalents	5	P 504,471,331	P -	P -	P 504,471,331
Trade and other receivables	6	-	-	4,535,668,171	4,535,668,171
Advances to related parties	22	-	-	2,053,791,774	2,053,791,774
		504,471,331	**-**	**6,589,459,945**	**7,093,931,276**
Financial Liabilities at amortized cost					
Interest-bearing loans and borrowings		P -	P -	P 219,731,151	P 219,731,151
Trade and other payables		-	-	377,303,492	377,303,492
Advances from related parties		-	-	1,643,353,984	1,643,353,984
Other current liabilities		-	-	287,912,670	287,912,670
		P -	**P -**	**P 2,528,301,297**	**P 2,528,301,297**

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

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

28.4 Fair Value Measurement of Non-Financial Assets

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

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

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

(a) Fair Value Measurement of Land

The Level 2 fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square foot, hence, the higher the price per square foot, the higher the fair value.

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

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

29. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

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

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

The Group monitors its capital gearing by measuring the ratio of Interest-bearing loans and borrowings to total capital. As of December 31, 2013 and 2012, the Group's ratio of Interest-bearing loans and borrowings to equity is as follows:

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

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

Board of Directors

ANDREW L. TAN
Chairman of the Board

GERARDO C. GARCIA
Independent Director and Vice Chairman

KATHERINE L. TAN
Director

ANTHONY CHARLEMAGNE C. YU
Director and President

ENRIQUE SANTOS L. SY
Director

EVELYN G. CACHO
Director and Vice President for Finance

ALEJO L. VILLANUEVA, JR.
Independent Director

Empire East Land Holdings, Inc. Officers

President

Anthony Charlemagne C. Yu

Senior Vice President

Ricky S. Libago

Vice Presidents

Evelyn G. Cacho

Antonio E. Llantada, Jr.

Ricardo B. Gregorio

Jhoanna Lyndelou T. Llaga

Treasurer

Giovanni C. Ng

Corporate Secretary

Dennis E. Edaño

Assistant Corporate Secretary

Celeste Z. Sioson

Corporate Profile

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Punongbayan & Araullo
Grant Thornton International

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

Subsidiaries

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Valle Verde Properties, Inc. (VVPI)
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330 Sen. Gil Puyat Avenue
Makati City

Sherman Oak Holdings, Inc. (SOHI)
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Makati City

Empire East Communities, Inc. (EECI)
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Makati City

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

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Makati City

Associate

Gilmore Property Management Associates, Inc. (GPMAI)
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Makati City