8990 Holdings, Inc.
(Formerly IP Converge Data Center, Inc.)
and Subsidiaries

Consolidated Financial Statements
December 31, 2013 and 2012
(With Comparative Figures for the Year Ended December 31, 2011)

and

Independent Auditors' Report

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
8990 Holdings, Inc.

We have audited the consolidated financial statements of 8990 Holdings, Inc. (formerly IP Converge Data Center, Inc.) and its subsidiaries (the "Group"), 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 the year then ended 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

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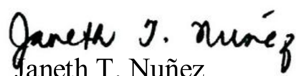
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of 8990 Holdings, Inc. and its subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Other Matter

The stand-alone financial statements of the subsidiaries for the year ended December 31, 2011 were audited by other auditors, whose reports dated in 2012 expressed an unqualified opinion on those financial statements, except for certain adjustments made by management as discussed in Note 33 to the consolidated financial statements in the preparation of the comparative consolidated financial statements of the Group for the year ended December 31, 2011. As part of our audit of the 2012 consolidated financial statements, we also audited the adjustments described in Note 33 and the consolidation entries that were applied to the 2011 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2011 consolidated financial statements of the Group other than with respect to those adjustments. Accordingly, we do not express an opinion or any other form of assurance on the 2011 consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



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PTR No. 4225198, January 2, 2014, Makati City

March 20, 2014

8990 HOLDINGS, INC.
(Formerly IP Converge Data Center, Inc.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2013	2012
ASSETS		
Current Assets		
Cash on hand and in banks (Note 7)	**₱249,040,092**	₱180,301,128
Current portion of trade and other receivables (Note 8)	**537,057,908**	537,242,552
Inventories (Note 9)	**2,243,559,834**	2,040,532,596
Due from related parties (Note 27)	**517,490,590**	147,400,252
Current portion of long-term investments (Note 14)	–	3,021,720
Other current assets (Note 10)	**342,105,863**	137,141,546
Total Current Assets	**3,889,254,287**	3,045,639,794
Noncurrent Assets		
Trade and other receivables - net of current portion (Note 8)	**9,473,832,351**	4,421,033,597
Land held for future development (Note 11)	**3,784,727,576**	1,010,474,241
Property and equipment (Note 12)	**208,870,467**	146,849,977
Investment properties (Note 13)	**141,928,584**	142,365,067
Other noncurrent assets (Note 10)	**117,010,245**	81,582,994
Total Noncurrent Assets	**13,726,369,223**	5,802,305,876
	₱17,615,623,510	₱8,847,945,670
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of trade and other payables (Note 15)	**₱2,937,730,783**	₱617,715,984
Current portion of loans payable (Notes 17 and 27)	**3,332,250,211**	1,257,747,508
Deposits from customers (Note 16)	**47,746,763**	104,887,729
Due to related parties (Note 27)	**172,808,746**	57,176,899
Income tax payable	**31,209,903**	13,899,640
Total Current Liabilities	**6,521,746,406**	2,051,427,760
Noncurrent Liabilities		
Trade and other payables - net of current portion (Note 15)	**263,089,121**	499,874,001
Loans payable - net of current portion (Note 17)	**3,980,588,104**	2,316,847,888
Deferred tax liability (Note 26)	**254,352,695**	31,781,000
Total Noncurrent Liabilities	**4,498,029,920**	2,848,502,889
Total Liabilities	**11,019,776,326**	4,899,930,649
Equity		
Capital stock (Note 18)	**4,655,804,670**	221,866,669
Additional paid-in capital (Note 18)	–	190,748,328
Equity reserve (Notes 2 and 18)	–	3,024,273,168
Remeasurement loss on pension plan (Note 24)	**(1,432,534)**	–
Retained earnings (Note 18)	**1,941,475,048**	511,126,856
Total Equity	**6,595,847,184**	3,948,015,021
	₱17,615,623,510	₱8,847,945,670

See accompanying Notes to Consolidated Financial Statements.

8990 HOLDINGS, INC.
(Formerly IP Converge Data Center, Inc.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2013 (Audited)	2012 (Audited)	2011 (Unaudited)
SALES (Note 19)	**₱5,356,098,815**	₱3,830,644,048	₱2,348,649,231
COST OF SALES AND SERVICES (Note 20)	**1,967,047,469**	1,448,571,872	1,340,030,404
GROSS INCOME	**3,389,051,346**	2,382,072,176	1,008,618,827
OPERATING EXPENSES (Note 21)	**1,176,864,392**	694,252,796	555,386,354
NET OPERATING INCOME	**2,212,186,954**	1,687,819,380	453,232,473
FINANCE COSTS (Notes 15, 17, 22, 24 and 27)	**(406,466,175)**	(216,312,630)	(84,733,384)
OTHER INCOME (Note 23)	**635,809,034**	282,148,140	77,410,184
INCOME BEFORE INCOME TAX	**2,441,529,813**	1,753,654,890	445,909,273
PROVISION FOR INCOME TAX (Note 26)	**257,845,583**	49,168,859	6,923,810
NET INCOME	**2,183,684,230**	1,704,486,031	438,985,463
OTHER COMPREHENSIVE LOSS			
Item that do not recycle to profit or loss in subsequent periods			
Remeasurement loss on pension plan (Note 24)	**(1,432,534)**	–	–
TOTAL COMPREHENSIVE INCOME	**₱2,182,251,696**	₱1,704,486,031	₱438,985,463
BASIC/DILUTED EARNINGS PER SHARE (Note 30)	**₱0.52**	₱0.52	₱0.17

See accompanying Notes to Consolidated Financial Statements.

8990 HOLDINGS, INC.
(Formerly IP Converge Data Center, Inc.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	For the Years Ended December 31, 2013 and 2012						
	Capital Stock (Note 18)	**Subscribed Capital Stock** (Note 18)	**Additional Paid-in Capital** (Note 18)	**Equity Reserve** (Notes 2 and 18)	**Other Comprehensive Loss** (Note 24)	**Retained Earnings** (Note 18)	**Total**
Balance at January 1, 2013	**₱221,866,669**	**₱–**	**₱190,748,328**	**₱3,024,273,168**	**₱–**	**₱511,126,856**	**₱3,948,015,021**
Stock dividends issued by a subsidiary (Note 18)	**–**	**–**	**–**	**420,000,000**	**–**	**(420,000,000)**	**–**
Issuance of shares through Shares Swap (Notes 2 and 18)	**3,968,357,534**	**–**	**(190,748,328)**	**(3,444,273,168)**	**–**	**(333,336,038)**	**–**
Issuance of shares by the Parent Company (Note 18)	**465,580,467**	**–**	**–**	**–**	**–**	**–**	**465,580,467**
Total comprehensive income (loss)	**–**	**–**	**–**	**–**	**(1,432,534)**	**2,183,684,230**	**2,182,251,696**
Balance at December 31, 2013	**₱4,655,804,670**	**₱–**	**₱–**	**₱–**	**(₱1,432,534)**	**₱1,941,475,048**	**₱6,595,847,184**
Balance at January 1, 2012	₱181,866,669	₱25,000,000	₱129,948,328	₱306,935,003	₱–	₱624,290,825	₱1,268,040,825
Issuance of shares by the Parent Company (Note 18)	40,000,000	(25,000,000)	60,800,000	(75,800,000)	–	–	–
Effect of acquisition of net assets of accounting acquiree (Parent Company) (Notes 1 and 2)	–	–	–	(12,011,835)	–	–	(12,011,835)
Cash dividends declared by a subsidiary (Note 18)	–	–	–	–	–	(400,000,000)	(400,000,000)
Stock dividends issued by a subsidiary (Note 18)	–	–	–	1,417,650,000	–	(1,417,650,000)	–
Issuance of shares by a subsidiary (Note 18)	–	–	–	1,387,500,000	–	–	1,387,500,000
Total comprehensive income	–	–	–	–	–	1,704,486,031	1,704,486,031
Balance at December 31, 2012	₱221,866,669	₱–	₱190,748,328	₱3,024,273,168	₱–	₱511,126,856	₱3,948,015,021

	For the Year Ended December 31, 2011 (Unaudited)					
	Capital Stock (Note 18)	**Subscribed Capital Stock** (Note 18)	**Additional Paid-in Capital**	**Equity Reserve** (Notes 2 and 18)	**Retained Earnings** (Note 18)	**Total**
Balance at January 1, 2011	₱181,866,669	₱–	₱129,948,328	₱242,744,723	₱200,873,862	₱755,433,582
Subscription of shares of the Parent Company (Note 18)	–	25,000,000	–	(25,000,000)	–	–
Cash dividends declared by a subsidiary (Note 18)	–	–	–	–	(15,568,500)	(15,568,500)
Issuance of shares by a subsidiary (Note 18)	–	–	–	89,190,280	–	89,190,280
Total comprehensive income	–	–	–	–	438,985,463	438,985,463
Balance at December 31, 2011	₱181,866,669	₱25,000,000	₱129,948,328	₱306,935,003	₱624,290,825	₱1,268,040,825

See accompanying Notes to Consolidated Financial Statements.

8990 HOLDINGS, INC.
(Formerly IP Converge Data Center, Inc.)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2013 (Audited)	2012 (Audited)	2011 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,441,529,813**	₱1,753,654,890	₱445,909,273
Adjustments for:			
Interest income (Note 23)	**(533,181,127)**	(227,218,396)	(22,055,962)
Finance cost (Note 22)	**404,614,757**	215,560,446	84,058,647
Write-off of assets (Notes 8, 10 and 21)	**64,945,573**	–	3,515,943
Provision for impairment losses (Note 21)	**58,414,812**	2,076,561	–
Provision for probable losses (Notes 21 and 29)	**26,340,946**	10,680,718	11,296,035
Depreciation and amortization (Note 21)	**22,566,268**	15,138,560	11,760,003
Provision for inventory write-down (Notes 11 and 21)	**3,646,000**	–	–
Loss (gain) on repossession (Note 21)	**(1,122,087)**	1,256,353	(6,360,112)
Retirement expense (Note 24)	**442,531**	444,200	535,800
Loss on sale of a subsidiary (Notes 23 and 28)	**–**	11,165,026	–
Gain on sale of unquoted debt security classified as loans (Note 23)	**–**	(7,767,942)	–
Operating income before changes in working capital	**2,488,197,486**	1,774,990,416	528,659,627
Changes in operating assets and liabilities			
Decrease (increase) in:			
Trade and other receivables	**(4,275,829,919)**	(3,412,201,469)	(1,419,690,252)
Inventories (Note 31)	**(69,059,536)**	200,226,383	(322,550,612)
Other assets (Note 31)	**(404,424,065)**	(77,168,052)	(14,803,403)
Increase (decrease) in:			
Trade and other payables (Note 31)	**177,998,680**	17,715,084	(346,716,316)
Deposits from customers	**(57,140,966)**	(56,337,659)	(16,728,609)
Net cash used in operations	**(2,140,258,320)**	(1,552,775,297)	(1,591,829,565)
Interest received	**533,181,127**	227,218,396	22,055,962
Interest paid	**(364,210,661)**	(174,133,174)	(51,398,310)
Income tax paid	**(13,949,694)**	(4,986,990)	(7,729,240)
Net cash used in operating activities	**(1,985,237,548)**	(1,504,677,065)	(1,628,901,153)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Land held for future development (Notes 11 and 31)	**(1,185,093,610)**	(396,892,465)	(359,949,722)
Property and equipment (Note 12)	**(81,948,759)**	(37,494,702)	(17,733,589)
Investment properties (Note 13)	**(2,201,516)**	(6,293,155)	(21,672,445)
Long-term investments (Note 14)	**–**	–	(37,203,504)
Unquoted debt securities classified as loans	**–**	–	(6,557,602)

(Forward)

	Years Ended December 31		
	2013 (Audited)	2012 (Audited)	2011 (Unaudited)
Proceeds from:			
Maturities/termination of long-term investments (Note 14)	**₱3,021,720**	₱110,113,573	₱136,977,986
Sale of unquoted debt securities classified as loans	**–**	14,325,544	–
Disposal of property and equipment	**–**	–	425,451
Net cash outflow from disposal of investment in a subsidiary (Notes 28 and 31)	**–**	(61,680,350)	–
Net cash inflow from acquisition of net assets of acquire (Parent Company) (Note 31)	**–**	100,000	–
Net cash used in investing activities	**(1,266,222,165)**	(377,821,555)	(305,713,425)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans payable (Note 31)	**3,732,193,226**	2,955,452,166	1,221,043,676
Repayment of loans payable	**(595,305,960)**	(831,335,233)	(472,011,538)
Issuance of shares by the Parent Company	**465,580,467**	–	–
Decrease (increase) in the amount of due from related parties (Note 31)	**(370,090,338)**	393,750,716	(430,113,200)
Increase (decrease) in the amount of due to related parties (Note 31)	**87,821,282**	(1,693,270,423)	1,663,883,325
Issuance of shares by subsidiaries (Note 18)	**–**	1,387,500,000	89,190,280
Payment of cash dividends by a subsidiary (Note 18)	**–**	(400,000,000)	(15,568,500)
Net cash provided by financing activities	**3,320,198,677**	1,812,097,226	2,056,424,043
NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANKS	**68,738,964**	(70,401,394)	121,809,465
CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR	**180,301,128**	250,702,522	128,893,057
CASH ON HAND AND IN BANKS AT END OF YEAR (Note 7)	**₱249,040,092**	₱180,301,128	₱250,702,522

See accompanying Notes to Consolidated Financial Statements.

8990 HOLDINGS, INC.
(Formerly IP Converge Data Center, Inc.)
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

8990 Holdings, Inc., formerly IP Converge Data Center, Inc., (8990 Holdings or Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 8, 2005 and was listed in the Philippine Stock Exchange (PSE) on October 20, 2010.

In May 2012, iHoldings, Inc., Januarius Resources Realty Corp. and Kwantlen Development Corp., collectively known as the 'Stockholders of the 8990 Group', acquired 176,400,000 shares of the Parent Company from IP Ventures, Inc. (IPVI) and IPVG Corp. (IPVG) employees. As a result, iHoldings, Inc. is the new majority owner of the Parent Company having 60.53% holdings. iHoldings, Inc. is owned by Mr. Luis N. Yu Jr and family (the Controlling Shareholders).

The Parent Company was previously engaged in information technology and telecommunications business that provides a wide array of managed data services and business solutions. This business was discontinued prior to the acquisition of the Parent Company by the Stockholders of the 8990 Group.

On December 21, 2012, the Board of Directors (BOD) and stockholders of the Parent Company approved the amendments to the articles of incorporation to:

- Change the corporate name from IP Converge Data Center Inc. to 8990 Holdings, Inc.;
- Change the primary purpose of the Parent Company from that of a data center to that of a financial holding company; and
- Increase the authorized capital stock of the Parent Company from ₱460.0 million divided into 460.0 million shares with ₱1.0 par value per share to up to ₱15.0 billion divided into 15.0 billion shares with ₱1.0 par value per share.

On the same date, the BOD and stockholders of the Parent Company approved the following:

- Issuance of shares to be issued out of the current unissued and/or the increase in the authorized capital stock of the Parent Company to new investors and/or existing stockholders and the listing thereof on the PSE; and
- Issuance of the Parent Company's shares at par value in favor of the Stockholders of 8990 Group in exchange for the shares of the companies comprising the 8990 Group.

Business Combination
The Parent Company entered into a Deed of Exchange of Shares with the Stockholders of the 8990 Group on May 6, 2013 as amended and supplemented on June 8, 2013 (the Shares Swap). The 8990 Group consists of:

- 8990 Housing Development Corporation (8990 HDC)
- Fog Horn, Inc. (FHI)
- 8990 Luzon Housing Development Corporation (8990 LHDC)
- 8990 Leisure and Resorts Corporation (8990 LRC)
- 8990 Mindanao Housing Development Corporation (8990 MHDC)
- 8990 Davao Housing Development Corporation (8990 DHDC)

Under the Deed of Exchange of Shares, all the economic and voting rights pertaining to the shares of the 8990 Group shall absolutely vest with the Parent Company on May 6, 2013. Thus, on the said date, the entities comprising 8990 Group became wholly-owned subsidiaries of the Parent Company.

On September 23, 2013, 8990 Holdings executed a subscription agreement with certain investors (the Subscribers) for the issuance of 465,580,467 shares out of the proposed increase in authorized capital stock.

On October 1, 2013, the Parent Company received the approval from the SEC of the following:

a. change of the Parent Company's name from IP Converge Data Center, Inc. to 8990 Holdings, Inc.;
b. change in primary purpose from that of a data center to that of a financial holdings company; and
c. increase in the authorized capital stock from ₱460.0 million to ₱7.0 billion divided into 7.0 billion shares with par value of ₱1.0 per share.

After the issuance of shares related to the Shares Swap and to the Subscribers, the Controlling Shareholders remain to be the majority owner of 8990 Holdings, having 50.65% holdings.

The 8990 Group is involved in the following relevant activities:

- construction of low-cost mass housing
- construction of medium-rise condominium units
- issuance of timeshares
- hotel operations

The registered office address of the Parent Company is at 11th Floor Liberty Center, 104 H.V. Dela Costa, Salcedo Village, Makati City.

2. Summary of Significant Accounting Policies

Basis of Presentation
As discussed in Note 1, the Parent Company entered into a Deed of Exchange of Shares with the Stockholders of the 8990 Group, thus the Parent Company became a holding company of the 8990 Group. The Parent Company and its Subsidiaries, now comprising "the Group", are under common control of the Controlling Shareholders before and after the Shares Swap transaction on May 6, 2013.

Acquisition of 8990 Group
The Shares Swap transaction involving the Parent Company and 8990 Group were accounted for similar to a pooling of interests method and reverse acquisition with 8990 HDC as the accounting acquirer under Philippine Financial Reporting Standards (PFRS) 3, *Business Combination*. 8990 HDC is the largest 8990 entity comprising about 71.0% of the total assets of the 8990 entities. In a reverse acquisition, the legal parent is identified as the acquiree for accounting purposes because based on the substance of the transaction, the legal subsidiary is adjudged to be the entity that gained control over the legal parent. Accordingly, the consolidated financial statements of the Group have been prepared as a continuation of the financial statements of the 8990 Group. Since the entities under the 8990 Group are under common control, the accounts and transactions as

reflected in the stand-alone financial statements of these entities were combined using the pooling of interests method.

The comparative December 31, 2011 information presented in the consolidated financial statements (i.e., prior to the Controlling Shareholders' acquisition of the Parent Company) is that of the 8990 Group, not originally presented in the previous financial statements of the legal parent (the Parent Company - accounting acquiree) and is also retroactively adjusted to reflect the legal capital (i.e., paid-up capital) of the Parent Company. The assets, liabilities and retained earnings of the 8990 Group are consolidated and the difference between the paid-up capital of the 8990 Group and the Parent Company prior to May 2012 is recognized as 'Equity reserve' in the consolidated statements of financial position. Refer to Note 18 for the movements in the 'Equity reserve' account.

The 8990 Group consolidated the assets, liabilities, income and expenses of the Parent Company starting May 2012, which was the date when the Controlling Shareholders acquired or gained control over the Parent Company.

The 8990 Group has no basis to prepare the consolidated financial statements, prior to the Shares Swap transaction.

Basis of Preparation
The accompanying consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Philippine peso, the Group's functional currency. All values are rounded to the nearest peso except when otherwise indicated.

Statement of Compliance
The consolidated financial statements have been prepared in accordance with PFRS.

Basis of Consolidation
The consolidated financial statements include the financial statements of the Parent Company and the following wholly owned subsidiaries:

- 8990 HDC
- FHI
- 8990 LHDC
- 8990 DHDC
- 8990 MHDC
- 8990 LRC

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other voting shareholders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, expenses and other comprehensive income (OCI) of a subsidiary are included in the financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The consolidated financial statements are prepared for the same reporting period as the Parent Company's financial statements, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Parent Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for within equity. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Parent Company.

When a change in ownership interest in a subsidiary occurs which results in a loss of control over the subsidiary, the Parent Company:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Common control business combinations
Where there are business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent (i.e., controlling shareholders) before and after the business combination and the control is not transitory (business combinations under common control), the Group accounts for such business combinations similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values in the stand-alone financial statements of the investee companies. The difference in the amount recognized and the fair value of the consideration given is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction without loss of control, the difference in the amount recognized and the fair value consideration received, is also accounted for as an equity transaction.

The Group recorded the above difference as 'Equity reserve' and is presented as a separate component of equity in the consolidated statement of financial position. Comparatives shall be restated to include balances and transactions as if the entities had been acquired at the beginning of the earliest period presented in the consolidated financial statements, regardless of the actual date of the combination.

Equity Reserve

Equity reserve represents the effect of the application of the pooling of interests method as discussed under the Basis of Presentation. This account were closed to capital stock, additional paid-in capital and retained earnings upon issuance of shares of 8990 Holdings to the Stockholders of 8990 Group under the Shares Swap transaction.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following new and amended PFRS and PAS, which were adopted as of January 1, 2013. The adoption of the new and amended standards did not have any significant impact on the accounting policies, financial position or performance and disclosures of the Group.

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments)*
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation.* These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The disclosures related to the amendments to PFRS are disclosed in Notes 16 and 27.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standing Interpretations Committee (SIC) 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to

exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights).

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 5.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
  The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits* (Revised)

  On 1 January 2013, the Group adopted the Revised PAS 19.

  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become

vested. Upon adoption of the revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in other comprehensive income and all past service costs in profit or loss in the period they occur.

The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Group's financial position and financial performance.

The adoption of the revised standard did not have a material impact on the Group's financial position or performance or cash flows. Accordingly, the Group adopted the revised standards prospectively (see Note 24).

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Group.

- PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards – Government Loans* (Amendments)
  The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, Financial Instruments: *Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Group.

Annual Improvements to PFRSs (2009-2011 cycle)
The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. The adoption of these annual improvements to PFRS and PAS has no significant impact on the consolidated financial statements.

- PFRS 1, *First-time Adoption of PFRS - Borrowing costs*
- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*

Significant Accounting Policies

Cash and Cash Equivalents
Cash represents cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from date of placement and that are subject to insignificant risks of changes in value.

Fair Value Measurement
The Group measure financial instruments and nonfinancial assets at fair value when required by PFRS. Fair values of financial instruments measured at amortized cost as well as nonfinancial assets (i.e. investment properties) measured at cost are disclosed in Note 5.

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

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy as described in Note 5.

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in Note 5.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

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

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) investments and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and financial liabilities at amortized cost. The classification depends on the purpose for which the financial instruments were acquired and whether they are quoted in an active market. The Group determines the classification of its investment at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2013 and 2012, the Group has no financial instruments at FVPL and HTM investments.

Determination of fair value

Fair value is the price that would be received to sell an asset or that would be paid to transfer a liability in an orderly transaction between market participants under current market conditions (i.e., an exit price) at the measurement date.

The fair values of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the statement of financial position date. Where an instrument measured at fair value has a bid and an ask price, the Group used the price within that range that is most representative of the fair value.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The valuation techniques used aim to make minimum use of market inputs and rely as little as possible on entity-specific inputs and may include reference to other instruments that are judged to be substantially the same.

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from an observable market, the Group recognizes the difference

between the transaction price and fair value (a ‘Day 1’ difference) in profit or loss unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is recognized only in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the ‘Day 1’ difference amount.

Loans and receivables
This accounting policy relates to the consolidated statement of financial position captions ‘Cash on hand and in banks’, ‘Trade and other receivables’, ‘Long-term investments’, ‘Due from related parties’ and ‘Deposits’. Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS investments or financial assets at FVPL.

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

AFS investments
AFS investments are those which are designated as such or do not qualify to be classified as ‘Financial assets at FVPL’, ‘HTM investments’ or ‘Loans and receivables’. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include debt and equity instruments.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the statement of comprehensive income. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from reported income and are reported in the statement of comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized in OCI is recognized in the statement of comprehensive income. Interest earned on holding AFS debt investments are reported using the EIR method. Dividends earned on holding AFS equity investments are recognized in the statement of comprehensive income when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the statement of comprehensive income.

The Group’s AFS investment represents investment in equities as disclosed in Note 10.

Financial liabilities at amortized cost
This accounting policy relates to the consolidated statement of financial position captions ‘Trade and other payables’, ‘Loans payable’ and ‘Due to related parties’.

Financial liabilities at amortized cost pertain to issued financial instruments that are not classified or designated as financial liabilities at FVPL and contain contractual obligations to deliver cash or other financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR

method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

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

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

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

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

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

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'Interest income' in the statement of comprehensive income. If subsequently, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

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

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

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

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

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset

the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Inventories

Inventories include subdivision lots, houses and lots, land developments, medium-rise condominium units and vacation ownership rights ("timeshare"). Timeshare represents the right to use a property for a specific number of days in a year. The cost of the property that is subject of the timeshare is allocated to the available timeshares for sale.

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as real estate inventory and is measured at the lower of cost or net realizable value (NRV). It also includes properties subject of the timeshare accounted as inventory.

Cost includes:
- Land cost
- Amounts paid to contractors for the construction
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs
- Borrowing costs on loans directly attributable to the projects which were capitalized during construction

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

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs. The total costs are allocated pro-rata based on the relative size of the property sold.

Repossessed inventories

Repossessed inventories represent the acquisition costs of properties sold but subsequently re-acquired by the Group due to buyer's default on payment of monthly amortization. These are measured at fair value less costs to sell at the time of repossession.

Hotel inventories

Hotel inventories are valued at the lower of cost or NRV which is the price at which inventories can be realized in the normal course of business.

Land Held for Future Development

Land held for future development consists of properties for future developments and is carried at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business, less costs to complete and costs of sale. Costs include costs incurred for development and improvements of the properties. Upon start of development, the related cost of land is transferred to real estate inventories.

Finance Costs

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

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

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

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

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

	Years
Building	25
Land improvement	3-5
Motor vehicles	1-5
Machineries and equipment	3-5
Furniture and fixtures	3-5
Leasehold improvements	3-5 or the lease term whichever is shorter

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

Construction-in-progress represents an office space under construction and is stated at cost. Construction-in-progress is not depreciated until such time that the relevant asset is completed and ready for intended use.

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use.

Investment Properties

Investment properties, which include land, building, improvements and construction-in-progress, are initially recognized at cost including transaction costs.

Subsequent to initial recognition, investment properties, except for land, are stated at cost less accumulated depreciation and any impairment in value. Land is carried at cost less any impairment in value.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are charged against current operations in the year in which the costs are incurred.

Depreciation and amortization commences from the time of acquisition and is computed on a straight-line basis over the EUL of the investment properties as follows:

	Years
Building	20
Improvements	20

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Intangible Assets

Intangible assets (other than goodwill) acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the acquisition date. Following initial recognition, intangible assets are measured at cost less any accumulated amortization and impairment loss, if any.

The EUL of intangible assets are assessed to be either finite or indefinite. The useful lives of intangible assets with finite lives are assessed at the individual asset level. Intangible assets with finite lives are amortized on a straight-line basis over their useful lives. The period and the method of amortization of an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the EUL or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Intangible assets with finite lives are assessed for impairment, whenever there is an indication that the intangible assets may be impaired. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortized. The intangible asset with an indefinite useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If the indefinite useful life is no longer appropriate, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Costs incurred to acquire computer software (which are not an integral part of its related hardware) and costs to bring it to its intended use are capitalized as intangible assets. All other costs of maintaining computer software programs are recognized as expense when incurred. A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and is recognized in profit or loss in the consolidated statement of comprehensive income when the asset is derecognized.

Impairment of Nonfinancial Assets

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

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

Equity

Capital stock

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

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

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of houses and lots, subdivision lots and medium-rise condominium units
Revenue from sales of houses and lots, subdivision lots and medium-rise condominium units is accounted for using the full accrual method when the Group has transferred all the risks and rewards and the possession of the houses and lots, subdivision lots and medium-rise condominium units to the buyer.

Sale of timeshare
Revenue is recognized using full accrual method when all of the following criteria are met:

a. A sale is consummated;
b. The buyers' initial and continuing investments are adequate to demonstrate a commitment to pay for the property;
c. The Group's receivable is not subject to future subordination; and
d. The Group has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property.

Collections from accounts which are not yet qualified for revenue recognition are treated as customer deposits included in the 'Deposits from customers' account in the consolidated statement of financial position.

Hotel operations
Revenue is recognized when services are rendered. Revenue from banquets and other special events are recognized when the events take place.

Sale of hotel inventories
Revenue from food and beverage sales is recognized upon delivery, when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Interest income
Interest income is recognized as it accrues using the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument.

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

Gain (loss) on repossession
Gain on repossession represents the difference between the fair value less cost to sell of the repossessed inventories and the carrying value of the installment contract receivable at the date of repossession.

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

Expense Recognition
Expenses are recognized when it is probable that a decrease in the future economic benefits related to a decrease in an asset or an increase in liability has occurred and the decrease in economic benefits can be measured reliably.

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

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size.

Cost of timeshare
Cost of timeshare represents the total costs of the building and hotel facilities allocated among the available timeshares to be sold.

Cost of hotel operations
Cost of sale of hotel services are expensed as incurred. This also includes expenses incurred by the Group for the generation of revenue from food and beverage sales and other hotel income.

Employee benefits
Short-term employee benefits are expensed as incurred.

Operating expenses
Operating expenses constitute costs of administering the business. These are recognized as expenses when incurred.

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

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

Defined benefit costs comprise the following:

- Service cost recognized in profit or loss;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of net defined benefit liability or asset .

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements recognized in other comprehensive income account 'Remeasurement gains (losses)' on retirement plans are not reclassified to another equity account in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risks associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

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

A reassessment is made after the inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal of or extension of the arrangement;
(b) A renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;

(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is a substantial change to the asset.

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

A lease where the lessor retains substantially all the risks and benefits of ownership of the asset is classified as an operating lease.

Group as lessee
Operating lease payments are recognized as an expense in profit or loss in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Group as lessor
Operating lease payments received are recognized as income in profit or loss in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Indirect costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognized over the lease term on the same basis as the lease income.

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

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

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

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as 'Interest expense' in profit or loss in the consolidated statement of comprehensive income. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on reporting segments is presented in Note 6 to the consolidated financial statements.

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income of the Group by the weighted average number of common shares issued and outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted EPS amounts are calculated by dividing the net profit attributable to the Group (after deducting interest on the convertible preferred shares, if any) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The weighted average number of common shares used in the calculation of basic/diluted EPS is determined on the basis of the weighted average number of shares of the Subsidiaries (accounting acquirer) outstanding during the period multiplied by the exchange ratio established in the Deed of Exchange of Shares as discussed in Note 1.

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

Events After the Reporting Period
Post year-end events up to the date of when the financial statements are authorized for issue that provide additional information about the Group's position at the reporting date (adjusting events)

are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

Future Changes in Accounting Policies

The Group will adopt the Standards and Interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect that the adoption of these new and amended PFRS, PAS and Philippine Interpretations will have a significant impact on the consolidated financial statements. The Group will assess the impact of these amendments on its financial position or performance when they become effective.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets - Amendments*
  The amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, the amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided PFRS 13 is also applied. The Group does not expect that these amendments will have significant impact on the Group's financial position or performance.

  PAS 39, *Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39*
  The amendment provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group assessed that the amendment will not have significant impact to the Group's financial position or performance.

- *Investment Entities* (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These amendments are effective for annual periods beginning on or after January 1, 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under PFRS 10.

- Philippine Interpretation IFRIC 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Philippine Interpretation IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group

does not expect that Philippine Interpretation IFRIC 21 will have material financial impact in future financial statements.

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The Group does not expect that these amendments will have significant impact on the Group's financial position or performance.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

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

- PFRS 2, *Share-based Payment – Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014.

- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement – Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 16, *Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures – Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- PFRS 13, *Fair Value Measurement – Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

3. Significant Accounting Judgments and Estimates

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

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

a. *Business combinations*

   The Parent Company acquired its subsidiaries that operate real estate business. At the time of acquisition, the Parent Company considered whether the transaction represents an acquisition of a business or an asset. The Parent Company accounts for the transaction as a business combination when there is an integrated set of activities or assets acquired together with the relevant processes. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the subsidiary.

   When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

   Where there are business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent before and after the business combination and the control is not transitory ("business combinations under common control"), the Group assesses whether the transaction has substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as non-controlling interest, if any, shall be considered.

   In cases where the business combination has no substance, the Group shall account for the transaction similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values. The difference in the amount recognized and the fair value of the consideration given, is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity.

   Management assessed that the subsidiaries acquired through the Shares Swap transaction qualified as business under the provisions of PFRS 3 and that the Shares Swap transaction was a business combination under common control.

b. *Assessment of control over investees*

   The Group has wholly owned subsidiaries as discussed in Note 2. Management concluded that the Group controls these subsidiaries.

c. *Going concern*

   The management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue the business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

d. *Revenue and cost recognition*
The Group recognizes sale of real estate inventories upon transfer of risks and rewards of the houses and lots, subdivision lots and condominium units which is upon delivery to and acceptance by the buyer.

Sale of timeshare is recognized as revenue when the Group has received a minimum of 25.0% of the purchase price.

e. *Distinction between inventories and land held for future development*
The Group determines whether a property will be classified as 'Inventories' or 'Land held for future development'. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (Inventories) or whether it will be retained as part of the Group's strategic landbanking activities for development or sale in the medium or long-term (Land held for future development). Land that is to be developed in the subsequent year is classified as part of current assets.

f. *Distinction between investment properties and owner-occupied properties*
The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property is not occupied substantially for use by, or in operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property, only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment.

g. *Classification of leases*
Operating lease commitments - Group as lessee
Management exercises judgment in determining whether substantially all the significant risks and rewards of ownership of the leased assets are transferred to the Group. Lease contracts, which transfer to the Group substantially all the risks and rewards incidental to the ownership of the leased items, are capitalized. Otherwise, they are considered as operating leases.

Operating lease commitments - Group as lessor
The Group has entered into commercial property leases on its investment property.
Based on the evaluation of the terms and conditions of the arrangements, the Group has determined that it retains all significant risks and rewards of ownership of these properties. In determining significant risks and benefits of ownership, the Group considered, among others, the following: (i) the leases do not provide for an option to purchase; or (ii) transfer ownership of the property at the end of the lease and the related lease terms do not approximate the EUL of the assets being leased. Accordingly, the Group accounted for the lease agreements as operating leases.

h. *Contingencies*
In the normal course of business, the Group also incurs certain contingent liabilities that are not presented in the consolidated financial statements. The Group does not anticipate any material losses as a result of the contingent liabilities (see Note 29).

Estimates

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

The Group recognized provision for impairment losses on its trade receivables amounting to ₱2.8 million in 2013 and nil in 2012 and 2011. The Group has also written-off receivables amounting to ₱64.9 million, nil and ₱2.8 million in 2013, 2012 and 2011, respectively (see Notes 8 and 21). The carrying values of trade and other receivables are disclosed in Note 8.

b. *Estimating NRV of inventories and land held for future development*
The Group adjusts the cost of its inventories and land held for future development to NRV based on its assessment of the recoverability of the inventories.

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

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

The Group recognized write-down (recorded under 'Provision for write-down' account under the operating expenses in the statements of comprehensive income) amounting to ₱3.6 million on its land held for future development in 2013 (see Notes 11 and 21). The Group did not recognize any write-down on its inventory and land held for future development in 2012 and 2011.

The carrying values of the Group's inventories and land held for future development are disclosed in Notes 9 and 11, respectively.

c. *Impairment of nonfinancial assets*
The Group assesses impairment on property and equipment, investment property and other assets and considers the following important indicators:

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

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

The Group recognized provision for impairment losses on its other assets amounting to ₱55.6 million, ₱2.1 million and nil in 2013, 2012 and 2011, respectively. The Group has also written-off input taxes (part of "Other assets) amounting to ₱0.7 million in 2011 (see Note 10).

The Group did not recognize impairment losses on its property and equipment and investment properties. The carrying values of the Group's property and equipment, investment properties and other assets are disclosed in Notes 12, 13 and 10, respectively.

d. *Estimating useful lives of property and equipment and investment properties*
The Group estimates the useful lives of its property and equipment and investment properties based on the period over which the assets are expected to be available for use. The Group reviews periodically the EUL based on factors that include asset utilization, internal technical evaluation, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property and equipment and investment properties would increase depreciation and amortization expense and decrease noncurrent assets.

The EUL of the Group's property and equipment and investment properties are disclosed in Note 2.

The carrying values of property and equipment and investment properties are disclosed in Notes 12 and 13, respectively.

e. *Estimating pension obligation*
The cost of defined benefit pension plans as well as the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The carrying value of the pension obligation as at December 31, 2013 as well as the other details of the defined benefit pension plans is disclosed in Note 24.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 24.

f. *Recognition of deferred tax assets*
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future planning strategies. The Group assessed its projected performance in determining the sufficiency of the future taxable income to support the recognition of deferred tax assets. Refer to Note 26 for the recognized and unrecognized deferred tax assets.

4. Financial Risk Management and Objectives

The Group has various financial assets and liabilities such as cash on hand and in banks (excluding cash on hand), trade and other receivables, deposits, trade and other payables, loans payable and due to and from related parties which arise directly from its operations.

Exposure to credit, market and liquidity risks arise in the normal course of the Group’s business activities.

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

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

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

Credit risk
Credit risk is the risk of financial loss to the Group if the counterparty to a financial instrument fails to meet its contractual obligation. To manage credit risk, the Group maintains credit policies and monitors its exposure to credit risk on a continuous basis.

Trade receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts. In addition, the credit risk for trade receivables is mitigated as the Group has only transferred the corresponding title of the subdivision lots, house and lot units, condominium units sold and timeshare to the buyers upon full payment of the contract price.

a. Maximum exposure to credit risk

   The Group's maximum exposure to credit risk is equal to the carrying value of its financial assets except for the trade receivables from the sale of real estate inventories as of December 31, 2013 and 2012 which are fully secured by collateral (the subdivision lots, house and lots and medium-rise condominium units sold).

b. Credit risk concentration

   Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

   An analysis of concentration of credit risk by location of the Group's trade receivables, net of allowance, is shown below:

	2013	2012
Davao	**₱3,506,378,940**	₱1,944,071,919
Cebu	**3,545,804,483**	1,320,101,284
Pampanga	**1,196,098,974**	594,297,807
Iloilo	**883,749,812**	648,292,208
Cavite	**607,727,277**	144,462,276
Baguio	**3,895,790**	8,484,481
Others*	**35,366,398**	20,883,703
	₱9,779,021,674	₱4,680,593,678

**Represents trade receivables from sale of timeshares.*

c. Credit quality

   Generally, the Group classifies cash on hand and in banks and long-term investments as high grade as these are deposited with reputable banks.

Due from related parties and other assets are considered to be unrated and are neither past due nor impaired. For trade receivables, standard grade pertains to receivables with no default in payments.

The tables below show the credit quality per class of financial assets as of December 31, 2013 and 2012:

	December 31, 2013					
	Neither past due nor impaired					
	High grade	**Standard grade**	**Unrated**	**Past due but not impaired**	**Impaired**	**Total**
Cash on hand and in banks*	**₱248,350,167**	**₱–**	**₱–**	**₱–**	**₱–**	**₱248,350,167**
Trade and other receivables:						
Trade receivables:						
Installment contract receivables	**–**	**9,746,404,305**	**–**	**24,398,832**	**7,117,853**	**9,777,920,990**
Other trade receivables	**–**	**–**	**–**	**3,895,790**	**–**	**3,895,790**
Retention receivables	**–**	**–**	**54,276,385**	**–**	**–**	**54,276,385**
Other receivables	**–**	**–**	**94,608,279**	**–**	**–**	**94,608,279**
Due from related parties	**–**	**–**	**517,490,590**	**–**	**–**	**517,490,590**
Deposits**	**–**	**77,383,307**	**9,388,916**	**–**	**2,511,974**	**89,284,197**
AFS equity investments**	**–**	**–**	**23,745,500**	**–**	**–**	**23,745,500**
	₱248,350,167	**₱9,823,787,612**	**₱699,509,670**	**₱28,294,622**	**₱9,629,827**	**₱10,809,571,898**

**Excludes cash on hand amounting to ₱689,925.*
***Included in 'Other noncurrent assets' in the consolidated statements of financial position.*

	December 31, 2012				
	Neither past due nor impaired				
	High grade	Standard grade	Unrated	Past due but not impaired	Total
Cash on hand and in banks*	₱179,825,998	₱–	₱–	₱–	₱179,825,998
Trade and other receivables:					
Installment contract receivables	–	4,636,364,866	–	35,744,330	4,672,109,196
Other trade receivables	–	1,995,002	–	6,489,479	8,484,481
Retention receivables	–	–	115,253,952	–	115,253,952
Other receivables	–	–	1,676,211	–	1,676,211
Due from related parties	–	–	147,400,252	–	147,400,252
Long-term investments	3,021,720	–	–	–	3,021,720
Deposits**	–	–	75,949,494	–	75,949,494
	₱182,847,718	₱4,638,359,868	₱340,279,909	₱42,233,809	₱5,203,721,304

**Excludes cash on hand amounting to ₱475,130.*
***Included in 'Other noncurrent assets' in the consolidated statements of financial position.*

d. Aging analysis of past due but not impaired trade receivables:

	December 31, 2013				
	Less than 30 days	**31-60 days**	**61-90 days**	**Over 90 days**	**Total**
Installment contract receivables	**₱3,824,739**	**₱2,403,551**	**₱2,177,276**	**₱15,993,266**	**₱24,398,832**
Other trade receivables	**433,476**	**930,911**	**808,911**	**1,722,492**	**3,895,790**
	₱4,258,215	**₱3,334,462**	**₱2,986,187**	**₱17,715,758**	**₱28,294,622**

	December 31, 2012				
	Less than 30 days	31-60 days	61-90 days	Over 90 days	Total
Installment contract receivables	₱18,426,966	₱5,049,846	₱5,910,360	₱6,357,158	₱35,744,330
Other trade receivables	1,701,850	2,377,760	75,003	2,334,866	6,489,479
	₱20,128,816	₱7,427,606	₱5,985,363	₱8,692,024	₱42,233,809

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

The Group actively manages its liquidity position so as to ensure that all operating, investing and financing needs are met. In mitigating liquidity risk, the management measures and forecasts its cash commitments, maintains a diversity of funding sources with its access to bank financing, adoption of joint development agreements for property developments, and holds a sufficient level of cash reserves.

The tables below summarize the maturity profile of the Group's financial assets and liabilities based on contractual undiscounted cash flows:

	2013					
	On demand	**Up to 1 month**	**More than 1 month to 6 months**	**More than 6 months to 12 months**	**Beyond 1 year**	**Total**
Financial Assets						
Cash on hand and in banks	**₱249,040,092**	**₱–**	**₱–**	**₱–**	**₱–**	**₱249,040,092**
Trade and other receivables:						
Installment contract receivables	**27,576,233**	**104,496,899**	**522,263,800**	**622,576,136**	**22,564,234,565**	**23,841,147,633**
Other trade receivables	**3,895,790**	**–**	**–**	**–**	**–**	**3,895,790**
Retention receivables	**–**	**–**	**–**	**52,318,996**	**1,957,389**	**54,276,385**
Other receivables	**46,575,582**	**36,847,383**	**9,131,312**	**2,054,002**	**–**	**94,608,279**
Due from related parties	**517,490,590**	**–**	**–**	**–**	**–**	**517,490,590**
Deposits*	**–**	**–**	**–**	**–**	**89,284,197**	**89,284,197**
AFS equity investments*	**–**	**–**	**–**	**–**	**23,745,500**	**23,745,500**
	₱844,578,287	**₱141,344,282**	**₱531,395,112**	**₱676,949,134**	**₱22,679,221,651**	**₱24,873,488,466**
Financial Liabilities						
Trade and other payables:						
Trade payables	**₱19,169,690**	**₱7,699,416**	**₱24,106,021**	**₱1,889,910,567**	**₱–**	**₱1,940,885,694**
Accounts payable	**131,089,365**	**10,122,180**	**90,944,115**	**79,530,756**	**281,357,829**	**593,044,245**
Retention payable	**–**	**–**	**–**	**57,744,129**	**–**	**57,744,129**
Construction bonds	**–**	**–**	**–**	**16,210,949**	**–**	**16,210,949**
Accrued expenses	**3,696,000**	**10,395,059**	**107,928,579**	**346,602,467**	**–**	**468,622,105**
Due to related parties	**172,808,746**	**–**	**–**	**–**	**–**	**172,808,746**
Loans payable	**175,000,000**	**621,188,004**	**1,619,126,286**	**972,499,321**	**5,616,782,815**	**9,004,596,426**
	₱501,763,801	**₱649,404,659**	**₱1,842,105,001**	**₱3,362,498,189**	**₱5,898,140,644**	**₱12,253,912,294**

**Included in 'Other noncurrent assets' in the consolidated statements of financial position.*

	2012					
	On demand	Up to 1 month	More than 1 month to 6 months	More than 6 months to 12 months	Beyond 1 year	Total
Financial Assets						
Cash on hand and in banks	₱180,301,128	₱–	₱–	₱–	₱–	₱180,301,128
Trade and other receivables:						
Trade receivables:						
Installment contract receivables	35,744,330	50,379,889	240,626,967	295,207,832	9,883,947,258	10,505,906,276
Other trade receivables	6,489,479	1,995,002	–	–	–	8,484,481
Retention receivables	–	–	–	100,239,272	15,014,680	115,253,952
Other receivables	–	1,291,956	–	384,255	–	1,676,211
Due from related parties	147,400,252	–	–	–	–	147,400,252
Long-term investments	–	–	3,052,567	–	–	3,052,567
Deposits*	–	–	–	–	75,949,494	75,949,494
AFS Equity Securities*	–	–	–	–	633,500	633,500
	₱369,935,189	₱53,666,847	₱243,679,534	₱395,831,359	₱9,975,544,932	₱11,038,657,861

(Forward)

	2012					
	On demand	Up to 1 month	More than 1 month to 6 months	More than 6 months to 12 months	Beyond 1 year	Total
Financial Liabilities						
Trade and other payables:						
Trade payables	₱–	₱24,662,905	₱66,039,152	₱–	₱–	₱90,702,057
Accounts payable	12,370,743	15,201,842	76,009,208	91,211,050	535,702,300	730,495,143
Retention payable	–	–	–	24,392,140	37,559,937	61,952,077
Construction bonds	–	–	–	20,410,237	–	20,410,237
Accrued expenses	622,817	12,244,582	2,329,206	224,376,709	–	239,573,314
Due to related parties	57,176,899	–	–	–	–	57,176,899
Loans payable	–	554,173,146	545,000,550	234,253,512	2,630,691,356	3,964,118,564
	₱70,170,459	₱606,282,475	₱689,378,116	₱594,643,648	₱3,203,953,593	₱5,164,428,291

**Included in 'Other noncurrent assets' in the consolidated statements of financial position.*

Market risk

Market risk is the risk of loss to future earnings, to fair value or future cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates, equity prices and other market factors.

As of December 31, 2013 and 2012, the Group has no financial instruments that are exposed to significant interest rate risk and foreign currency risk. The Group's cash on hand and in banks, trade and other receivables and loans payable are subject to fixed interest rates and are denominated in peso.

5. Fair Value Measurement

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are:

Cash on hand and in banks, other trade receivables and other receivables

Carrying amounts approximate their fair values since these are subject to insignificant risks of changes in value and are short-term in nature.

Installment contract receivables and long-term investments

Carrying amounts approximate fair values since current market lending rate is equal to the interest rate of the receivables being valued.

Retention receivables

Fair values are estimated using the discounted cash flow methodology.

AFS equity investment

Fair values cannot be reliably determined due to unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value. This investment is carried at cost.

Due to and from related parties

The carrying amounts of due to and from related parties, which are due on demand, approximate their fair values.

Noninterest-bearing refundable security deposits

Fair values are estimated using the discounted cash flow methodology.

Trade and other payables
Carrying amounts approximate their fair values in view of the relatively short-term maturities of these instruments.

Accounts payable - BDO Strategic Holdings, Inc.
Carrying amounts approximate fair values since current market lending rate is equal to the interest rate of the payables being valued.

Retention payable
Fair values are estimated using the discounted cash flow methodology.

Loans payable
Fair values are estimated using discounted cash flow methodology using incremental borrowing rates.

Fair Value Hierarchy
The table below presents the assets and liabilities for which fair value is required to be disclosed, by valuation method as of December 31, 2013 and 2012. The different levels have been defined as follows:

a. Level 1: Quoted (unadjusted) prices in an active market for identical assets or liabilities;
b. Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
c. Level 3: Techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	2013				
	Carrying	Fair Value			
	Value	Level 1	Level 2	Level 3	Total
Assets for which fair value is disclosed:					
Financial assets					
Trade and other receivables:					
Retention receivables	**₱54,276,385**	**₱–**	**₱–**	**₱53,697,533**	**₱53,697,533**
Deposits*	**89,284,197**	**–**	**–**	**84,947,504**	**84,947,504**
Nonfinancial assets					
Investment properties	**141,928,584**	**–**	**–**	**540,326,000**	**540,326,000**
Financial liabilities					
Trade and other payables:					
Retention payables	**57,744,129**	**–**	**–**	**55,108,114**	**55,108,114**
Loans payable	**7,312,838,315**	**–**	**–**	**7,249,625,807**	**7,249,625,807**

**Included in 'Other noncurrent assets' in the consolidated statements of financial position.*

	2012				
	Carrying	Fair Value			
	Value	Level 1	Level 2	Level 3	Total
Assets for which fair value is disclosed:					
Financial assets					
Trade and other receivables:					
Retention receivables	₱115,253,952	₱–	₱–	₱113,395,038	₱113,395,038
Deposits*	75,949,494	–	–	71,509,541	71,509,541
Nonfinancial assets					
Investment properties	142,365,067	–	–	540,326,000	540,326,000
Financial liabilities					
Trade and other payables:					
Retention payables	61,952,077	–	–	59,517,594	59,517,594
Loans payable	3,574,595,396	–	–	3,600,083,328	3,600,083,328

**Included in 'Other noncurrent assets' in the consolidated statements of financial position.*

As of December 31, 2013 and 2012, the Group has no financial instruments carried at fair value.

6. Segment Information

For management's purposes, the Group's operating segments are organized and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group has four reportable operating segments as follows:

Low-cost Mass Housing
This segment pertains to the housing market segment of the Group. It caters to the development and sale of residential lots and units.

Medium-rise Condominium Units
This segment pertains to the medium-rise condominium segment of the Group. It caters to the development and sale of condominium units.

Timeshare
This segment pertains to sale of non-proprietary timeshares wherein the purchaser has a perpetual right to occupy one unit of the Group's vacation hotel for a specific number of days in a year.

Hotel Operations
This segment pertains to the activities from hotel operations, which are considered incidental revenues while the Group has not yet sold all of the timeshares of its vacation hotel, Azalea Baguio Residences.

The Group has only one geographical business segment as all the assets and liabilities are located in the Philippines. The Group derives all of its revenues from domestic operations. Thus, geographical business segment information is not presented. No operating segments have been aggregated to form the above operating business segments.

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment operating income or loss. The presentation and classification of

segment revenues and expenses are consistent with the consolidated statements of comprehensive income. This segment information is presented monthly to the Parent Company's BOD who is the Chief Operating Decision Maker.

Finance income consists of interest earned from installment contracts receivables and deposits in banks.

The amount of segment assets and liabilities are based on the measurement principles that are similar with those used in measuring the assets and liabilities in the statement of financial position which is in accordance with PFRS.

Capital expenditures represent acquisitions of 'Land held for future development', 'Property and equipment' and 'Investment properties'.

The Group has no significant customer which contributes 10% or more of their segment revenue.

The financial information about the operations of the business segments is summarized below:

	2013 (Audited)							
	Low-cost Mass Housing	**Medium-rise Condominium Units**	**Timeshare**	**Hotel Operations**	**Others**	**Total Segment**	**Adjustments and Eliminations**	**Consolidated**
Sales	**₱4,666,488,875**	**₱559,780,876**	**₱46,077,321**	**₱96,696,445**	**₱–**	**₱5,369,043,517**	**(₱12,944,702)**	**₱5,356,098,815**
Cost of sales and services	**1,717,519,321**	**197,320,474**	**12,140,099**	**40,067,575**	**–**	**1,967,047,469**	**–**	**1,967,047,469**
Gross income	**2,948,969,554**	**362,460,402**	**33,937,222**	**56,628,870**	**–**	**3,401,996,048**	**(12,944,702)**	**3,389,051,346**
Operating expenses	**994,690,314**	**40,975,145**	**45,503,027**	**37,172,916**	**71,467,692**	**1,189,809,094**	**(12,944,702)**	**1,176,864,392**
Net operating income (loss)	**1,954,279,240**	**321,485,257**	**(11,565,805)**	**19,455,954**	**(71,467,692)**	**2,212,186,954**	**–**	**2,212,186,954**
Finance income	**514,519,941**	**17,745,054**	**911,401**	**230**	**4,500**	**533,181,126**	**–**	**533,181,126**
Finance costs	**(402,215,704)**	**(4,179,754)**	**(70,717)**	**–**	**–**	**(406,466,175)**	**–**	**(406,466,175)**
Other income	**97,422,183**	**4,115,594**	**194,514**	**895,617**	**–**	**102,627,908**	**–**	**102,627,908**
Income (loss) before income tax	**2,164,005,660**	**339,166,151**	**(10,530,607)**	**20,351,801**	**(71,463,192)**	**2,441,529,813**	**–**	**2,441,529,813**
Provision for income tax	**232,783,572**	**22,820,563**	**1,977,451**	**263,691**	**306**	**257,845,583**	**–**	**257,845,583**
Net income (loss)	**₱1,931,222,088**	**₱316,345,588**	**(₱12,508,058)**	**₱20,088,110**	**(71,463,498)**	**₱2,183,684,230**	**₱–**	**₱2,183,684,230**
Non-cash items							**–**	
Depreciation and amortization	**₱19,672,875**	**₱–**	**₱1,484,939**	**₱951,002**	**₱457,452**	**₱22,566,268**	**₱–**	**₱22,566,268**
Provision for probable losses	**₱26,340,946**	**₱–**	**₱–**	**₱–**	**₱–**	**₱26,340,946**	**₱–**	**₱26,340,946**
Provision for impairment losses	**₱55,619,706**	**₱–**	**₱2,795,106**	**₱–**	**₱–**	**₱58,414,812**	**₱–**	**₱58,414,812**
Write-off of assets	**₱64,945,573**	**₱–**	**₱–**	**₱–**	**₱–**	**₱64,945,573**	**₱–**	**₱64,945,573**

	2012 (Audited)							
	Low-cost Mass Housing	Medium-rise Condominium Units	Timeshare	Hotel Operations	Others	Total Segment	Adjustments and Eliminations	Consolidated
Sales	₱3,702,823,087	₱33,301,000	₱52,878,961	₱41,641,000	₱–	₱3,830,644,048	₱–	₱3,830,644,048
Cost of sales and services	1,405,835,469	12,822,403	16,375,980	13,538,020	–	1,448,571,872	–	1,448,571,872
Gross income	2,296,987,618	20,478,597	36,502,981	28,102,980	–	2,382,072,176	–	2,382,072,176
Operating expenses	636,377,843	11,393,292	14,896,257	17,515,428	14,069,976	694,252,796	–	694,252,796
Net operating income (loss)	1,660,609,775	9,085,305	21,606,724	10,587,552	(14,069,976)	1,687,805,488	–	1,687,805,488
Finance income	226,949,678	226,224	42,494	–	–	227,218,396	–	227,218,396
Finance costs	(215,695,752)	–	(616,878)	–	–	(216,312,630)	–	(216,312,630)
Other income	53,757,143	330,245	87,798	754,558	–	54,929,744	–	54,929,744
Income (loss) before income tax	1,725,620,844	9,641,774	21,120,138	11,342,110	(14,069,976)	1,753,654,890	–	1,753,654,890
Provision for income tax	43,907,741	–	6,134,476	1,203,203	(2,076,561)	49,168,859	–	49,168,859
Net income (loss)	₱1,681,713,103	₱9,641,774	₱14,985,662	₱10,138,907	(₱11,993,415)	₱1,704,486,031	₱–	₱1,704,486,031
Non-cash items							–	
Depreciation and amortization	₱15,138,560	₱–	₱–	₱–	₱–	₱15,138,560	₱–	₱15,138,560
Provision for probable losses	₱10,680,718	₱–	₱–	₱–	₱–	₱10,680,718	₱–	₱10,680,718
Provision for impairment losses	₱–	₱–	₱–	₱–	₱2,076,561	₱2,076,561	₱–	₱2,076,561

	2011 (Unaudited)							
	Low-cost Mass Housing	Medium-rise Condominium Units	Timeshare	Hotel Operations	Others	Total Segment	Adjustments and Eliminations	Consolidated
Sales	₱2,348,649,231	₱–	₱–	₱–	₱–	₱2,348,649,231	₱–	₱2,348,649,231
Cost of sales and services	1,340,030,404	–	–	–	–	1,340,030,404	–	1,340,030,404
Gross income	1,008,618,827	–	–	–	–	1,008,618,827	–	1,008,618,827
Operating expenses	547,450,678	400,000	4,641,218	2,894,458	–	555,386,354	–	555,386,354
Net operating income (loss)	461,168,149	(400,000)	(4,641,218)	(2,894,458)	–	453,232,473	–	453,232,473
Finance income	22,055,962	–	–	–	–	22,055,962	–	22,055,962
Finance costs	(84,733,384)	–	–	–	–	(84,733,384)	–	(84,733,384)
Other income	55,296,588	–	2,725	54,909	–	55,354,222	–	55,354,222
Income (loss) before income tax	453,787,315	(400,000)	(4,638,493)	(2,839,549)	–	445,909,273	–	445,909,273
Provision for income tax	6,912,828	–	–	10,982	–	6,923,810	–	6,923,810
Net income (loss)	₱446,874,487	(₱400,000)	(₱4,638,493)	(₱2,850,531)	₱–	₱438,985,463	₱–	₱438,985,463
Non-cash items							–	
Depreciation and amortization	₱11,760,003	₱–	₱–	₱–	₱–	₱11,760,003	₱–	₱11,760,003
Provision for probable losses	₱11,296,035	₱–	₱–	₱–	₱–	₱11,296,035	₱–	₱11,296,035
Provision for impairment losses	₱3,515,943	₱–	₱–	₱–	₱–	₱3,515,943	₱–	₱3,515,943

Other information on the Group's operating segment follows:

	2013							
	Low-cost Mass Housing	**Medium-rise Condominium Units**	**Timeshare**	**Hotel Operations**	**Others**	**Total Segment**	**Adjustments and Eliminations**	**Consolidated**
Segment assets	**₱17,497,233,398**	**₱657,998,161**	**₱528,015,703**	**₱69,387,237**	**₱16,722,642**	**₱18,769,357,141**	**(₱1,153,733,631)**	**₱17,615,623,510**
Segment liabilities	**₱11,201,273,427**	**₱334,847,412**	**₱552,657,139**	**₱38,121,057**	**₱46,610,922**	**₱12,173,509,957**	**(₱1,153,733,631)**	**₱11,019,776,326**
Capital expenditures	**₱3,137,321,369**	**₱–**	**₱265,373**	**₱7,151,456**	**₱1,421,999**	**₱3,146,160,197**	**₱–**	**₱3,146,160,197**

	2012							
	Low-cost Mass Housing	Medium-rise Condominium Units	Timeshare	Hotel Operations	Others	Total Segment	Adjustments and Eliminations	Consolidated
Segment assets	₱8,740,594,960	₱220,932,219	₱461,164,599	₱34,549,950	₱1,021,948	₱9,458,263,676	(₱610,318,006)	₱8,847,945,670
Segment liabilities	₱4,775,473,784	₱214,099,549	₱472,276,244	₱23,371,880	₱25,027,198	₱5,510,248,655	(₱610,318,006)	₱4,899,930,649
Capital expenditures	₱360,946,648	₱–	₱–	₱–	₱343,674	₱361,290,322	₱–	₱361,290,322

7. Cash on Hand and in Banks

This account consists of:

	2013	2012
Cash on hand	**₱689,925**	₱475,130
Cash in banks	**248,350,167**	179,825,998
	₱249,040,092	₱180,301,128

Cash in banks earn interest at prevailing bank deposit annual rates ranging from 0.3% to 1.0% in 2013 and 2012.

There are no restrictions on the Group's cash on hand and in banks as at December 31, 2013 and 2012.

8. Trade and Other Receivables

This account consists of:

	2013	2012
Current		
Trade receivables:		
Installment contract receivables	**₱306,046,028**	₱266,090,280
Others	**3,895,790**	8,484,481
Advances to external marketing managers	**47,812,508**	157,085,699
Retention receivables	**52,318,996**	100,239,272
Receivables from employees	**35,171,413**	3,666,609
Other receivables	**94,608,279**	1,676,211
	539,853,014	537,242,552
Less: Allowance for impairment losses	**2,795,106**	–
	537,057,908	537,242,552
Noncurrent		
Trade receivables:		
Installment contract receivables	**9,471,874,962**	4,406,018,917
Retention receivables	**1,957,389**	15,014,680
	9,473,832,351	4,421,033,597
	₱10,010,890,259	₱4,958,276,149

Trade installment contract receivables pertain to receivables from the sale of residential houses and lots, condominium units and timeshares which are collectible in monthly installments over a period of 2 to 25 years. Trade installment contract receivables bear annual interest ranging from 8.5% to 18.0% in 2013 and 2012. Titles to real estate properties and timeshares are transferred to the buyers upon full payment of the contract price.

On September 30, 2013, the Group acquired installment contract receivables amounting to ₱1.1 billion from 8990 Cebu Housing Development Corporation (8990 CHDC), an entity under common control, at book value payable under the following terms (see Note 27):

a. Downpayment of ₱350.0 million payable upon signing of the agreement;
b. ₱134.8 million shall be payable not later than December 31, 2013;
c. 8990 CHDC's bank loans amounting to ₱601.3 million will be assumed by the Group; and
d. the remaining balance amounting to ₱27.8 million will be payable on demand.

Other trade receivables pertain to receivables from hotel customers.

Advances to external marketing managers are deductible against future commissions.

Retention receivables are amounts retained by Home Development Mutual Fund (HDMF) from the proceeds of loans availed by real estate buyers in accordance with HDMF Circular No. 182-A to pay-off their obligations to the Group. This amount is normally released by HDMF to the Group upon the latter's execution of a Deed of Undertaking for the conversion of the Contract-to-Sell (CTS) accounts and presentation of the necessary documents.

Receivables from employees pertain to cash advances for retitling costs, taxes and other operational and corporate-related expenses. This account also includes short-term non-interest bearing salary and other loans granted to the employees and are recoverable through salary deductions.

Significant portion of other receivables pertains to unremitted payments from HDMF amounting to ₱73.2 million for CTS accounts taken out near cutoff period.

In 2013, the Group recognized provision for impairment losses amounting to ₱2.8 million on its trade receivables, recorded as 'Provision for impairment losses' under 'Operating expenses' in the consolidated statements of comprehensive income (see Note 21).

The Group had written off receivables amounting to ₱64.9 million and ₱2.8 million in 2013 and 2011, respectively, recorded as 'Write-off of assets' under 'Operating expenses' in the consolidated statements of comprehensive income (see Note 21). The Group did not write-off any trade receivables in 2012.

As of December 31, 2013 and 2012, trade receivables used as collateral to secure borrowings from banks amounted to ₱6.1 billion and ₱3.8 billion, respectively (see Note 17).

9. **Inventories**

Details of this account follow:

	2013	2012
Real estate inventories		
Low-cost mass housing		
Houses and lots		
At cost	**₱886,598,365**	₱834,285,752
At NRV	**158,647,248**	77,391,153
	1,045,245,613	911,676,905
Land development		
At cost	**507,258,896**	452,635,222
At NRV	**9,420,907**	–
	516,679,803	452,635,222
Subdivision lots		
At cost	**173,671,683**	78,959,973
At NRV	**–**	9,669,404
	173,671,683	88,629,377
	1,735,597,099	1,452,941,504
Medium-rise condominium units	**115,535,085**	189,099,680
	1,851,132,184	1,642,041,184
Timeshares	**392,427,650**	398,491,412
	₱2,243,559,834	₱2,040,532,596

Real estate inventories represent the subdivision lots, housing units and medium-rise condominium units for which the Group has been granted license to sell by the Housing and Land Use Regulatory Board of the Philippines and the SEC.

Timeshares represent the right to use the property for a specific number of days in a year. The cost of the property that is subject to the timeshare is allocated to the available timeshares for sale.

The real estate inventories and timeshares are carried at cost. The Group did not recognize provision for write-downs during the reporting periods.

In 2010, 8990 LHDC entered into a memorandum of agreement (MOA) for the construction and development of housing units for sale in a land property in General Trias, Cavite owned by BDO Strategic Holdings, Inc. (BSHI). The major provisions of the MOA include the following, among others:

- BSHI shall contribute the land;
- 8990 LHDC shall build, market, and sell the lots and housing units to third party buyers within four years;
- BSHI and 8990 LHDC shall agree on the price and payment terms of the house and lot packages provided that the price of the saleable lots due to BSHI shall be in accordance with the agreed contract price;
- 8990 LHDC shall remit to BSHI the proceeds of the sale of the land or the full contract price of the lots within a certain period of time from receipt of payment from the third party buyers (cash sales) or from reservation date of the third party buyers (installment sales);

- 8990 LHDC shall pay a penalty of 3.0% of the amount due for each period in arrears until fully paid;
- 8990 LHDC shall purchase all the remaining unsold saleable lots of BSHI at the end of the four-year term at the agreed price payable semi-annually over a two-year period commencing on the sixth month after the end of the four-year term; and
- The title of the lots shall be transferred to the third party buyers or 8990 LHDC upon full payment of the contract price.

Under PFRS, the above transaction is considered as purchase of inventories on deferred settlement terms. Accordingly, 8990 LHDC recorded the land at fair value (present value of the purchase price) amounting to ₱535.9 million. The present value of the purchase price was determined based on the projected sales of 8990 LHDC discounted at 6.0%. The difference between the purchase price and fair value of the land shall be accreted and recognized as interest expense over the term of the agreement.

A summary of the movements in real estate inventories for low-cost mass housing, medium-rise condominium units and timeshares are set out below:

Real Estate Inventories - Low-cost Mass Housing

	2013	2012
Balance at beginning of year	**₱1,452,941,504**	₱1,656,824,041
Cost of sales (Note 20)	**(1,717,519,321)**	(1,405,835,469)
Construction and development costs incurred	**1,547,996,174**	1,138,620,947
Land transferred from land held for future development (Note 11)	**284,110,587**	–
Repossessed inventories	**168,068,155**	94,770,973
Acquisition of land	–	15,375,227
Effect of disposal of a subsidiary (Note 28)	–	(46,814,215)
Balance at end of year	**₱1,735,597,099**	₱1,452,941,504

Real Estate Inventories - Medium-rise Condominium Units

	2013	2012
Balance at beginning of year	**₱189,099,680**	₱152,293,799
Cost of sales (Note 20)	**(197,320,474)**	(12,822,403)
Construction and development costs incurred	**123,755,879**	49,628,284
Balance at end of year	**₱115,535,085**	₱189,099,680

Timeshares

	2013	2012
Balance at beginning of year	**₱398,491,412**	₱367,515,334
Cost of sales (Note 20)	**(12,140,099)**	(16,375,980)
Construction and development costs incurred	**6,076,337**	47,352,058
Balance at end of year	**₱392,427,650**	₱398,491,412

Inventories recognized as cost of real estate inventories and timeshares sales amounted to ₱1.9 billion, ₱1.4 billion and ₱1.3 billion for the years ended December 31, 2013, 2012 and 2011,

respectively, and are included under 'Cost of sales and services' account in the consolidated statements of comprehensive income (see Note 20).

As of December 31, 2013 and 2012, the Group's real estate inventories amounting to ₱7.0 million and ₱7.9 million, respectively, are used as collateral for the Group's loans payable (see Note 17).

10. Other Assets

This account consists of:

	2013	2012
Current		
Advances to contractors	**₱295,972,057**	₱87,758,629
Input tax	**44,306,675**	37,607,319
Advances to landowners	**32,500,000**	–
Creditable withholding tax	**10,390,648**	124,444
Prepaid expenses	**4,604,870**	3,507,124
Hotel inventories	**3,419,922**	1,839,338
Others	**6,095,984**	8,381,253
	397,290,156	139,218,107
Less: Allowance for impairment losses	**55,184,293**	2,076,561
	342,105,863	137,141,546
Noncurrent		
Deposits	**89,284,197**	75,949,494
AFS equity investment	**23,745,500**	633,500
Software cost	**1,492,522**	–
Others	**5,000,000**	5,000,000
	119,522,219	81,582,994
Less: Allowance for impairment losses	**2,511,974**	–
	117,010,245	81,582,994
	₱459,116,108	₱218,724,540

Advances to contractors represent advance payments to contractors for the construction of subdivision houses and improvements. These advances are deductible from future billings.

Input tax represents value-added tax (VAT) paid on purchases of goods and services subject to VAT that the Group can claim against any future liability to the Bureau of Internal Revenue for output VAT on sale of goods and services subject to VAT.

Advances to land owners represent deposits made for future acquisition of land.

Hotel inventories consists of hotel supplies, food and beverage items.

Prepaid expenses represent prepaid realty taxes, advertising and insurance.

Deposits constitute rental deposit and deposits for the connection of electricity on the Group's property locations and cash bond paid to the Department of Agrarian Reform made in 2009 as a requirement for the conversion of the agricultural land into a residential and commercial area.

AFS equity investment represents investment made by the Group in preferred stocks of Azalea Resort & Vacation Club, Inc. and shares of stock of Pico de Loro Beach and Country Club.

Software costs represent costs of accounting system acquired by the Group to be implemented in 2014.

In 2013, the Group recognized allowance for impairment losses on the advances to contractors and deposits amounting to ₱53.1 million and ₱2.5 million, respectively, booked as provision for impairment losses under operating expenses (see Note 21).

In 2012, the Group recognized provision for impairment losses on its prepaid tax assets amounting to ₱2.1 million (see Note 21).

In 2011, the Group has written off input taxes amounting to ₱0.7 million which are included in 'Write-off of assets' account (see Note 21).

Rollforward of allowance for impairment losses follows:

	2013	2012
Balance at beginning of year	**₱2,076,561**	₱–
Provision for impairment losses (Note 21)	**55,619,706**	2,076,561
Balance at end of year	**₱57,696,267**	₱2,076,561

11. Land Held for Future Development

This account consists of land held for future development which will be sold in the ordinary course of business of the Group.

A summary of the movements in land held for future development is set out below:

	2013	2012
Balance at beginning of year	**₱1,010,474,241**	₱692,971,776
Land acquired during the year	**3,062,009,922**	317,502,465
Land transferred to inventories (Note 9)	**(284,110,587)**	–
Provision for write-down (Note 21)	**(3,646,000)**	–
Balance at end of year	**₱3,784,727,576**	₱1,010,474,241

On August 5, 2013, the Group entered into a CTS with third parties to acquire parcels of land for a total contract price of ₱2.2 billion. On August 20, 2013, the Group paid a down payment representing 20.0% of the total contract price. The remaining 80.0% of the contract price will be paid by the Group in 2014 (see Note 15).

As of December 31, 2013, the Group's land held for future development amounting to ₱332.1 million is used as collateral for the Group's loans payable (see Note 17).

12. Property and Equipment

The composition and movements of this account are as follows:

	2013								
	Land	Building	Land Improvements	Leasehold Improvements	Furniture and Fixtures	Machineries and Equipment	Transportation Vehicles	Construction in-Progress	Total
Cost									
Balances at beginning of year	₱53,585,010	₱49,919,320	₱9,652,150	₱6,044,734	₱14,802,820	₱4,551,483	₱51,261,100	₱–	₱189,816,617
Additions	53,820,000	2,797,384	806,497	1,067,317	6,451,181	8,564,852	7,265,401	1,176,127	81,948,759
Balances at end of year	107,405,010	52,716,704	10,458,647	7,112,051	21,254,001	13,116,335	58,526,501	1,176,127	271,765,376
Accumulated Depreciation and Amortization									
Balances at beginning of year	–	7,005,824	1,371,608	1,620,682	8,811,354	2,824,811	21,332,361	–	42,966,640
Depreciation and amortization (Note 21)	–	2,489,224	2,050,405	2,519,722	2,621,022	1,654,718	8,593,178	–	19,928,269
Balances at end of year	–	9,495,048	3,422,013	4,140,404	11,432,376	4,479,529	29,925,539	–	62,894,909
Net Book Value	₱107,405,010	₱43,221,656	₱7,036,634	₱2,971,647	₱9,821,625	₱8,636,806	₱28,600,962	₱1,176,127	₱208,870,467

	2012								
	Land	Building	Land Improvements	Leasehold Improvements	Furniture and Fixtures	Machineries and Equipment	Transportation Vehicles	Construction in-Progress	Total
Cost									
Balances at beginning of year	₱53,585,010	₱42,756,368	₱9,652,150	₱4,165,906	₱11,996,428	₱3,982,651	₱26,089,500	₱392,870	₱152,620,883
Additions	–	6,770,082	–	1,936,736	3,047,452	568,832	25,171,600	–	37,494,702
Transfers	–	392,870	–	–	–	–	–	(392,870)	–
Effect of disposal of a subsidiary (Note 28)	–	–	–	(57,908)	(241,060)	–	–	–	(298,968)
Balances at end of year	53,585,010	49,919,320	9,652,150	6,044,734	14,802,820	4,551,483	51,261,100	–	189,816,617
Accumulated Depreciation and Amortization									
Balances at beginning of year	–	4,740,502	808,500	102,891	6,801,757	2,190,147	16,385,908	–	31,029,705
Depreciation and amortization (Note 21)	–	2,265,322	563,108	1,534,198	2,059,119	634,664	4,946,453	–	12,002,864
Effect of disposal of a subsidiary (Note 28)	–	–	–	(16,407)	(49,522)	–	–	–	(65,929)
Balances at end of year	–	7,005,824	1,371,608	1,620,682	8,811,354	2,824,811	21,332,361	–	42,966,640
Net Book Value	₱53,585,010	₱42,913,496	₱8,280,542	₱4,424,052	₱5,991,466	₱1,726,672	₱29,928,739	₱–	₱146,849,977

One of the Group's buildings, with carrying value of ₱11.0 million as of December 31, 2012, located in Cebu Business Park, Cebu City is constructed on a land owned and controlled by the Controlling Shareholders of the Group. Under the contract, the Group has no obligation to pay the land owner in cash but the building would become the property of the land owner after 25 years from the date of construction of building. However, the Group shall be responsible for paying the taxes for the land and building as well as the monthly dues and other expenses related to the use of the said land and building (see Note 27). In 2013, the contract was terminated since the Group already acquired the land from the controlling shareholders.

As of December 31, 2013 and 2012, land and building with an aggregate carrying value of ₱130.0 million and ₱76.6 million, respectively, are currently mortgaged in relation to a loan obtained by the Group from a local commercial bank (see Note 17).

As of December 31, 2013 and 2012, the cost of fully depreciated property and equipment still in use amounted to ₱30.4 million and ₱21.2 million, respectively.

13. Investment Properties

Movements in this account follow:

	2013				
	Land	**Building**	**Improvements**	**Construction in Progress**	**Total**
Cost					
Balance at beginning of year	**₱54,468,615**	**₱8,604,750**	**₱87,090,275**	**₱–**	**₱150,163,640**
Additions	**–**	**–**	**2,201,516**	**–**	**2,201,516**
Balance at end of year	**54,468,615**	**8,604,750**	**89,291,791**	**–**	**152,365,156**
Accumulated Depreciation and Amortization					
Balance at beginning of year	**–**	**1,336,439**	**6,462,134**	**–**	**7,798,573**
Depreciation and amortization (Note 21)	**–**	**430,237**	**2,207,762**	**–**	**2,637,999**
Balance at end of year	**–**	**1,766,676**	**8,669,896**	**–**	**10,436,572**
Net Book Value	**₱54,468,615**	**₱6,838,074**	**₱80,621,895**	**₱–**	**₱141,928,584**

	2012				
	Land	Building	Improvements	Construction in Progress	Total
Cost					
Balance at beginning of year	₱54,468,615	₱8,604,750	₱44,155,223	₱36,641,897	₱143,870,485
Additions	–	–	–	6,293,155	6,293,155
Transfers	–	–	42,935,052	(42,935,052)	–
Balance at end of year	54,468,615	8,604,750	87,090,275	–	150,163,640
Accumulated Depreciation and Amortization					
Balance at beginning of year	–	906,202	3,756,675	–	4,662,877
Depreciation and amortization (Note 21)	–	430,237	2,705,459	–	3,135,696
Balance at end of year	–	1,336,439	6,462,134	–	7,798,573
Net Book Value	₱54,468,615	₱7,268,311	₱80,628,141	₱–	₱142,365,067

The aggregate fair value of the Group's investment properties amounted to ₱540.3 million as of December 31, 2013.

The fair value of investment properties was determined by independent professional qualified appraisers based on highest and best use of the property being appraised. Valuations were derived on the basis of recent sales or similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued. The inputs used in determining the fair value of the investment property is based on Level 3 of the fair value hierarchy as discussed in Note 5. There was no change in the valuation technique used in the fair value measurement.

Rent income from investment properties amounted to ₱5.3 million, ₱1.4 million, and ₱0.9 million in 2013, 2012 and 2011, respectively (see Notes 23 and 25).

Operating expenses directly related to investment properties recorded under 'Security, messengerial and janitorial', 'Communication, light and water' and 'Transportation and travel' amounted to ₱0.3 million, ₱0.8 million and ₱3.5 thousand in 2013, 2012 and 2011, respectively (see Note 21).

In 2012, transfers represent the completion of the Deca Clark Cable Park of 8990 LHDC which was leased to a third party in November 2012 (see Note 25).

8990 HDC entered into an agreement with 8990 Commercial Management Corporation (CMC), an entity under common control, wherein investment property, with carrying value of ₱67.3 million and ₱69.9 million as of December 31, 2013 and 2012, respectively, of the former will be used, managed and maintained by the latter. Any income generated by and any expenses related to the property shall be for the account of the related party (see Note 27).

As of December 31, 2013 and 2012, the Group's investment properties amounting to ₱36.0 million and nil, respectively, are used as collateral for the Group's loans payable (see Note 17).

14. **Long-Term Investments**

This account represents two-year time deposits with certain banks. The long-term investments have varying maturity dates and interest rates ranging from 2.3% to 5.0% in 2013, 2012 and 2011. Under the Group's Funding Commitment Agreement with HDMF, 5.0% to 7.5% of the amount of delivered CTS shall be withheld as retention pending submission of required documentation. The Group has opted to assign certificates of time deposits in lieu of the retention amounts. These long-term investments matured in 2013.

15. **Trade and Other Payables**

This account consists of:

	2013	2012
Current		
Trade payables	**₱1,940,885,694**	₱90,702,057
Accrued expenses	**497,970,175**	239,573,314
Accounts payable	**268,218,197**	146,615,694
Retention payables	**57,744,129**	24,392,140
Withholding tax payable	**21,875,280**	6,899,773
Construction bonds	**16,210,949**	20,410,237
Net output tax	**6,661,147**	6,661,147
Others	**128,165,212**	82,461,622
	2,937,730,783	617,715,984
Noncurrent		
Accounts payable	**259,389,316**	461,296,790
Retention payables	–	37,559,937
Others	**3,699,805**	1,017,274
	263,089,121	499,874,001
	₱3,200,819,904	₱1,117,589,985

Trade payables are mainly attributable to the Group's obligation to contractors for the construction of subdivision houses and improvements and purchase of land and materials. These are noninterest-bearing and are normally settled on 15 to 60-day terms. Trade payables also include the unpaid purchase price of pieces of land acquired for future development amounting to ₱1.9 billion as of December 31, 2013. Portion of the payable for the land was already paid in 2014.

Accrued expenses consist of the following:

	2013	2012
Documentation expenses	**₱381,401,946**	₱187,421,850
Commission expenses	**81,420,455**	33,207,200
Management/professional fees	**16,255,779**	5,638,480
Interest	**13,187,625**	10,908,828
Salaries and wages	**5,286,283**	–
Others	**418,087**	2,396,956
	₱497,970,175	₱239,573,314

Accounts payable includes the amortized cost of the purchase price of the land acquired from BSHI in 2010 (see Note 9). The accretion of interest amounting to ₱40.9 million, ₱34.4 million and ₱32.5 million in 2013, 2012 and 2011, respectively, is recognized in the consolidated statements of comprehensive income as 'Finance costs' (see Note 22). Retention payables are noninterest-bearing liabilities with contractors and brokers and are normally settled a year after the Group's completion of the relevant contracts.

Construction bonds pertain to a fixed amount of cash deposit paid by the buyers in cases where the buyers will have renovations of their units. In case of damages in relation to the Group's projects that occurred during construction, penalties will be applied against these accounts.

Other current liabilities mainly represent provision for probable losses related to contingencies (see Note 29). Other noncurrent payables include retirement liability of the Group (see Note 24).

16. Deposits from Customers

This account represents downpayments made by the real estate buyers for the purchase of residential housing units and timeshares. Once the residential unit is ready for occupancy, delivered and accepted by the buyer, the amount is removed from the liability account and is classified as part of sales. For timeshares, when the level of required payment is reached by the buyer, a sale is recognized.

17. Loans Payable

This account is broken into:

	2013	2012
Short-term (Note 27)	**₱2,612,529,325**	₱1,239,648,027
Long-term loans payable - current portion	**719,720,886**	18,099,481
	3,332,250,211	1,257,747,508
Long-term loans payable - noncurrent portion	**3,980,588,104**	2,316,847,888
	₱7,312,838,315	₱3,574,595,396

On various dates, the Group availed of loans from various banks. The Group also entered into an 'Agreement to Purchase Receivables' (APR) with recourse with various banks covering the receivables under CTS. The proceeds of the sale of receivables under CTS with recourse are recognized as "Long-term loans payable"

The loans payable bear interest rates ranging from 2.6% to 11.0% in 2013, from 6.0% to 11.0% in 2012 and from 7.5% to 11.0% in 2011. Interest rates are either fixed for the loan term or subject to annual repricing. Loans payable have various maturity dates ranging in maturity from 3 months to 5 years.

Interest expense on loans payable amounted to ₱363.6 million, ₱181.1 million and ₱51.6 million in 2013, 2012, and 2011, respectively (see Note 22).

As of December 31, 2013 and 2012, the Group's loans payable is secured by the following assets with their corresponding carrying values:

	2013	2012
Short-term loans		
Collaterals owned by the Group:		
Installment contract receivables	**₱1,602,288,894**	₱503,167,953
Land held for future development	**133,200,000**	–
Property and equipment	**130,031,597**	76,630,101
Investment properties	**35,983,027**	–
Collaterals owned by other related parties:		
Installment contract receivable of a related party under common control	**216,987,624**	–
Land held for future development of affiliates	**239,315,826**	–
Other assets of entities under common control	**84,800,000**	–
Deposits of the Controlling Shareholders	**12,900,000**	586,207,210
Deposit of other affiliates	**6,000,000**	–
	2,461,506,968	1,166,005,264
Long-term loans		
Collaterals owned by the Group:		
Installment contract receivables	**4,533,928,162**	2,686,411,931
Land held for future development	**198,936,000**	–
Inventories	**7,048,952**	7,923,637
Collaterals owned by other related parties:		
Installment contract receivable of a related party under common control	**1,272,180,395**	564,492,898
Deposits of the Controlling Shareholders	**207,630,000**	–
	6,219,723,509	3,258,828,466
	₱8,681,230,477	₱4,424,833,730

On December 12, 2011, the 8990 Group, Bon Giorno Homes, Inc. 8990 CHDC and 8990 Iloilo Housing Development Corporation (the 8990 Group and related entities), entered into a MOA with a local bank to execute a deed of assignment known as APR, wherein, the 8990 Group and related entities sells, assigns, transfers and conveys unto the local bank, certain CTS accounts and the local bank has agreed to purchase the same (CTS purchase), subject to certain terms and conditions. CTS accounts pertain to amounts which the 8990 Group and related entities will be entitled to receive from a buyer, which consist of installments payable on the purchase by the buyer of real estate inventory from the 8990 Group and related entities.

Availment of the CTS purchase is done via promissory note secured by the APR over CTS. Amount of CTS purchase is up to 70.0% of the total contract price as stipulated in the CTS. The maximum term is four years with option to extend at the sole option of the bank. Interest rate is based on the prevailing bank rate at the time of availment and as mutually agreed upon between the local bank and the 8990 Group and related entities.

All monetary obligations of the 8990 Group and related entities are jointly and severally payable to the local bank when due without need of demand and presentment or notice of any kind. Whenever any of the members of the 8990 Group and related entities avail of the CTS purchase, and such member defaults, the local bank shall have the sole option to apply any payment received

from any of the members of the 8990 Group and related entities or any other resource in behalf of any of the members of the 8990 Group and related entities, or any money or thing of value belonging to any of the members of the 8990 Group and related entities which may be in the possession or control of the bank, to any payable of any of the members of the 8990 Group and related entities that the local bank may choose notwithstanding that one payable may be more onerous than the other, or that member of the 8990 Group and related entities gives instructions to the contrary.

The MOA contains debt covenants, inclusive of, among others, paying taxes and charges upon properties and assets covered by CTS accounts, maintaining the properties and assets subject of the CTS accounts in good working condition before turning over to buyers, providing for the insurance of the subject properties and assets, advising the local bank in the event of buyer default, and submitting to the local bank reports of installment payments received from buyers whose CTS accounts are not covered by postdated checks.

As of December 31, 2013, long-term loans payable include the loans payable of 8990 CHDC assumed by the Group in relation to the acquisition of installment contract receivables as discussed in Note 8.

The following tables show the recognized financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements:

2013						
				Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
Financial liabilities recognized at end of year by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Financial instruments**	**Fair value of financial collateral**	**Net exposure [c-d]**
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Loans payable						
Short-term loans	**₱ 1,139,197,756**	**₱–**	**₱1,139,197,756**	**₱–**	**₱ 1,602,288,894**	**₱–**
Long-term loans	**3,585,312,100**	**–**	**3,585,312,100**	**–**	**4,533,928,162**	**–**

2012						
				Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
Financial liabilities recognized at end of year by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Loans payable						
Short-term loans	₱345,560,517	₱–	₱345,560,517	₱–	₱503,167,953	₱–
Long-term loans	1,692,236,261	–	1,692,236,261	–	2,686,411,931	–

18. **Equity**

Capital Stock

As of December 31, 2013, 2012 and 2011, the details of the common stock of the Parent Company and the movements thereon follow:

	2013 (Audited)	2012 (Audited)	2011 (Unaudited)
Authorized, par value ₱1.00	**7,000,000,000**	460,000,000	460,000,000
Issued and outstanding at beginning of year	**221,866,669**	181,866,669	181,866,669
Issuance of shares	**4,433,938,001**	40,000,000	–
Issued and outstanding at end of year	**4,655,804,670**	221,866,669	181,866,669

The subscribed capital stock of the Parent Company follows:

	2013 (Audited)		2012 (Audited)		2011 (Unaudited)	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Balance at beginning of year	–	₱–	40,000,000	₱100,800,000	–	₱–
Subscriptions	–	–	–	–	40,000,000	100,800,000
Issuance of shares	–	–	(40,000,000)	(100,800,000)	–	–
Balance at end of year	–	–	–	–	40,000,000	100,800,000
Less: subscription receivable	–	–	–	–	–	(75,800,000)
	–	₱–	–	₱–	40,000,000	₱25,000,000

Authorized Capital Stock

On August 25, 2011, the Parent Company entered into a Subscription Agreement (SA) with IPVG, wherein IPVG agrees to subscribe to 40.0 million shares of the common stock of the Parent Company at a subscription price of ₱2.52 per share or a total subscription of ₱100.8 million. IPVG paid ₱25.0 million in cash as partial payment and agreed to pay the remaining balance of the subscription price upon call thereon by the Parent Company's BOD. The ₱25.0 million partial payment was presented as subscribed capital stock.

As a result of the Asset Purchase Agreement dated September 28, 2011, the said SA and the related shares subscribed and partially paid were transferred to IPVI.

On February 29, 2012, the stockholders approved the issuance of the 40.0 million shares in favor of IPVI. On the same date, the minority and unrelated stockholders also approved that the requirement to conduct a rights or public offering of the shares subscribed pursuant to a related party transaction is waived.

In April 2012, the Parent Company received the remaining subscription receivable and issued the corresponding shares to IPVI. These shares were part of the shares acquired by the Stockholders of the 8990 Group (see Note 1).

On September 23, 2013, the BOD of the Parent Company approved the subscriptions and issuance of 465,580,467 shares at ₱1.0 per share to new public investors to comply with the minimum public ownership requirement of the PSE. Such issuance is subject to following conditions: (i) the approval of the SEC of the Parent Company's application for the increase in authorized capital stock; and (ii) the issuance of 3,968,357,533 shares to the Stockholders of 8990 Group. The shares were issued subsequent to the approval by the SEC of the increase in authorized capital stock of the Parent Company on October 1, 2013.

The total number of holders of outstanding common shares of the Parent Company is 23 as of December 31, 2013 and 14 as of December 31, 2012.

Retained Earnings
As of December 31, 2013 and 2012, retained earnings represent the accumulated income of the 8990 Group and the losses of the Parent Company since May 2012. As of December 31, 2011 retained earnings represent the accumulated income of the 8990 Group.

On December 20, 2011, the BOD approved 8990 HDC's declaration of cash dividends for a total of ₱15.6 million or ₱0.01 per share to all shareholders as of record date of December 31, 2011.

On November 12, 2012, the BOD approved 8990 HDC's declaration of cash dividend for a total of ₱200.0 million or ₱0.06 per share to all shareholders as of record date of September 30, 2012.

On December 19, 2012, 8990 HDC's BOD and stockholders approved the Company's declaration of cash dividends and stock dividends for a total of ₱200.0 million or ₱0.06 per share and ₱1.4 billion or ₱0.44 per share, respectively, to all shareholders as of record date of December 31, 2012.

On March 8, 2013, the BOD approved FHI's declaration of stock dividends of 420.0 million shares equivalent to ₱420.0 million or ₱0.70 per share to all shareholders of record as of the same date.

Equity Reserve
As at January 1, 2011, as a result of the application of pooling of interest method, the 'Equity reserve' account, represent the difference between the paid-up capital of the consolidated subsidiaries and the legal acquirer. Subsequent to January 1, 2011 up to the date of the Shares Swap transaction, the movements of the equity accounts of the consolidated subsidiaries are adjusted to 'Equity reserve'.

Below is the summary of the movements of the 'Equity reserve' account of the Group:

Paid-up capital of consolidated subsidiaries	
8990 HDC	₱430,000,000
8990 LHDC	25,000,000
FHI	90,809,720
8990 LRC	6,250,000
8990 DHDC	1,250,000
8990 MHDC	1,250,000
	554,559,720
Paid-up capital of the legal acquirer (the Parent Company)	
8990 Holdings	(311,814,997)
Balance at December 31, 2010	₱242,744,723
Balance at January 1, 2011	₱242,744,723
Issuance of capital stock by FHI	89,190,280
Subscription of capital stock of the legal acquirer	(25,000,000)
Balance at December 31, 2011	₱306,935,003

(Forward)

Balance at January 1, 2012	₱306,935,003
Stock dividend declaration by 8990 HDC	1,417,650,000
Issuance of capital stock by 8990 HDC	1,387,500,000
Issuance of capital stock by the legal acquirer	(75,800,000)
Acquisition of net assets of the accounting acquire	(12,011,835)
Balance at December 31, 2012	₱3,024,273,168
Balance at January 1, 2013	₱3,024,273,168
Stock dividend declaration by FHI	420,000,000
Issuance through Shares Swap	(3,444,273,168)
Balance at December 31, 2013	₱–

Upon issuance of the capital stock under the Shares Swap transaction, the Parent Company recognized capital stock at total par value of ₱4.0 billion and offset this against the 'Equity reserve' account of ₱3.4 billion. The excess of ₱0.5 billion was closed to additional paid-in capital and retained earnings.

Capital Management

The primary objective of the Group's capital management is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Group establishes the appropriate capital structure for its business, and thus, allowing the necessary financial flexibility for its operations and providing sufficient cushion to absorb cyclical industry risks.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. The Group considers its equity as capital. The Group is not subject to externally-imposed capital requirements.

19. Sales

This account consists of:

	2013	2012	2011
	(Audited)	(Audited)	(Unaudited)
Sale of:			
Real estate:			
Low-cost mass housing			
Houses and lots	**₱4,212,819,783**	₱3,574,392,545	₱2,223,672,994
Subdivision lots	**453,669,092**	128,430,542	124,976,237
Medium-rise condominium units	**559,780,876**	33,301,000	–
Timeshares	**46,077,321**	52,878,961	–
	5,272,347,072	3,789,003,048	2,348,649,231
Hotel operations			
Rooms	**56,091,567**	26,743,829	–
Food and beverages	**27,660,176**	14,897,171	–
	83,751,743	41,641,000	–
	₱5,356,098,815	₱3,830,644,048	₱2,348,649,231

Timeshares are in-house issuances of the Group that grants the purchaser a perpetual right to occupy one unit of the Group's vacation hotel in Baguio every year for a specific number of days. It also grants certain buyers the right to avail of the international exchange services offered by affiliated companies through the Group's Resorts Condominium International membership.

Classifications of timeshares are based on the accommodation types offered by the vacation hotel which range from deluxe to 3-bedroom units. The said accommodation units are offered under different pricing schemes.

Purchase of a timeshare does not result into any change in equity or ownership of the Group as the sale does not grant the purchaser any proprietary or voting right or residual interest in the Group. Income from hotel operations are incidental revenues while the Group has not yet sold all of the timeshares of its Azalea Project. Hotel operations of the Group is a Board of Investments (BOI)-registered activity.

20. Cost of Sales and Services

This account consists of:

	2013	2012	2011
	(Audited)	(Audited)	(Unaudited)
Costs of sales			
Real estate			
Low-cost mass housing			
Houses and lots	**₱1,554,106,908**	₱1,362,854,304	₱1,284,516,870
Subdivision lots	**163,412,413**	42,981,165	55,513,534
Medium-rise condominium units	**197,320,474**	12,822,403	–
Timeshares	**12,140,099**	16,375,980	–
	1,926,979,894	1,435,033,852	1,340,030,404
Cost of services			
Hotel operations			
Rooms	**19,085,469**	8,621,563	–
Food and beverages	**20,982,106**	4,916,457	–
	40,067,575	13,538,020	–
	₱1,967,047,469	₱1,448,571,872	₱1,340,030,404

21. **Operating Expenses**

This account consists of:

	2013 (Audited)	2012 (Audited)	2011 (Unaudited)
Marketing and selling	**₱307,015,371**	₱197,402,838	₱65,473,502
Documentation	**292,188,702**	232,054,087	237,250,143
Taxes and licenses	**103,568,517**	38,808,832	22,039,744
Salaries and employee benefits (Notes 24 and 27)	**75,943,647**	55,249,493	41,002,190
Write-off of assets (Notes 8 and 10)	**64,945,573**	–	3,515,943
Provision for impairment losses (Notes 8 and 10)	**58,414,812**	2,076,561	–
Management and professional fees	**44,502,235**	26,188,710	3,193,141
Communication, light and water (Note 13)	**34,961,571**	27,272,814	28,129,895
Provision for probable losses (Note 29)	**26,340,946**	10,680,718	11,296,035
Security, messengerial and janitorial (Note 13)	**25,369,411**	23,590,909	5,502,716
Depreciation and amortization (Notes 12 and 13)	**22,566,268**	15,138,560	11,760,003
Transportation and travel (Note 13)	**22,270,000**	13,778,481	55,725,846
Repairs and maintenance	**11,295,057**	7,111,871	35,706,214
Entertainment, amusement and representation (Note 26)	**10,575,323**	19,131,170	6,246,477
Rent (Note 25)	**8,350,287**	7,211,136	6,532,647
Supplies	**7,750,140**	4,604,354	9,957,041
Provision for write-down (Note 11)	**3,646,000**	–	–
Subscription dues and fees	**876,704**	789,447	540,762
Miscellaneous	**56,283,828**	13,162,815	11,514,055
	₱1,176,864,392	₱694,252,796	₱555,386,354

Marketing and selling expenses represent commissions paid to real estate brokers and agents and other expenses directly incurred in selling the inventories.

Documentation expenses consist of certification fees, registrations fees, tax clearances and other related expenses incurred in the processing of real estate inventories sales and transfer of titles to the buyers.

22. **Finance Costs**

	2013	2012	2011
	(Audited)	(Audited)	(Unaudited)
Borrowings (Notes 17 and 27)	**₱363,633,267**	₱181,122,301	₱51,572,381
Accretion (Note 15)	**40,918,456**	34,410,141	32,462,397
Bank charges	**1,851,418**	752,184	674,737
Net interest expense on pension obligation (Note 24)	**63,034**	28,004	23,869
	₱406,466,175	₱216,312,630	₱84,733,384

23. **Other Income**

This account consists of:

	2013	2012	2011
	(Audited)	(Audited)	(Unaudited)
Interest income from:			
Installment contract receivables (Note 8)	**₱531,811,849**	₱218,340,111	₱20,792,514
Cash in banks and long-term investments (Notes 7 and 14)	**1,369,278**	8,878,285	1,263,448
Water income	**52,873,719**	31,327,458	24,833,534
Penalties	**13,676,202**	2,447,857	727,079
Rent income (Note 25)	**6,481,920**	1,412,532	854,115
Collection service fees	**2,826,651**	11,805,294	4,680,240
Gain on repossession	**1,122,087**	–	6,360,112
Loss on sale of a subsidiary (Note 28)	–	(11,165,026)	–
Gain on sale of unquoted debt security classified as loans	–	7,767,942	–
Miscellaneous	**25,647,328**	11,333,687	17,899,142
	₱635,809,034	₱282,148,140	₱77,410,184

Miscellaneous income includes gain from sales cancellations, retrieval fee, association dues and transfer fee.

24. **Pension Cost**

FHI

FHI has an unfunded, noncontributory, defined benefit pension plan covering substantially all of its regular employees. Under this retirement plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The benefits are based on the projected retirement benefit of 22.5 days pay per year service in accordance with Republic Act (RA) 7641. The benefits are based on current salaries and years of service and compensation on the last year of employment.

Changes in the net defined benefit liability of FHI's pension plan in 2013 and 2012 are as follows:

	2013							
		Net benefit cost in consolidated statements of income			**Remeasurements in other comprehensive income**			
	January 1, 2013	**Current service cost**	**Interest cost**	**Subtotal**	**Experience adjustments**	**Actuarial changes arising from changes in financial assumptions**	**Subtotal**	**December 31, 2013**
Present value of defined benefit obligation	**₱745,271**	**₱278,351**	**₱37,122**	**₱315,473**	**(₱21,752)**	**(₱157,800)**	**(₱179,552)**	**₱881,192**

	2012					
		Net benefit cost in consolidated statements of income				
	January 1, 2012	Current service cost	Interest cost	demographic assumptions	Actuarial changes arising from changes in financial assumptions	December 31, 2012
Present value of defined benefit obligation	₱548,073	₱187,400	₱21,241	(₱11,443)	₱–	₱745,721

8990 HDC

8990 HDC has a funded, noncontributory, defined benefit pension plan covering substantially all of its regular employees. The benefits are based on the projected retirement benefit of 22.5 days pay per year service in accordance with RA 7641. The benefits are based on current salaries and years of service and compensation on the last year of employment. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the retirement benefit obligation.

The defined benefit plan is administered by a third party trustee bank.

The pension plan exposes the Group to actuarial risks, such as longevity risk, and market (investment) risk.

Changes in net defined benefit liability of HDC's pension plan are as follows:

	2013								
		Net benefit cost in consolidated statements of income			**Remeasurements in other comprehensive income**				
	January 1, 2013	**Current service cost**	**Net interest**	**Subtotal**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from changes in demographic assumptions**	**Actuarial changes arising from changes in financial assumptions**	**Subtotal**	**December 31, 2013**
Present value of defined benefit obligation	**₱2,211,400**	**₱164,172**	**₱134,895**	**₱299,067**	**₱–**	**₱1,085,533**	**₱567,900**	**₱1,653,433**	**₱4,163,900**
Fair value of plan assets	**1,786,615**	**–**	**108,983**	**108,983**	**41,347**	**–**	**–**	**41,347**	**1,936,945**
Net defined benefit liability	**₱424,785**	**₱164,172**	**₱25,912**	**₱190,084**	**₱41,347**	**₱1,085,533**	**₱567,900**	**₱1,612,086**	**₱2,226,955**

	2012					
		Pension cost in consolidated statements of income				
	January 1, 2012	Current service cost	Net interest	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	December 31, 2012
Present value of defined benefit obligation	₱1,549,700	₱256,800	₱105,999	₱–	₱298,901	₱2,211,400
Fair value of plan assets	1,653,920	–	–	99,235	33,460	1,786,615
Net defined benefit liability (asset)	(₱104,220)	₱256,800	₱105,999	(₱99,235)	₱265,441	₱424,785

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The Group's net defined benefit liability of ₱3.1 million and ₱1.2 million as of December 31, 2013 and 2012, respectively, is included in other liabilities (non-current) under trade and other payable.

The fair value and carrying value of plan assets by class as at the end of the reporting period are as follows:

	2013	2012
Cash	**₱809,434**	₱26,612
Available-for-sale securities		
Debt instruments	**1,052,930**	1,737,172
UITF	**58,408**	–
Accrued interest receivable	**18,193**	24,479
Accrued expenses	**(2,020)**	(1,648)
	₱1,936,945	₱1,786,615

8990 HDC is yet to formalize its investment policy and risk management procedures for the pension plan. Currently, the assets of the pension plan are composed of securities issued by the Philippine government and placements in banks. Available-for-sale securities are quoted instruments.

The plan assets have diverse investments and do not have any concentration risk.

The cost of defined benefit pension plans, as well as the present value of the defined benefit obligation, is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining the net pension liability for the defined benefit plans are shown below:

	2013	2012
	%	%
Discount rates:		
FHI	6.04	6.04
8990 HDC	6.10	6.10
Salary increase rates:		
FHI	2.00	2.00
8990 HDC	2.00	2.00

The Group does not expect that any reasonably possible changes to the assumptions used to calculate the defined benefit obligation as of the end of the reporting period would have a significant impact on the Group's net pension liability.

8990 HDC expects to contribute a minimum amount of ₱0.8 million in 2014.

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

Less than 1 year	₱307,493
More than 1 year to 5 years	3,829,482
More than 5 years to 10 years	24,726,700
More than 10 years to 15 years	1,062,031
More than 15 years to 20 years	29,037,143
More than 20 years	53,346,401

The average duration of the defined benefit obligation at the end of the reporting period is 18 years.

25. **Leases**

8990 Holdings

8990 Holdings as a lessee

In 2012, 8990 Holdings entered into a non-cancellable operating lease contract covering its office premises in Liberty Center Building in Makati City. The lease has a term of two years until 2014, with renewal options.

Future minimum rentals payable under non-cancellable operating lease follow:

	2013	2012
Less than one year	**₱528,612**	₱881,020
More than one year but not more than five years	–	528,612
	₱528,612	₱1,409,632

Rent expense arising from this operating lease agreement amounted to ₱1.0 million and ₱0.4 million in 2013 and 2012, respectively.

FHI

FHI as a lessee

FHI recognized rent expense amounting to ₱3.6 million, ₱4.4 million and ₱3.8 million, in 2013, 2012 and 2011, respectively, pertaining to rental of FHI's office. The lease agreements are renewable annually upon mutual agreement of the parties. As of December 31, 2013, 2012 and 2011, FHI has no future minimum rentals payable under non-cancellable operating leases.

8990 HDC

8990 HDC as a lessee

8990 HDC recognized rent expense amounting to ₱3.2 million, ₱2.3 million and ₱2.3 million in 2013, 2012 and 2011, respectively, pertaining to rental of 8990 HDC's office spaces and billboard. The lease agreements are renewable annually upon mutual agreement of the parties. As of December 31, 2013, 2012 and 2011, 8990 HDC has no future minimum rentals payable under non-cancellable operating leases.

8990 HDC as a lessor

8990 HDC owns a building and a portion of it is currently leased to a third party which is covered by an operating lease contract for a period of 10 years starting 2007. Rent income recognized by 8990 HDC amounted to ₱4.2 million, ₱1.0 million and ₱0.9 million in 2013, 2012 and 2011, respectively (see Notes 13 and 23).

Future minimum lease receivables under non-cancellable operating lease are as follows:

	2013	2012
Within one year	**₱3,732,255**	₱649,106
After one year but not more than five years	**7,883,275**	2,733,062
More than five years	**1,074,221**	–
	₱12,689,751	₱3,382,168

8990 LHDC

8990 LHDC as a lessee

8990 LHDC recognized rent expense amounting to ₱0.1 million in 2013 and 2012, and ₱0.4 million in 2011 pertaining to rentals for office space, staff house and generator set (see Note 21).

8990 LHDC as a lessor
In 2012, 8990 LHDC leased its investment properties for a period of five years, with provision for automatic annual renewal unless formally terminated by either party. The contract provided that Group shall waive the first six monthly lease fees for the first year. In addition to rental income, the Group shall be entitled to receive 10.0% of monthly gross sales of riding passes in excess of ₱2.0 million.

Rent income from investment properties amounted to ₱1.1 million and ₱0.4 million in 2013 and 2012, respectively (see Notes 13 and 23).

Future minimum rentals receivable under this non-cancellable operating lease follow:

	2013	2012
Within one year	**₱1,080,000**	₱1,080,000
After one year but not more than five years	**2,430,000**	3,960,000
	₱3,510,000	₱5,040,000

26. **Income Taxes**

Provision for income tax consists of:

	2013	2012	2011
	(Audited)	(Audited)	(Unaudited)
Current:			
RCIT	**₱34,169,799**	₱23,045,001	₱3,922,923
MCIT	**1,057,214**	90,104	–
Final	**46,875**	86,139	91,708
	35,273,888	23,221,244	4,014,631
Deferred	**222,571,695**	25,947,615	2,909,179
	₱257,845,583	₱49,168,859	₱6,923,810

Current income taxes include corporate income tax and final taxes paid at the rate of 20.0% on peso-denominated cash in banks, which is a final withholding tax on gross interest income.

RA 9337, an act amending the National Internal Revenue Code (NIRC) of 1997, provides that the RCIT rate shall be 30.0% and interest allowed as deductible expense shall be reduced by 33.0% of interest income subjected to final tax.

The NIRC of 1997 also provides for rules on the imposition of MCIT of 2.0% on gross income as of the end of the taxable year beginning on the fourth taxable year immediately following the taxable year in which the entities in the Group commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three immediately succeeding taxable years.

Details of the Group's MCIT follow:

Inception Year	Amount	Expired/Used	Balance	Expiry Year
2012	₱90,104	₱–	₱90,104	2015
2013	1,057,214	–	1,057,214	2016
	₱1,147,318	₱–	₱1,147,318	

In addition, the NIRC of 1997 allows each of the entities in the Group to deduct from its taxable income for the current year its accumulated NOLCO for the immediately preceding three consecutive taxable years.

Details of the Group's NOLCO follow:

Inception Year	Amount	Expired/Used	Balance	Expiry Year
2010	₱4,405,113	₱4,405,113	₱–	2013
2011	14,909,611	14,824,257	85,354	2014
2012	44,335,797	21,170,065	23,165,732	2015
2013	4,143,861	–	4,143,861	2016
	₱67,794,382	₱40,399,435	₱27,394,947	

RA 9504, an act amending the NIRC of 1997, provides that an optional standard deduction (OSD) equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT. The entities in the Group did not claim the OSD in lieu of the itemized deductions.

The Group recognized net deferred tax liability as follows:

	2013	2012
Deferred tax liability on:		
Excess of accounting basis over tax basis of deferred gross profit on real estate sales	**₱336,299,944**	₱64,631,223
Effect of straight line recognition of rental income	**222,000**	108,000
	336,521,944	64,739,223
Deferred tax asset on:		
Accrued expenses	**56,677,039**	14,035,335
Allowance for impairment losses	**16,685,912**	–
NOLCO	**6,990,893**	18,832,784
MCIT	**1,147,318**	90,104
Retirement liability	**668,087**	–
	82,169,249	32,958,223
Net deferred tax liability	**₱254,352,695**	₱31,781,000

The Group did not set up deferred tax assets on the following temporary differences since management believes that it is not probable that the related benefits will be realized is the future:

	2013	2012
Accrued documentation	**₱29,348,070**	₱–
NOLCO	**4,091,970**	262,454
Allowance for impairment and probable losses	**2,795,106**	–
Pension liability	**881,200**	1,017,274
	₱37,116,346	₱1,279,728

Current tax regulations also provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a seller of goods and properties is limited to the actual EAR paid or incurred but not to exceed 0.5% of net sales. EAR expenses amounted to ₱10.6 million, ₱19.1 million and ₱6.2 million in 2013, 2012 and 2011, respectively (see Note 21).

A reconciliation of the Group's statutory income tax rate to effective income tax rate follows:

	2013	2012	2011
	(Audited)	(Audited)	(Unaudited)
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Income under income tax holiday	**(20.42)**	(26.95)	(27.49)
Nontaxable income	**(0.57)**	(6.49)	(21.40)
Nondeductible expenses	**3.21**	4.08	18.69
Change in unrecognized deferred tax assets	**1.15**	2.20	1.77
Income subjected to final tax	**(0.02)**	(0.04)	(0.02)
Others	**(2.79)**	–	–
	10.56%	2.80%	1.55%

Registration with BOI

The Group has registered the following projects with the BOI under the Omnibus Investments Code of 1987 (Executive Order No. 226) as of December 31, 2013:

Project Name	Reg. No.	Date Registered	ITH Period	Registered Activity
Deca Homes Minglanilla Subdivision Phase 4	2008-159	July 14, 2008	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Mandaue Prime	2008-309	November 14, 2008	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Mactan 3	2008-315	November 20, 2008	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Resort Residences	2009-038	May 4, 2009	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Minglanilla Homes	2009-082	June 19, 2009	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Talisay	2009-193	December 17, 2009	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Minglanilla Subdivision Phase 5	2010-003	January 8, 2010	3 years	Developer of Low-cost Mass Housing Project
Deca Homes Minglanilla Subdivision Phase 6	2010-004	January 8, 2010	3 years	Developer of Low-cost Mass Housing Project
Savannah Green Plains - Phase 3	2010-068	March 22, 2010	3 years	Expanding Developer of Low-cost Mass Housing Project
Deca Homes Mactan 4	2010-127	July 13, 2010	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Pavia	2010-128	July 13, 2010	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Resort Residences Phase 10	2011-007	January 10, 2011	3 years	Developer of Low-cost Mass Housing Project

(Forward)

Project Name	Reg. No.	Date Registered	ITH Period	Registered Activity
Deca Homes Esperanza	2011-009	January 10, 2011	4 years	Developer of Low-cost Mass Housing Project
Bon Giorno Homes Subdivision	2011-035	February 8, 2011	4 years	New Developer of Low-cost Mass Housing Project
Deca Homes Resort Residences Phase 8-A	2011-119	July 5, 2012	3 years	Developer of Low-cost Mass Housing Project
Deca Homes Resort Residences Phase 8-B	2011-120	July 5, 2012	3 years	Developer of Low-cost Mass Housing Project
Deca Homes Resort Residences Phase 8-C	2012-121	July 5, 2012	3 years	Developer of Low-cost Mass Housing Project
Azalea Baguio Residences	2012-174	August 22, 2012	4 years	New Operator of Tourist Accommodation Facility - Apartment Hotel
Bella Vista Subdivision	2013-049	February 18, 2013	4 years	New Developer of Low-cost Mass Housing Project
Urban Homes Tipolo Condominium	2013-062	March 8, 2013	3 years	New developer of Low-cost Mass Housing Project

Pursuant to the above registrations, the Group had been granted income tax holiday (ITH) for a certain period of time subject to certain conditions. Interest income from in-house financing is not covered by ITH.

The Group shall be entitled to ITH provided that it maintains a 75:25 debt-to-equity ratio as required by the BOI. In the event that the Group fails to maintain the ratio requirement, the Group shall present evidence that the construction of housing units have been completed and delivered to the buyers prior to the availment of ITH, otherwise, the Group shall not be entitled to ITH and shall be required to refund any capital incentives availed.

The Group's debt-to-equity ratio per subsidiary with BOI registered project is as follows:

	8990 HDC		8990 LHDC		FHI	
	2013	2012	**2013**	2012	**2013**	2012
Total liabilities	**₱8,206,313,543**	₱2,702,506,818	**₱1,741,513,025**	₱1,287,940,928	**₱1,501,667,894**	₱994,463,147
Total equity	**5,127,751,684**	3,409,033,204	**305,336,305**	25,679,816	**1,187,800,012**	610,704,999
Debt to equity ratio	**40:25**	20:25	**143:25**	1254:25	**32:25**	41:25

The Group plans to increase the capitalization of LHDC to address the requirement of BOI with regard to the debt to equity ratio.

27. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The Group has entered into transactions with related parties principally consisting of advances and reimbursement of expenses. Settlement of outstanding balances of advances occurs in cash. As of December 31, 2013 and 2012, the Group has not made any provision for impairment losses relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Other related parties are entities owned and controlled by the Controlling Shareholders of the Group. These entities are in effect sister companies of the Group by virtue of ownership.

There are no restrictions, resulting from guarantees or any other form of agreements entered into by the entities within the Group, on the ability of the Parent Company or its subsidiaries to transfer cash or other assets to or from other entities within the Group.

The details of the Group's related party transactions follow:

		2013 (Audited)			
Related Party	**Nature of Transaction**	**Account**	**Outstanding Balance/Amount**	**Terms**	**Conditions**
Stockholders	Advances	Due from related parties	**₱205,790,884**	Non - interest bearing, payable on demand	Unsecured, no impairment
	Borrowings	Loans payable	**113,850,000**	On demand; 7.50% per annum	Unsecured
	Interest on borrowings	Finance costs	**19,447,799**		
Entities under common control	Advances	Due from related parties	**311,699,706**	Non - interest bearing, payable on demand	Unsecured, no impairment
Entities under common control	Advances	Due to related parties	**172,808,746**	Non - interest bearing, payable on demand	Unsecured

		2012 (Audited)			
Related Party	Nature of Transaction	Account	Outstanding Balance/Amount	Terms	Conditions
Stockholders	Advances	Due to related parties	₱57,176,899	Non - interest bearing, payable on demand	Unsecured
Entities under common control	Advances	Due from related parties	147,400,252	Non - interest bearing, payable on demand	Unsecured, no Impairment

		2011 (Unaudited)			
Related Party	Nature of Transaction	Account	Outstanding Balance/Amount	Terms	Conditions
Stockholders	Advances	Due to related parties	₱1,786,773,265	Non - interest bearing, payable on demand	Unsecured
	Borrowings	Loans payable	481,268,385	On demand; 7.50% per annum	Unsecured
	Interest on borrowings	Finance costs	2,481,715		
Entities under common control	Advances	Due from related parties	436,251,603	Non - interest bearing, payable on demand	Unsecured, no impairment

The Group has transactions with stockholders which are subject to offsetting as follows:

	2013	2012
Gross amount of due from (to) stockholders	**₱223,006,493**	(₱172,426,222)
Gross amount of due from (to) stockholders offset in the consolidated statement of financial position (Note 28)	**(17,215,609)**	115,249,323
Net amount of due from (to) stockholders included in 'Due to related parties' as presented in the consolidated statement of financial position	**₱205,790,884**	(₱57,176,899)

As discussed in Note 17, the 8990 Group and related entities entered into a MOA with a local bank for the CTS purchase. The 8990 Group is jointly and severally liable with related entities for any obligation arising from this MOA.

As discussed also in Note 17, certain loans payable of the Group is secured by the assets of the Controlling Shareholders and entities under common control.

The building located in Cebu Business Park, Cebu City is constructed on a land owned by the Controlling Shareholders of the Group. Under the contract, 8990 HDC has no obligation to pay the land owner in cash but the building would become the property of the land owner after 25 years from the date of construction of building. However, the Group shall be responsible for paying the taxes for the land and building as well as the monthly dues and other expenses related to the use of the said land and building. In 2013, the Group already acquired the land for ₱53.8 million, accordingly the contract was terminated (see Note 12).

8990 HDC entered into an agreement with 8990 CMC, an entity under common control, wherein, the investment property of the former will be used, managed and maintained by the latter (see Note 13). Any income generated by and any expenses related to the property shall be for the account of the related party.

As discussed in Note 8, on September 30, 2013, the Group acquired installment contract receivables amounting to ₱1.1 billion and assumed the loans payable amounting to ₱601.3 million from 8990 CHDC at book value.

The Group shoulders the administrative/accounting cost of certain other related parties.

Key management compensation
The key management personnel of the Group include all directors, executive, and senior management. The compensation and short-term benefits of key management personnel amounted to ₱11.6 million, ₱5.2 million and ₱4.0 million in 2013, 2012 and 2011, respectively. Post-employment benefits of key management personnel amounted to ₱0.2 million, ₱62.7 thousand and ₱73.4 thousand in 2013, 2012 and 2011, respectively.

28. Disposal of a Subsidiary

In 2012, 8990 LHDC and its stockholders executed a Deed of Assignment of Shares for the shares of Bon Giorno Homes, Inc. (BGHI) for a consideration amounting to ₱115.2 million.

The impact of the disposal of BGHI on the consolidated financial statements of the Group as of December 31, 2012 is as follows:

Assets	
Cash on hand and in banks	₱61,680,350
Trade and other receivables	71,157,022
Inventories	46,814,215
Other current assets	13,209,079
Property and equipment	233,039
Other noncurrent assets	1,805,121
	194,898,826
Liabilities	
Trade and other payables	18,357,377
Advances from a related party	36,325,943
Deposits from customers	4,716,559
Loans payable	19,434,556
	78,834,435
Net Assets Disposed	116,064,391
Consideration - net of transaction costs	104,899,365
Loss on sale of a subsidiary	₱11,165,026
Net cash outflow from disposal	
Cash on hand and in banks	₱61,680,350

The consideration from the Deed of Assignment of Shares is still outstanding and was recorded as part of 'Due to related parties' as of December 31, 2012.

29. Commitments and Contingencies

Commitments

The Group, and its related entities, has a contractual commitment to be jointly and severally liable for all of its monetary obligations to a local bank as disclosed in Note 17.

Contingencies

In the normal course of business, the Group is involved in various contingencies which, in the opinion of the management, will not have a material effect on the Group's consolidated financial statements. The Group recognized provision for probable losses amounting to ₱26.3 million, ₱10.7 million and ₱11.3 million in 2013, 2012 and 2011, respectively.

Below is the summary of movements in the provision for probable losses recognized by the Group:

	2013	2012
Balance at beginning of year	**₱64,590,861**	₱53,910,143
Provisions during the year (Note 21)	**26,340,946**	10,680,718
Balance at end of year	**₱90,931,807**	₱64,590,861

30. Earnings Per Share

Basic EPS is calculated by dividing the net income for the year by the weighted average number of common shares outstanding during the year (adjusted for any stock dividends).

The following tables reflect the net income and share data used in the basic/dilutive EPS computations:

	2013 (Audited)	2012 (Audited)	2011 (Unaudited)
Net income	**₱2,183,684,230**	₱1,704,486,031	₱438,985,463
Divided by weighted average number of common shares	**4,232,663,764**	3,255,182,544	2,526,890,010
	₱0.52	₱0.52	₱0.17

There were no potential dilutive common shares for the periods ended December 31, 2013 and 2012.

31. Notes to Statements of Cash Flows

The following are the significant noncash transactions of the Group:

2013

- During the year, the Group reclassified a piece of land amounting to ₱284.1 million booked under ‘Land held for future development’ to ‘Inventories’.

- In August 2013, the Group acquired parcels of land (booked as part of ‘Land held for future development’) for a contract price of ₱2.2 billion which resulted in an increase in accounts payable amounting to ₱1.9 billion.

- Accretion on the Group’s accounts payable amounting to ₱40.9 million in relation with the acquisition of a parcel of land booked as part of the Group’s ‘Finance cost’ for the period.

- In September 2013, the Group used its creditable withholding tax certificates amounting to ₱4.0 million to pay its income tax liability.

- In 2013, the Group acquired the installment contract receivables amounting to ₱1.1 billion and assumed the loans payable amounting to ₱601.3 million of 8990 CHDC which resulted in an increase in due to related party amounting to ₱27.8 million.

- In 2013, repossessed inventories of the Group resulted in an increase in inventories amounting to 150.1 million.

2012

- Accretion on the Group’s accounts payable amounting to ₱34.4 million in relation with the acquisition of a parcel of land booked as part of the Group’s ‘Finance costs’ for the period.

- In December 2012, the Group used its creditable withholding tax certificates amounting to ₱7.9 million to pay its income tax liability.

- The transferred assets and liabilities of BGHI amounting to ₱194.9 million and ₱78.8 million, respectively, as discussed in Note 28, were considered as noncash items for each of the specific assets and liabilities affected, for purposes of the 2012 statement of cash flows.

- The consolidation of the following asset and liabilities of the Parent Company as a result of the reverse acquisition of its net assets in May 2012 did not have cash consideration on the part of the Group:

Cash in bank	₱100
Trade and other payables	12,111,835
Equity reserve	(₱12,111,735)

- In 2012, repossessed inventories of the Group resulted in an increase in inventories amounting to 150.1 million.

2011

- Accretion on the Group's accounts payable amounting to ₱32.5 million in relation with the acquisition of a parcel of land booked as part of the Group's 'Finance cost' for the period.

- In 2011, the Group acquired a piece of land recorded under 'Land held for future development' for a partial consideration. The remaining amount of the contract price amounting to ₱79.4 million was paid by the Group in 2012.

- In December 2011, the Group used its creditable withholding tax certificates amounting to ₱0.4 million to pay its income tax liability.

- In 2012, repossessed inventories of the Group resulted in an increase in inventories amounting to 20.2 million.

32. Subsequent Event after the Reporting Date but before the BOD's Approval of the Consolidated Financial Statements

On March 17, 2014, the Board of Directors approved the securitization of up to ₱1.0 billion of the Group's receivables arising from CTS accounts.

33. Prior Period Adjustments

Certain prior period adjustments were included in the comparative consolidated financial statements which resulted in the net increase amounting to ₱117.3 million of retained earnings as of December 31, 2011. Further, certain prior period adjustments resulted in an increase in income of ₱37.4 million in 2011. Details are as follows:

a. The Group adjusted its reported sales in 2011 in the amount of ₱166.8 million and related cost of sales amounting to ₱66.9 million in 2011 to comply with the revenue recognition policy of the Group.

b. The Group recognized interest income from payments of monthly amortization of buyers and revenue from water distribution system totaling to ₱13.0 million in 2011 to comply with the revenue recognition policy of the Group.

c. The Group recognized various expenses amounting to ₱24.7 million in 2011 to comply with accrual method of accounting.

d. The Group has written off long outstanding accounts receivables and input taxes amounting to ₱3.5 million in 2011 (see Note 21).

e. The Group adjusted various expenses previously capitalized as part of 'Real estate inventories' which did not comply with the capitalization policy of the Group amounting to ₱8.8 million in 2011.

f. Land amounting to ₱24.3 million and land held for future development amounting to ₱97.3 million was charged to the beginning retained earnings in 2010 to correct the cost of sold inventories.

g. In 2011, the Group recognized additional cost of sales amounting to ₱7.2 million to properly record the cost of resale of repossessed inventories.

h. Reversal of sales recognized for timeshares amounting to ₱7.0 million in 2011 was recorded since the hotel facility is still under construction as of December 31, 2011.

i. Recognition of interest paid to related parties amounting to ₱5.0 million was recorded in 2011.

j. The Group recognized provisions for losses amounting to ₱11.3 million in 2011 (see Note 21).

k. Recognition of deferred tax liability on excess of book basis over tax basis of deferred gross profit on real estate sales amounting to ₱2.9 million was made in 2011.

l. Recognition of 'Real estate inventories' and 'Accounts payable' amounting to ₱517.7 million which pertains to the present value of the contact price of certain acquired residential lots. In relation with the acquisition of land, accretion of interest amounting to ₱32.5 million was recognized in 2011, respectively.

m. The Group adjusted its reported sales and cost of sales in 2011 amounting to ₱51.8 million and ₱18.5 million, respectively, pertaining to unrecorded sales. In addition, the Group adjusted the retained earnings as of December 31, 2011 amounting to ₱2.1 million to correct the ending balance of inventory.

n. The Group's retained earnings decreased due to additional cost of sales recognized in 2011 amounting to ₱1.6 million. The Group also recorded as expense the organization cost of the subsidiary in 2010 amounting to ₱0.5 million. These are related to the acquisition of a subsidiary that was capitalized in the 2010 consolidated financial statements under 'Goodwill' amounting to ₱3.0 million. In 2011, the Group reversed amortization of goodwill amounting to ₱0.3 million.

o. Reversal of expenses amounting to ₱10,184 has been made to correct the balance of input VAT in 2011 and ₱7,943 has been made to recognize advances to affiliates for the expenses paid by the Group on behalf of a related party in 2011.

p. Additional depreciation on property and equipment and investment properties amounting to ₱2.6 million for 2011 was recorded due to error in calculation of depreciation on depreciable property and equipment and investment properties.

Below is the summary of the effects of the prior period adjustments to the retained earnings:

		2011
Recognition of additional sales (net of cost of sales)	a	₱165,385,420
Recognition of other income	b	26,337,847
Adjustment on recognized and accrued expense	c	(30,676,692)
Write-off of assets	d	(15,508,653)
Reversal of capitalized expenses	e	(34,729,997)
Proper costing of land and land development sold	f	121,593,907
Proper costing of repossessed inventories	g	(17,293,780)
Reversal of timeshare sales	h	(6,995,366)
Recognition of finance cost	i	(4,977,790)
Provision for probable losses	j	(53,910,143)
Recognition of deferred tax liability	k	(5,833,385)
Accretion expense on accounts payable related to the acquisition of land	l	(55,760,768)
Recognition of unrecorded sales and proper costing of inventory	m	35,961,227
Recognition of additional cost of sales and reversal of goodwill amortization	n	(1,871,688)
Reversal of expenses paid on behalf of related party	o	208,488
Additional of depreciation on property and equipment and investment properties	p	(4,642,654)
Net increase in retained earnings		₱117,285,973

Below is the summary of the effects of the prior period adjustments to the net income:

		2011
Recognition of additional sales (net of cost of sales)	a	₱99,933,399
Recognition of other income	b	13,008,637
Adjustment on recognized and accrued expense	c	(24,732,459)
Write-off of assets	d	(3,515,943)
Reversal of capitalized expenses	e	(8,780,958)
Proper costing of repossessed inventories	g	(7,191,275)
Reversal of timeshare sales	h	(6,995,366)
Recognition of finance cost	i	(4,977,790)
Provision for probable losses	j	(11,296,035)
Recognition of deferred tax liability	k	(2,909,179)
Accretion expense on accounts payable related to the acquisition of land	l	(32,462,397)
Recognition of unrecorded sales and proper costing of inventory	m	31,220,266
Recognition of additional cost of sales and reversal of goodwill amortization	n	(1,284,229)
Reversal of expenses paid on behalf of related party	o	18,127
Additional depreciation on property equipment and investment properties	p	(2,637,996)
Net increase in net income		₱37,396,802

34. **Approval for the Release of the Financial Statements**

The accompanying consolidated financial statements of the Group were authorized for issue by the Parent Company's BOD on March 20, 2014.