8990 Holdings, Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2014 and 2013

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

Management's Responsibility for the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our 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.

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, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez-Javier
Partner
CPA Certificate No. 111092
SEC Accreditation No. 1328-A (Group A),
July 1, 2013, valid until June 30, 2016
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February 27, 2015, valid until February 26, 2018
PTR No. 4751306, January 5, 2015, Makati City

April 10, 2015

8990 HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash on hand and in banks (Note 7)	**₱605,148,136**	₱249,040,092
Current portion of trade and other receivables (Note 8)	**947,623,417**	537,057,908
Inventories (Note 9)	**3,078,106,185**	2,243,559,834
Available-for-sale securities (Note 10)	**1,155,111,934**	–
Due from related parties (Note 27)	**133,418,914**	517,490,590
Other current assets (Note 11)	**572,834,495**	342,105,863
Total Current Assets	**6,492,243,081**	3,889,254,287
Noncurrent Assets		
Trade and other receivables - net of current portion (Note 8)	**13,477,108,808**	9,473,832,351
Land held for future development (Note 12)	**6,527,048,427**	3,784,727,576
Property and equipment (Note 13)	**227,132,351**	208,870,467
Investment properties (Note 14)	**296,316,181**	141,928,584
Other noncurrent assets (Note 11)	**126,853,526**	117,010,245
Total Noncurrent Assets	**20,654,459,293**	13,726,369,223
	₱27,146,702,374	₱17,615,623,510
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of trade and other payables (Note 15)	**₱2,225,801,812**	₱2,937,730,783
Current portion of loans payable (Notes 17 and 27)	**2,380,816,677**	3,332,250,211
Deposits from customers (Note 16)	**274,371,315**	47,746,763
Due to related parties (Note 27)	**369,019,267**	172,808,746
Income tax payable	**137,315,630**	31,209,903
Total Current Liabilities	**5,387,324,701**	6,521,746,406
Noncurrent Liabilities		
Trade and other payables - net of current portion (Note 15)	**18,288,452**	263,089,121
Loans payable - net of current portion (Note 17)	**6,453,061,864**	3,980,588,104
Deferred tax liability (Note 26)	**398,813,991**	254,352,695
Total Noncurrent Liabilities	**6,870,164,307**	4,498,029,920
Total Liabilities	**12,257,489,008**	11,019,776,326
Equity		
Capital stock (Note 18)	**5,517,990,720**	4,655,804,670
Additional paid-in capital (Note 18)	**4,400,126,855**	–
Remeasurement loss on pension plan (Note 24)	**(3,559,308)**	(1,432,534)
Retained earnings (Note 18)	**4,974,655,099**	1,941,475,048
Total Equity	**14,889,213,366**	6,595,847,184
	₱27,146,702,374	₱17,615,623,510

See accompanying Notes to Consolidated Financial Statements.

8990 HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013	2012
REVENUE (Note 19)			
Real Estate Operations			
Real estate sales	**₱7,530,055,629**	₱5,226,269,751	₱3,736,124,087
Rental income	**39,226,986**	6,481,920	1,412,532
Others	**38,924,774**	70,498,659	45,580,609
	7,608,207,389	5,303,250,330	3,783,117,228
Timeshare and Hotel Operations	**184,305,838**	129,829,064	94,519,961
	7,792,513,227	5,433,079,394	3,877,637,189
COSTS (Note 20)			
Real Estate Operations			
Cost of real estate sales	**3,052,559,962**	1,914,839,795	1,418,657,872
Cost of rental services	**7,211,795**	657,382	203,740
Others	**19,032,953**	20,866,941	16,114,549
	3,078,804,710	1,936,364,118	1,434,976,161
Timeshare and Hotel Operations	**56,058,035**	52,207,674	29,914,000
	3,134,862,745	1,988,571,792	1,464,890,161
GROSS INCOME	**4,657,650,482**	3,444,507,602	2,412,747,028
OPERATING EXPENSES (Note 21)	**1,580,843,903**	1,155,340,069	677,934,507
FINANCE COSTS (Note 22)	**(396,340,219)**	(406,466,175)	(216,312,630)
OPERATING INCOME	**2,680,466,360**	1,882,701,358	1,518,499,891
OTHER INCOME (Note 23)	**933,351,574**	558,828,455	235,154,999
INCOME BEFORE INCOME TAX	**3,613,817,934**	2,441,529,813	1,753,654,890
PROVISION FOR INCOME TAX (Note 26)	**304,738,347**	257,845,583	49,168,859
NET INCOME	**3,309,079,587**	2,183,684,230	1,704,486,031
OTHER COMPREHENSIVE LOSS			
Item that do not recycle to profit or loss in subsequent periods:			
Remeasurement loss on pension plan (Note 24)	**(2,126,774)**	(1,432,534)	–
TOTAL COMPREHENSIVE INCOME	**₱3,306,952,813**	₱2,182,251,696	₱1,704,486,031
BASIC/DILUTED EARNINGS PER SHARE (Note 30)	**₱0.62**	₱0.52	₱0.52

See accompanying Notes to Consolidated Financial Statements.

8990 HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	For the Years Ended December 31, 2014, 2013 and 2012						
	Capital Stock (Note 18)	**Subscribed Capital Stock** (Note 18)	**Additional Paid-in Capital** (Note 18)	**Equity Reserve** (Notes 2 and 18)	**Remeasurement Loss on Pension Plan** (Note 24)	**Retained Earnings** (Note 18)	**Total**
Balance at January 1, 2014	**₱4,655,804,670**	**₱–**	**₱–**	**₱–**	**(₱1,432,534)**	**₱1,941,475,048**	**₱6,595,847,184**
Issuance of shares through follow-on offering (Note 18)	**862,186,050**	**–**	**4,400,126,855**	**–**	**–**	**–**	**5,262,312,905**
Cash dividends declared by Parent Company (Note 18)	**–**	**–**	**–**	**–**	**–**	**(275,899,536)**	**(275,899,536)**
Total comprehensive income (loss)	**–**	**–**	**–**	**–**	**(2,126,774)**	**3,309,079,587**	**3,306,952,813**
Balance at December 31, 2014	**₱5,517,990,720**	**₱–**	**₱4,400,126,855**	**₱–**	**(₱3,559,308)**	**₱4,974,655,099**	**₱14,889,213,366**
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 through subscription (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

See accompanying Notes to Consolidated Financial Statements.

8990 HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,613,817,934**	₱2,441,529,813	₱1,753,654,890
Adjustments for:			
Interest income (Note 23)	**(901,811,810)**	(533,181,127)	(227,218,396)
Finance cost (Note 22)	**395,931,324**	404,614,757	215,560,446
Write-off of assets (Notes 8 and 21)	**–**	64,945,573	–
Provision for impairment losses (Note 21)	**130,857,268**	58,414,812	2,076,561
Provision for probable losses (Notes 21 and 29)	**77,282,541**	26,340,946	10,680,718
Loss (gain) on repossession (Note 19)	**56,972,328**	(1,122,087)	1,256,353
Depreciation and amortization (Note 21)	**36,629,536**	22,566,268	15,138,560
Gain on sale of building and improvements (Notes 9 and 23)	**(10,943,948)**	–	–
Provision for write-down (Notes 12 and 21)	**22,200,000**	3,646,000	–
Retirement expense (Note 24)	**1,387,016**	442,531	444,200
Unrealized foreign exchange loss	**2,879**	–	–
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	**3,422,325,068**	2,448,197,486	1,774,990,416
Changes in operating assets and liabilities			
Decrease (increase) in:			
Trade and other receivables	**(3,549,968,401)**	(4,275,829,919)	(3,412,201,469)
Inventories (Note 31)	**(1,409,098,313)**	(69,059,536)	200,226,383
Other assets (Note 31)	**(284,466,528)**	(404,424,065)	(77,168,052)
Increase (decrease) in:			
Trade and other payables (Note 31)	**(1,051,343,269)**	177,998,680	17,715,084
Deposits from customers	**226,624,552**	(57,140,966)	(56,337,659)
Net cash used in operations	**(2,645,926,891)**	(2,140,258,320)	(1,552,775,297)
Interest received	**901,811,810**	533,181,127	227,218,396
Interest paid	**(385,211,596)**	(364,210,661)	(174,133,174)
Income tax paid	**(30,455,229)**	(13,949,694)	(4,986,990)
Net cash used in operating activities	**(2,159,781,906)**	(1,985,237,548)	(1,504,677,065)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Land held for future development (Notes 12 and 31)	**(3,618,606,774)**	(1,185,093,610)	(396,892,465)
Available-for-sale securities (Notes 10 and 31)	**(788,755,357)**	–	–
Property and equipment (Note 13)	**(63,785,065)**	(81,948,759)	(37,494,702)
Investment properties (Note 14)	**(80,210)**	(2,201,516)	(6,293,155)

(Forward)

	Years Ended December 31		
	2014	2013	2012
Proceeds from:			
Disposal of building and hotel improvements (Notes 9 and 23)	**₱350,381,830**	₱–	₱–
Maturities/termination of long-term investments	**–**	3,021,720	110,113,573
Sale of unquoted debt securities classified as loans	**–**	–	14,325,544
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 acquiree (Parent Company) (Note 31)	**–**	–	100,000
Net cash used in investing activities	**(4,120,845,576)**	(1,266,222,165)	(377,821,555)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans payable (Note 31)	**10,324,156,087**	3,732,193,226	2,955,452,166
Repayment of loans payable	**(8,803,115,861)**	(595,305,960)	(831,335,233)
Issuance of shares by the Parent Company	**5,262,312,905**	465,580,467	–
Payment of cash dividends by the Parent Company (Note 18)	**(275,899,536)**	–	–
Decrease (increase) in the amount of due from related parties (Note 31)	**(373,217,602)**	(370,090,338)	393,750,716
Increase (decrease) in the amount of due to related parties (Note 31)	**502,502,412**	87,821,282	(1,693,270,423)
Issuance of shares by subsidiaries (Note 18)	**–**	–	1,387,500,000
Payment of cash dividends by a subsidiary (Note 18)	**–**	–	(400,000,000)
Net cash provided by financing activities	**6,636,738,405**	3,320,198,677	1,812,097,226
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON HAND AND IN BANKS	**(2,879)**	–	–
NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANKS	**356,108,044**	68,738,964	(70,401,394)
CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR	**249,040,092**	180,301,128	250,702,522
CASH ON HAND AND IN BANKS AT END OF YEAR (Note 7)	**₱605,148,136**	₱249,040,092	₱180,301,128

See accompanying Notes to Consolidated Financial Statements.

8990 HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

8990 Holdings, 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. became 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 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.; and
b. change in primary purpose from that of a data center to that of a financial holdings company.

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.

After the Shares swap and the subscription of certain individual investors (Note 18), the Controlling Shareholder's interest was reduced from 60.53% to 50.65%.

Secondary Offering
On April 15, 2014, the Parent Company issued additional 862,186,050 shares by way of follow-on offering which resulted in dilution in the percentage of ownership of iHoldings, Inc. in the Parent Company from 50.65% to 43.44%. As a result, iHoldings, Inc. lost its control over the 8990 Group.

The 8990 Group is involved in the following relevant activities:

- construction of low-cost mass housing
- construction of medium-rise and high 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 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 consolidated 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 records 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 was 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 in 2013.

Changes in Accounting Policies and Disclosures
The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2014.

Except as otherwise indicated, these standards have no impact to the consolidated financial statements of the Group.

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

Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities,* and PAS 27, *Separate Financial Statements*)
These amendments 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. The amendments must be applied retrospectively, subject to certain transition relief. These

amendments have no impact to the Group's consolidated financial position or performance, since the Group has no investment entity under PFRS 10.

PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's consolidated financial position or performance.

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

PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group's consolidated financial position or performance as the Group has no derivatives during the current or prior periods.

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

Annual Improvements to PFRSs (2010-2012 cycle)
In the 2010 - 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no significant impact on the Group's consolidated financial position or performance.

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

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, 2014 and 2013, the Group has no financial instruments at FVPL and HTM investments.

'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', '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 consolidated 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 consolidated 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 consolidated statement of comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized in OCI is recognized in the consolidated 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 consolidated 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 consolidated 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 consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through the consolidated 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 consolidated 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 consolidated statement of comprehensive income, the impairment loss is reversed through the consolidated 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 and high-rise condominium units and shares/units representing 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, except for land and construction-in-progress, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land and construction-in-progress are carried at cost less any impairment 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. Construction-in-progress includes cost of construction, other direct costs, furniture and fixtures and leasehold improvements under construction but not yet used in operations and is not depreciated until such time that the relevant asset is completed and ready for 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.

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.

Investment in associate
Associate pertains to an entity over which the Company has significant influence but not control, generally accompanying a shareholding of between 20.0% to 50.0% of the voting rights.

Investment in an associate is accounted for under the equity method of accounting. Under the equity method, investment in an associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share in the net assets of the associate. The Group's share in the associate's post-acquisition income or losses is recognized in the statement of income, and its share in post-acquisition movements in the associate's OCI will be recognized directly in the Group's OCI. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the statement of income.

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.

Rental income
Rental income is recognized in the consolidated statement of income on a straight-line basis over the lease term and the terms of the lease, respectively.

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.

Gain (loss) on cancellation
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 benefit 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.

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

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

Deferred tax
Deferred tax is provided, using the liability method, on all temporary differences at the statement of financial position 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, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or 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 or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and foreign associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized except:

- Where the deferred tax asset arises 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 or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax relating to items recognized directly in the statement of comprehensive income is also recognized in the statement of comprehensive income and not in the statement of income.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

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 in 2013 and 2012 is determined on the basis of the weighted average number of shares of the Subsidiaries 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.

PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version)
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will not have a significant impact on the classification and measurement of the Group's financial assets.

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

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 Securities and Exchange Commission (SEC) and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

The following new standards and amendments issued by the International Accounting Standards Board (IASB) were already adopted by the FRSC but are still for approval by BOA.

<u>Effective January 1, 2015</u>
PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since the Group has no defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

PFRS 2, *Share-based Payment - Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

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

PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'; and
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

PAS 24, *Related Party Disclosures - Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

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

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

Effective January 1, 2016
PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants

will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as it does not have any bearer plants.

PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and

present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

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

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

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

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

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

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

Effective January 1, 2018
PFRS 9, *Financial Instruments* - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

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

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

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

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

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

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

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.

<u>Judgments</u>
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. *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.

c. *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.

d. *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.

e. *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.

f. *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 of 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 including, but are not limited to payment history, past due status and term. Actual results may also differ, resulting in future changes to the allowance.

The Group recognized provision for credit losses on its trade receivables amounting to ₱124.6 million, ₱2.8 million and nil in 2014, 2013 and 2012, respectively. The Group has also written-off receivables amounting to nil and ₱64.9 million in 2014 and 2013, 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 ₱22.2 million and ₱3.6 million on its land held for future development in 2014 and 2013, respectively (see Notes 12 and 21). The Group did not recognize any write-down on its inventory in 2014 and 2013.

The carrying values of the Group's inventories and land held for future development are disclosed in Notes 9 and 12, respectively.

c. *Impairment of AFS equity securities/valuation of unquoted equity securities*
The Group's investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less impairment losses. As of December 31, 2014, the carrying value of AFS equity securities amounted to ₱1.20 billion. No impairment loss was recognized in 2014 (see Note 10).

d. *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 non-financial assets amounting to ₱6.3 million, ₱55.6 million, and ₱2.1 million in 2014, 2013 and 2012, respectively (see Note 21). The carrying values of the Group's property and equipment, investment properties and other assets are disclosed in Notes 13, 14 and 11, respectively.

e. *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 13 and 14, respectively.

f. *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, 2014 and 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.

g. *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 tax 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.

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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, 2014 and 2013 which are fully secured by collateral (the subdivision lots, house and lots, medium-rise condominium units sold and the timeshares).

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:

	2014	2013
Davao	**₱4,633,698,532**	₱3,506,378,940
Cebu	**4,428,279,764**	3,545,804,483
Pampanga	**2,016,566,839**	1,196,098,974
Cavite	**1,820,861,188**	607,727,277
Iloilo	**925,703,181**	883,749,812
Metro Manila	**150,605,943**	–
Baguio	**12,527,462**	3,895,790
Others*	**66,085,328**	35,366,398
	₱14,054,328,237	₱9,779,021,674

**Represents trade receivables from sale of timeshares.*

c. Credit quality

Generally, the Group classifies cash in banks 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, 2014 and 2013:

	December 31, 2014					
	Neither past due nor impaired					
	High grade	**Standard grade**	**Unrated**	**Past due but not impaired**	**Impaired**	**Total**
Cash in banks	**₱601,829,743**	**₱–**	**₱–**	**₱–**	**₱–**	**₱601,829,743**
Trade and other receivables:						
Trade receivables:						
Installment contract receivables	**–**	**12,378,465,378**	**–**	**345,465,552**	**1,389,150,891**	**14,113,081,821**
Other trade receivables	**–**	**–**	**–**	**12,527,462**	**–**	**12,527,462**
Retention receivables	**–**	**–**	**133,351,614**	**–**	**–**	**133,351,614**
Other receivables	**–**	**–**	**141,058,071**	**–**	**–**	**141,058,071**
Due from related parties	**–**	**–**	**133,418,914**	**–**	**–**	**133,418,914**
Deposits*	**–**	**71,445,333**	**21,902,301**	**–**	**2,511,974**	**95,859,608**
AFS equity investments	**–**	**–**	**1,178,857,434**	**–**	**–**	**1,178,857,434**
	₱601,829,743	**₱12,449,910,711**	**₱1,608,588,334**	**₱357,993,014**	**₱1,391,662,865**	**₱16,409,984,667**

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

	December 31, 2013					
	Neither past due nor impaired					
	High grade	Standard grade	Unrated	Past due but not impaired	Impaired	Total
Cash in banks	₱248,350,167	₱–	₱–	₱–	₱–	₱248,350,167
Trade and other 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

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

Impaired receivables represent receivables with specific allowance for credit losses.

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

	December 31, 2014				
	Less than 30 days	**31-60 days**	**61-90 days**	**Over 90 days**	**Total**
Installment contract receivables	**₱81,846,133**	**₱52,986,665**	**₱33,226,944**	**₱177,405,810**	**₱345,465,552**
Other trade receivables	**–**	**4,963,489**	**1,652,774**	**5,911,199**	**12,527,462**
	₱81,846,133	**₱57,950,154**	**₱34,879,718**	**₱183,317,009**	**₱357,993,014**

	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

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:

	2014					
	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	**₱605,148,136**	**₱–**	**₱–**	**₱–**	**₱–**	**₱605,148,136**
Trade and other receivables:						
Installment contract receivables	**57,636,688**	**163,606,912**	**805,511,428**	**944,399,621**	**32,832,218,924**	**34,803,373,573**
Other trade receivables	**12,527,462**	**–**	**–**	**–**	**–**	**12,527,462**
Retention receivables	**8,284,056**	**–**	**–**	**125,067,558**	**–**	**133,351,614**
Other receivables	**117,174,562**	**134,000**	**18,059,999**	**5,689,510**	**–**	**141,058,071**
Due from related parties	**133,418,914**	**–**	**–**	**–**	**–**	**133,418,914**
Deposits*	**–**	**–**	**–**	**–**	**95,859,608**	**95,859,608**
AFS equity investments*	**–**	**–**	**–**	**1,155,111,934**	**23,745,500**	**1,178,857,434**
	₱934,189,818	**₱163,740,912**	**₱823,571,427**	**₱2,230,268,623**	**₱32,951,824,032**	**₱37,103,594,812**
Financial Liabilities						
Trade and other payables:						
Trade payables	**₱–**	**₱22,326,370**	**₱253,865,546**	**₱203,720,596**	**₱–**	**₱479,912,512**
Accounts payable	**–**	**–**	**–**	**487,751,414**	**–**	**487,751,414**
Retention payable	**15,316,216**	**–**	**11,443,487**	**51,358,494**	**3,780,467**	**81,898,664**
Construction bonds	**–**	**–**	**–**	**24,481,434**	**–**	**24,481,434**
Accrued expenses	**49,468,756**	**34,193,027**	**75,560,902**	**586,693,169**	**–**	**745,915,854**
Due to related parties	**369,019,267**	**–**	**–**	**–**	**–**	**369,019,267**
Loans payable	**543,169,423**	**610,005,467**	**1,508,693,396**	**322,096,806**	**7,253,730,725**	**10,237,695,817**
	₱976,973,662	**₱666,524,864**	**₱1,849,563,331**	**₱1,676,101,913**	**₱7,257,511,192**	**₱12,426,674,962**

**Amounts under beyond 1 year bucket are included in 'Other noncurrent assets' in the consolidated statements of financial position.*

	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 Securities*	–	–	–	–	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	375,950,537	–	497,970,175
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	₱3,391,846,259	₱5,898,140,644	₱12,283,260,364

**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, 2014 and 2013, 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 assets and liabilities are:

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

Retention receivables and deposits
Fair values are estimated using the discounted cash flow methodology using the prevailing market rates for similar types of instrument.

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 based on the discounted cash flow methodology using the prevailing market rates for similar types of instrument.

Investment Properties
Fair values are determined based on recent sales of similar properties in the same areas 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 table below summarizes the valuation technique and the significant unobservable inputs used in the valuation of investment properties held by the Group:

Account	Valuation Technique	Significant Unobservable Inputs
Investment property	Market data approach	Price per square meter, size, shape, location, time element and discount

Significant increases (decreases) in price per square meter and size of investment property would result in a significantly higher (lower) fair value of the property. Significant increases (decreases) in discount would significantly lower (higher) fair value of the property.

Significant Unobservable Inputs

Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable comforts to the average cut of the lots in the area and estimate the impact of the lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time. In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

Trade and other payables and retention payable
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 based on the discounted cash flow methodology using the prevailing market rates of similar types of instrument.

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, 2014 and 2013. 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.

	2014				
	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	**₱133,351,614**	**₱–**	**₱–**	**₱126,398,073**	**₱126,398,073**
Deposits*	**95,859,608**	**–**	**–**	**87,892,134**	**87,892,134**
Nonfinancial assets					
Investment properties	**296,316,181**	**–**	**–**	**698,217,531**	**698,217,531**
Financial liabilities					
Trade and other payables:					
Retention payables	**81,898,664**	**–**	**–**	**78,997,475**	**78,997,475**
Loans payable	**8,833,878,541**	**–**	**–**	**8,874,175,144**	**8,874,175,144**

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

	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.*

As of December 31, 2014 and 2013, 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 of up to four (4) storeys.

High-rise Condominium Units
This segment pertains to the high-rise condominium segment of the Group. It caters to the development and sale of condominium units with more than four (4) storeys.

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. On August 1, 2014, the Group ceased selling its timeshare inventories as the property related to the timeshare business has been sold to Azalea Leisure and Resorts Corporation (ALRC) (see Notes 9 and 10). Subsequent to the disposal of the property, the Group acquired the preferred shares, with benefits similar to the benefits received by timeshare holders, of ALRC, which will in turn be sold to the secondary market.

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. Ownership of preferred shares of ALRC entitles the purchaser for a perpetual right to occupy one unit of Azalea Baguio Residences for a day in a year, thus, allowing the Group to continue its hotel operations until such time that all preferred shares have been sold to secondary market.

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 statements 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:

	2014								
	Low-cost Mass Housing	**Medium-rise Condominium Units**	**High-rise Condominium**	**Timeshare**	**Hotel Operations**	**Others**	**Total Segment**	**Adjustments and Eliminations**	**Consolidated**
Revenues	**₱6,740,826,880**	**₱789,228,749**	**₱–**	**₱78,663,869**	**₱105,641,969**	**₱78,151,760**	**₱7,792,513,227**	**₱–**	**₱7,792,513,227**
Costs	**2,806,403,463**	**265,189,452**	–	**15,130,146**	**40,927,889**	**7,211,795**	**3,134,862,745**	–	**3,134,862,745**
Gross income	**3,934,423,417**	**524,039,297**	–	**63,533,723**	**64,714,080**	**70,939,965**	**4,657,650,482**	–	**4,657,650,482**
Operating expenses	**1,357,959,556**	**82,664,909**	**8,385,197**	**41,857,657**	**54,820,974**	**35,155,610**	**1,580,843,903**	–	**1,580,843,903**
Net operating income (loss)	**2,576,463,861**	**441,374,388**	**(8,385,197)**	**21,676,066**	**9,893,106**	**35,784,355**	**3,076,806,579**	–	**3,076,806,579**
Finance income	**832,826,567**	**68,916,522**	–	**50,571**	**1,521**	**16,629**	**901,811,810**	–	**901,811,810**
Finance costs	**(377,513,754)**	**(18,787,730)**	–	**(25,515)**	**(9,150)**	**(4,070)**	**(396,340,219)**	–	**(396,340,219)**
Other income (loss)	**20,257,670**	**2,986,476**	–	**4,802,861**	**3,495,636**	**(2,879)**	**31,539,764**	–	**31,539,764**
Income (loss) before income tax	**3,052,034,344**	**494,489,656**	**(8,385,197)**	**26,503,983**	**13,381,113**	**35,794,035**	**3,613,817,934**	–	**3,613,817,934**
Provision for income tax	**278,028,075**	**16,072,785**	–	**9,686,212**	**947,951**	**3,324**	**304,738,347**	–	**304,738,347**
Net income (loss)	**₱2,774,006,269**	**₱478,416,871**	**(₱8,385,197)**	**₱16,817,771**	**₱12,433,162**	**₱35,790,711**	**₱3,309,079,587**	**₱–**	**₱3,309,079,587**
Non-cash items									
Depreciation and amortization	**₱30,261,827**	**₱14,549**	**₱537**	**₱2,857,016**	**₱2,817,063**	**₱678,544**	**₱36,629,536**	**₱–**	**₱36,629,536**
Provision for probable losses	**₱194,458,048**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱194,458,048**	**₱–**	**₱194,458,048**
Provision for credit and impairment losses	**₱9,067,209**	**₱4,614,552**	**₱–**	**₱–**	**₱–**	**₱–**	**₱13,681,761**	**₱–**	**₱13,681,761**
Provision for write-down	**₱22,200,000**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱22,200,000**	**₱–**	**₱22,200,000**

	2013							
	Low-cost Mass Housing	Medium-rise Condominium Units	Timeshare	Hotel Operations	Others	Total Segment	Adjustments and Eliminations	Consolidated
Revenues	₱4,666,488,875	₱559,780,876	₱46,077,321	₱96,696,445	₱76,980,579	₱5,446,024,096	(₱12,944,702)	₱5,433,079,394
Costs	1,738,386,262	197,320,474	12,140,099	40,067,575	657,382	1,988,571,792	–	1,988,571,792
Gross income	2,928,102,613	362,460,402	33,937,222	56,628,870	76,323,197	3,457,452,304	(12,944,702)	3,444,507,602
Operating expenses	973,165,991	40,975,145	45,503,027	37,172,916	71,467,692	1,168,284,771	(12,944,702)	1,155,340,069
Net operating income (loss)	1,954,936,622	321,485,257	(11,565,805)	19,455,954	4,855,505	2,289,167,533	–	2,289,167,533
Finance income	514,519,942	17,745,054	911,401	230	4,500	533,181,127	–	533,181,127
Finance costs	(402,215,704)	(4,179,754)	(70,717)	–	–	(406,466,175)	–	(406,466,175)
Other income	20,441,603	4,115,594	194,514	895,617	–	25,647,328	–	25,647,328
Income (loss) before income tax	2,087,682,463	339,166,151	(10,530,607)	20,351,801	4,860,005	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)	₱1,854,898,891	₱316,345,588	(₱12,508,058)	₱20,088,110	4,859,699	₱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 credit and 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
Provision for write-down	₱3,646,000	₱–	₱–	₱–	₱–	₱3,646,000	₱–	₱3,646,000

	2012							
	Low-cost Mass Housing	Medium-rise Condominium Units	Timeshare	Hotel Operations	Others	Total Segment	Adjustments and Eliminations	Consolidated
Revenues	₱3,702,823,087	₱33,301,000	₱52,878,961	₱41,641,000	₱46,993,141	₱3,877,637,189	₱–	₱3,877,637,189
Costs	1,421,950,018	12,822,403	16,375,980	13,538,020	203,740	1,464,890,161	–	1,464,890,161
Gross income	2,280,873,069	20,478,597	36,502,981	28,102,980	46,789,401	2,412,747,028	–	2,412,747,028
Operating expenses	620,059,554	11,393,292	14,896,257	17,515,428	14,069,976	677,934,507	–	677,934,507
Net operating income	1,660,813,515	9,085,305	21,606,724	10,587,552	32,719,425	1,734,812,521	–	1,734,812,521
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	6,764,002	330,245	87,798	754,558	–	7,936,603	–	7,936,603
Income before income tax	1,678,831,443	9,641,774	21,120,138	11,342,110	32,719,425	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)	₱1,634,923,702	₱9,641,774	₱14,985,662	₱10,138,907	(₱34,795,986)	₱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 credit and impairment losses	₱–	₱–	₱–	₱–	₱2,076,561	₱2,076,561	₱–	₱2,076,561

Other information on the Group's operating segment follows:

	2014								
	Low-cost Mass Housing	**Medium-rise Condominium Units**	**High-rise condominium Units**	**Timeshare**	**Hotel Operations**	**Others**	**Total Segment**	**Adjustments and Eliminations**	**Consolidated**
Segment assets	**₱28,029,131,397**	**₱1,379,592,118**	**₱239,980,296**	**₱1,576,980,804**	**₱637,799,752**	**₱13,637,560**	**₱31,877,121,927**	**(₱4,730,419,553)**	**₱27,146,702,374**
Segment liabilities	**₱14,013,238,407**	**₱680,092,113**	**₱218,565,493**	**₱1,440,496,603**	**₱597,041,212**	**₱38,474,733**	**₱16,987,908,561**	**(₱4,730,419,553)**	**₱12,257,489,008**
Capital expenditures	**₱3,668,889,744**	**₱689,511**	**₱1,352,054**	**₱3,699,546**	**₱5,715,541**	**₱2,125,654**	**₱3,682,472,050**	**₱–**	**₱3,682,472,050**

	2013								
	Low-cost Mass Housing	Medium-rise Condominium Units	High-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

7. Cash on Hand and in Banks

This account consists of:

	2014	2013
Cash on hand	**₱3,318,393**	₱689,925
Cash in banks	**601,829,743**	248,350,167
	₱605,148,136	₱249,040,092

Cash in banks earn interest at prevailing bank deposit annual rates ranging from 0.1% to 1.0% and from 0.3% to 1.0% in 2014 and 2013, respectively.

There are no restrictions on the Group's cash on hand and in banks as at December 31, 2014 and 2013.

8. Trade and Other Receivables

This account consists of:

	2014	2013
Current		
Trade receivables:		
Installment contract receivables	**₱635,973,013**	₱306,046,028
Others	**12,527,462**	3,895,790
Advances to external marketing managers	**40,310,909**	47,812,508
Retention receivables	**133,351,614**	52,318,996
Receivables from employees	**111,775,722**	35,171,413
Other receivables	**141,058,071**	94,608,279
	1,074,996,791	539,853,014
Less: Allowance for credit losses	**127,373,374**	2,795,106
	947,623,417	537,057,908
Noncurrent		
Trade receivables:		
Installment contract receivables	**13,477,108,808**	9,471,874,962
Retention receivables	**–**	1,957,389
	13,477,108,808	9,473,832,351
	₱14,424,732,225	₱10,010,890,259

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 1 to 25 years. Titles to real estate properties and timeshares are transferred to the buyers upon full payment of the contract price.

Trade installment contract receivables bear annual interest ranging from 8.5% to 18.0% in 2014 and 2013. Interest income earned in 2014, 2013 and 2012 amounted to ₱900.9 million, ₱531.8 million and ₱218.3 million, respectively.

On May 14, 2014, the Group executed a Deed of Assignment to acquire from Bon Giorno Homes, Inc., an entity owned by certain stockholders, its installment contract receivables (ICRs) amounting to ₱131.36 million, and the related liability for the conversion of titles amounting to ₱4.6 million for a contract price of ₱126.76 million (see Note 27).

On June 5, 2014, an amendment to the Deed of Assignment was made to include other assets related to the acquired ICRs amounting to ₱55.00 million.

On May 15, 2014, the Group entered into another contract with Urban Basic Housing Corporation (UBHC), an entity owned by certain stockholders, to acquire ICRs amounting to ₱77.49 million and the related liability for the conversion of titles amounting to ₱2.7 million for a contract price of ₱74.79 million (see Note 27).

On September 30, 2013, the Group acquired installment contract receivables amounting to ₱1.1 billion and assumed loans payable amounting to ₱601.3 million from 8990 Cebu Housing Development Corporation (8990 CHDC), an entity under common control, at book value.

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 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 pertain to taxes paid on the land acquired by the Group on behalf of the sellers.

The Group had directly written off receivables amounting to ₱64.9 million in 2013 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 2014 and 2012.

As of December 31, 2014 and 2013, trade receivables used as collateral to secure borrowings from banks amounted to ₱4.2 billion and ₱6.1 billion, respectively (see Note 17).

Rollforward of the allowance for credit losses on trade and other receivables follows:

	2014			
	Trade	**Others**		
	Installment Contract Receivables	**Advances to external marketing managers**	**Advances to officers and employees**	**Total**
Balance at beginning of year	**₱2,795,106**	**₱–**	**₱–**	**₱2,795,106**
Provisions during the year (Note 21)	**68,485,940**	**19,499,300**	**36,593,028**	**124,578,268**
Balance at end of year	**₱71,281,046**	**₱19,499,300**	**₱36,593,028**	**₱127,373,374**
Gross amounts of receivables individually determined to be impaired	**₱1,389,150,891**	**₱19,499,300**	**₱36,593,028**	**₱1,445,243,219**

	2013			
	Trade	Others		
	Installment Contract Receivables	Advances to external marketing managers	Advances to officers and employees	Total
Balance at beginning of year	₱–	₱–	₱–	₱–
Provision during the year (Note 21)	2,795,106	–	–	2,795,106
Balance at end of year	₱2,795,106	₱–	₱–	₱2,795,106
Gross amounts of receivables individually determined to be impaired	₱7,117,853	₱–	₱–	₱7,117,853

9. Inventories

Details of this account follow:

	2014	2013
Real estate inventories:		
Low-cost mass housing:		
Houses and lots:		
At cost	**₱529,900,098**	₱886,598,365
At NRV	**281,611,875**	158,647,248
	811,511,973	1,045,245,613
Land development:		
At cost	**2,071,614,040**	317,254,856
Subdivision lots:		
At cost	**19,962,187**	173,671,683
At NRV	**32,886,993**	9,420,907
	52,849,180	183,092,590
	2,935,975,193	1,545,593,059
Medium-rise condominium units		
At cost	**68,971,091**	115,535,085
At NRV	**11,189,080**	–
	80,160,171	115,535,085
High-rise condominium units	**61,970,821**	–
	3,078,106,185	1,661,128,144
Timeshares	–	582,431,690
	₱3,078,106,185	₱2,243,559,834

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.

High-rise condominium units pertain to the Group's first high-rise project located along Epifanio Delos Santos Avenue (EDSA), which intends to provide low cost condominium units to average earning individuals in Metro Manila. As of December 31, 2014, the construction of the condominium units is still ongoing.

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 any provision for write-downs in 2014 and 2013.

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.

On May 17, 2013, the parties mutually agreed to revise the commencement of the term of the Memorandum of Agreement to January 27, 2012, which coincides with the date of execution of the Special Power of Attorney issued by BSHI to 8990 LHDC, and will be in effect for four years, ending January 27, 2016.

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

	2014	2013
Balance at beginning of year	**₱1,545,593,059**	₱1,262,937,464
Cost of sales (Note 20)	**(2,787,370,510)**	(1,717,519,321)
Construction and development costs incurred	**2,556,294,464**	1,214,331,033
Transfers/reclassifications (Notes 12 and 14)	**803,776,184**	284,110,587
Repossessed inventories	**817,681,996**	501,733,296
Balance at end of year	**₱2,935,975,193**	₱1,545,593,059

Real Estate Inventories - Medium-rise Condominium Units

	2014	2013
Balance at beginning of year	**₱115,535,085**	₱189,099,680
Cost of sales (Note 20)	**(265,189,452)**	(197,320,474)
Construction and development costs incurred	**207,164,972**	123,755,879
Repossessed inventories	**22,649,566**	–
Balance at end of year	**₱80,160,171**	₱115,535,085

Real Estate Inventories - High-rise Condominium Units

	2014	2013
Land transferred from land held for future development (Note 12)	**₱29,309,739**	₱–
Construction and development costs incurred	**32,661,082**	–
Balance at end of year	**₱61,970,821**	₱–

Timeshares

	2014	2013
Balance at beginning of year	**₱582,431,690**	₱588,495,452
Cost of sales (Note 20)	**(15,130,146)**	(12,140,099)
Construction and development costs incurred	**–**	6,076,337
Land transferred to investment property (Note 14)	**(139,908,811)**	–
Disposal of building and hotel improvements	**(427,392,733)**	–
Balance at end of year	**₱–**	₱582,431,690

On November 1, 2014, FHI and 8990 HDC executed a Deed of Assignment on the building and improvements located in Baguio and Boracay with ALRC, an associate, for a total consideration of ₱468.8 million. As a result of the transaction, a gain on sale amounting to ₱6.8 million and ₱4.1 million was recognized by FHI and 8990 HDC, respectively (see Note 23).

On the same date, FHI and 8990 HDC entered into a contract of lease with ALRC on the land where the building and improvements sold to ALRC are constructed. This land was reclassified from inventory to investment property (see Note 14). The contract of lease provides a lease term of 50 years, with an annual rent of ₱5.0 million for the first 10 years. After 10 years, the lease rate shall increase to a rate agreed by both parties. As of December 31, 2014, FHI and 8990 HDC recognized a deferred rent booked under 'Trade and other payables' amounting to ₱16.4 million representing the outstanding balance of the advance payment received from ALRC (see Notes 15 and 27).

Inventories recognized as cost of real estate inventories and timeshares sales amounted to ₱3.1 billion, ₱1.9 billion, and ₱1.4 billion in 2014, 2013 and 2012, respectively, and are included under 'Costs' account in the consolidated statements of comprehensive income (see Note 20).

As of December 31, 2014 and 2013, the Group's real estate inventories amounting to nil and ₱7.0 million, respectively, are used as collateral for the Group's loans payable (see Note 17).

10. **Available-for-sale-securities**

This account consists of:

	2014	2013
Current	**₱1,155,111,934**	₱–
Noncurrent (Note 11)	**23,745,500**	23,745,500
Balance at end of year	**₱1,178,857,434**	₱23,745,500

AFS equity securities of the Group represent investments in preferred shares of ALRC and Azalea Resort and Vacation Club, Inc., and shares of stock of Pico de Loro Beach and Country Club.

As discussed in Note 9, ALRC acquired the building which is the subject of the timeshare inventory of the Group. The Group in turn invested in the common shares (representing 45% ownership) and in the preferred shares of ALRC. ALRC's primary purpose is to operate, maintain and/or manage a membership club. ALRC's preferred shares represent membership rights to the club including the right to use a specific unit of the building acquired from the Group and other facilities/amenities for one day per calendar year.

The Group shall start selling the AFS securities upon approval by the SEC of the planned offering to the public.

11. **Other Assets**

This account consists of:

	2014	2013
Current		
Advances to contractors and brokers	**₱565,281,388**	₱295,972,057
Input tax	**51,273,314**	44,306,675
Creditable withholding tax	**9,109,233**	10,390,648
Prepaid expenses	**2,347,706**	4,604,870
Advances to landowners	–	32,500,000
Hotel inventories	–	3,419,922
Others	**7,147**	6,095,984
	628,018,788	397,290,156
Less: Allowance for impairment losses	**55,184,293**	55,184,293
	572,834,495	342,105,863
Noncurrent		
Deposits	**95,859,608**	89,284,197
AFS equity securities (Note 10)	**23,745,500**	23,745,500
Software cost	**1,492,522**	1,492,522
Others	**8,267,870**	5,000,000
	129,365,500	119,522,219
Less: Allowance for impairment losses	**2,511,974**	2,511,974
	126,853,526	117,010,245
	₱699,688,021	₱459,116,108

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

Advances to brokers pertain to the advance payment made by the Group for the commissions of brokers for every confirmed reservations. Commission is computed based on percentage of the selling price depending on number of units sold for a certain period.

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. During the year, hotel inventories were derecognized upon sale of building and improvements to ALRC (see Note 9).

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.

Software costs represent costs of accounting system acquired by the Group to be implemented in 2015.

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).

Rollforward of allowance for impairment losses follows:

	2014	2013
Balance at beginning of year	**₱57,696,267**	₱2,076,561
Provision for impairment losses (Note 21)	–	55,619,706
Balance at end of year	**₱57,696,267**	₱57,696,267

12. **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:

	2014	2013
Balance at beginning of year	**₱3,784,727,576**	₱1,010,474,241
Acquisitions	**3,618,606,775**	3,062,009,922
Transfers/reclassifications (Notes 9 and 14)	**(854,085,924)**	(284,110,587)
Provision for write-down (Note 21)	**(22,200,000)**	(3,646,000)
Balance at end of year	**₱6,527,048,427**	₱3,784,727,576

As of December 31, 2014 and 2013, the Group's land held for future development amounting to ₱5.2 billion and ₱332.1 million, respectively is used as collateral for the Group's loans payable (see Note 17).

In 2014, the Group reclassified parcel of lots amounting to ₱833.1 million to 'real estate inventories' at the commencement of construction. Also, the Group's land held for future development amounting to ₱21.0 million was transferred to 'Investment property' which is currently being leased to ALRC (Note 14).

On June 5, 2014, 8990 HDC entered into a Share Purchase Agreement (SPA) with the stockholders of Euson Realty & Development Corporation (ERDC) and Tondo Housing, Inc. (THI) (collectively referred to as 'Landowners') to acquire 100% of the outstanding shares of the latter for a total contract price of ₱1,614.7 million, with the intention of developing the land owned by the entities into mass housing/ condominium projects. The major provisions of the SPA include the following:

- The Landowners have the option to purchase the developed properties equivalent to 5% of the total saleable units per building for all residential buildings constructed on the properties at a fixed price agreed by the parties;
- The Landowners have the option to purchase one parking slot at a fixed price agreed by the parties;
- The Landowners have the option to purchase 5% of 8990 HDC's 50% share in the planned joint venture (JV) with an operator to build a commercial mall at a fixed price. Otherwise, 8990 HDC will give the landowners a combined 5% interest in its 50% share in JV at a fixed price.

- The Landowners shall pay a deposit on the 5% share in the total saleable area of the residential and commercial buildings to be constructed by 8990 HDC payable in the following manner:
  i. 40% down payment (less the equivalent proportion of the ₱80.0 million deposit) upon issuance of the License to Sell;
  ii. Full payment of the balance (less the remaining proportion of the deposit) upon completion and turnover of the units.
- 8990 HDC commits to finish the development of the entire property within a 10-year payment and execution of the SPA.

As of the acquisition date, THI is at pre-operating stage while ERDC earns rental income from its investment properties, with the lease agreements to end in 2015.

Under PFRS, the acquisition of shares of stock of ERDC and THI are accounted for as acquisition of asset and assumption of liabilities as of acquisition date. Accordingly, the Group reflected the assets acquired as land held for future development amounting to ₱860.1 million and ₱909.2 million, respectively for ERDC and THI based on their relative fair values of the assets and liabilities assumed as of acquisition date.

13. Property and Equipment

The composition and movements of this account are as follows:

	2014									
	Land	Building	Land Improvements	Leasehold Improvements	Furniture and Fixtures	Machineries and Equipment	Transportation Vehicles	Waterlines	Construction in-Progress	Total
Cost										
Balances at beginning 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
Additions	–	377,154	–	2,977,165	5,962,544	43,349,548	8,133,847	2,821,648	163,159	63,785,065
Disposal	–	(350,000)	–	–	–	(12,663,418)	–	–	–	(13,013,418)
Balances at end of year	107,405,010	52,743,858	10,458,647	10,089,216	27,216,545	43,802,465	66,660,348	2,821,648	1,339,286	322,537,023
Accumulated Depreciation and Amortization										
Balances at beginning of year	–	9,495,048	3,422,013	4,140,404	11,432,376	4,479,529	29,925,539	–	–	62,894,909
Depreciation and amortization (Note 21)	–	2,442,735	2,091,729	3,800,565	3,586,808	8,590,079	9,468,373	47,823	–	30,028,112
Disposal	–	–	–	–	–	(3,797,349)	–	–	–	(3,797,349)
Balances at end of year	–	11,937,783	5,513,742	7,940,969	15,019,184	9,272,259	39,393,912	47,823	–	89,125,672
Accumulated impairment loss										
Balances at beginning of year	–	–	–	–	–	–	–	–	–	–
Provision for impairment loss (Note 21)	6,279,000	–	–	–	–	–	–	–	–	6,279,000
Balances at end of year	6,279,000	–	–	–	–	–	–	–	–	6,279,000
Net Book Value at end of year	₱101,126,010	₱40,806,075	₱4,944,905	₱2,148,247	₱12,197,361	₱34,530,206	₱27,266,436	₱2,773,825	₱1,339,286	₱227,132,351

	2013									
	Land	Building	Land Improvements	Leasehold Improvements	Furniture and Fixtures	Machineries and Equipment	Transportation Vehicles	Waterlines	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 at end of year	₱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

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 one of the 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 shareholders.

As of December 31, 2014 and 2013, land and building with an aggregate carrying value of ₱136.0 million and ₱130.0 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, 2014 and 2013, the cost of fully depreciated property and equipment still in use amounted to ₱30.2 million and ₱19.6 million, respectively.

14. Investment Properties

Movements in this account follow:

	2014			
	Land	**Building**	**Improvements**	**Total**
Cost				
Balance at beginning of year	**₱54,468,615**	**₱8,604,750**	**₱89,291,791**	**₱152,365,156**
Transfers/reclassifications (Notes 9 and 12)	**160,908,811**	–	–	**160,908,811**
Additions	–	–	**80,210**	**80,210**
Balance at end of year	**215,377,426**	**8,604,750**	**89,372,001**	**313,354,177**
Accumulated Depreciation and Amortization				
Balance at beginning of year	–	**1,766,676**	**8,669,896**	**10,436,572**
Depreciation and amortization (Note 21)	–	**430,238**	**6,171,186**	**6,601,424**
Balance at end of year	–	**2,196,914**	**14,841,082**	**17,037,996**
Net Book Value at end of year	**₱215,377,426**	**₱6,407,836**	**₱74,530,919**	**₱296,316,181**

	2013			
	Land	Building	Improvements	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 at end of year	₱54,468,615	₱6,838,074	₱80,621,895	₱141,928,584

The aggregate fair value of the Group's investment properties amounted to ₱698.2 million and ₱540.3 million as of December 31, 2014 and 2013, respectively.

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 ₱39.2 million, ₱6.5 million, and ₱1.4 million in 2014, 2013 and 2012, respectively (see Notes 19 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 ₱0.6 million, ₱0.3 million and ₱0.8 million in 2014, 2013 and 2012, respectively (see Note 21).

In 2010, 8990 HDC entered into an agreement with 8990 Commercial Management Corporation (CMC), an entity owned by a stockholder, wherein investment property, with carrying value of ₱64.7 million and ₱67.3 million as of December 31, 2014 and 2013, respectively, of the former is 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, 2014 and 2013, the Group's investment properties amounting to nil and ₱36.0 million, respectively, are used as collateral for the Group's loans payable (see Note 17).

15. Trade and Other Payables

This account consists of:

	2014	2013
Current		
Accrued expenses	**₱746,327,680**	₱497,970,175
Accounts payable	**487,751,414**	268,218,197
Trade payables	**479,912,512**	1,940,885,694
Net output tax	**79,041,811**	6,661,147
Retention payables	**78,118,197**	57,744,129
Withholding tax payable	**29,894,775**	21,875,280
Construction bonds	**24,069,608**	16,210,949
Deferred rent (Note 9)	**8,928,572**	–
Others (Note 29)	**291,757,243**	128,165,212
	2,225,801,812	2,937,730,783
Noncurrent		
Deferred rent (Note 9)	**7,440,475**	–
Pension liability (Note 24)	**7,067,510**	3,360,955
Retention payables	**3,780,467**	–
Accounts payable	–	259,389,316
Others	–	338,850
	18,288,452	263,089,121
	₱2,244,090,264	₱3,200,819,904

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.

Accrued expenses consist of the following:

	2014	2013
Documentation	**₱461,413,830**	₱381,401,946
Commission	**206,343,595**	81,420,455
Interest	**20,921,431**	13,187,625
Management/professional fees	**15,804,719**	16,255,779
Construction costs	**11,034,487**	–
Rent	**4,500,000**	–
Contracted services	**3,890,446**	–
Security, messengerial and janitorial services	**2,507,510**	–
Light and water	**1,491,074**	–
Salaries and wages	**876,940**	5,286,283
Others	**17,543,648**	418,087
	₱746,327,680	₱497,970,175

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 ₱45.6 million, ₱40.9 million and ₱34.4 million in 2014, 2013 and 2012, 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).

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:

	2014	2013
Short-term (Note 27)	**₱2,104,408,168**	₱2,612,529,325
Long-term loans payable - current portion	**276,408,509**	719,720,886
	2,380,816,677	3,332,250,211
Long-term loans payable - noncurrent portion	**6,453,061,864**	3,980,588,104
	₱8,833,878,541	₱7,312,838,315

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 2014 and 2013, and from 6.0% to 11.0% in 2012. 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 ₱350.1 million, ₱363.6 million, and ₱181.1 million in 2014, 2013, and 2012, respectively (see Note 22).

As of December 31, 2014 and 2013, the Group's loans payable is secured by the following assets with their corresponding carrying values:

	2014	2013
Short-term loans		
Collaterals owned by the Group:		
Installment contract receivables (Note 8)	**₱1,769,093,946**	₱1,602,288,894
Land held for future development (Note 12)	**700,094,493**	133,200,000
Property and equipment (Note 13)	**135,970,142**	130,031,597
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
Deposit of other affiliates	–	6,000,000
	2,605,158,581	2,461,506,968
Long-term loans		
Collaterals owned by the Group:		
Installment contract receivables (Note 8)	**2,408,270,201**	4,533,928,162
Land held for future development (Note 12)	**4,528,378,102**	198,936,000
Inventories	–	7,048,952

(Forward)

	2014	2013
Collaterals owned by other related parties:		
Installment contract receivable of a related party under common control	₱–	₱1,272,180,395
Deposits of the Controlling Shareholders	–	207,630,000
	6,936,648,303	6,219,723,509
	₱9,541,806,884	₱8,681,230,477

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, 2014 and 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:

2014						
				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	**₱1,238,365,762**	**₱–**	**₱1,238,365,762**	**₱–**	**₱1,769,093,946**	**₱–**
Long-term loans	**1,685,789,141**	**–**	**1,685,789,141**	**–**	**2,408,270,201**	**–**

	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	–

18. **Equity**

Capital Stock
As of December 31, 2014, 2013 and 2012, the details of the common stock of the Parent Company and the movements thereon follow:

	2014	2013	2012
Authorized, par value ₱1.00	**7,000,000,000**	7,000,000,000	460,000,000
Issued and outstanding at beginning of year	**4,655,804,670**	221,866,669	181,866,669
Issuance of shares	**862,186,050**	4,433,938,001	40,000,000
Issued and outstanding at end of year	**5,517,990,720**	4,655,804,670	221,866,669

Authorized Capital Stock
On August 25, 2011, the Parent Company entered into a Subscription Agreement (SA) with Intellectual Property Ventures Group (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 Intellectual Property Ventures, Inc. (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.

As discussed in Note 1, on April 15, 2014, the Parent Company issued 862,186,050 shares by way of follow-on offering.

The total number of holders of outstanding common shares of the Parent Company is 26 and 23 as of December 31, 2014 and 2013, respectively.

Retained Earnings
As of December 31, 2014 and 2013, retained earnings represent the accumulated income of the 8990 Group and the losses of the Parent Company since May 2012.

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.

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 for the 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.

On November 4, 2014, the BOD approved the Parent Company's declaration of cash dividends for a total of ₱275.9 million or P0.05 per share, to all stockholders of record as of November 18, 2014.

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'.

Upon issuance of the capital stock under the Shares Swap transaction in 2013, 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. Revenue

This account consists of:

	2014	2013	2012
Revenue from:			
Real estate operations:			
Low-cost mass housing			
Houses and lots	**₱6,724,187,722**	₱4,212,819,783	₱3,574,392,545
Subdivision lots	**16,639,158**	453,669,092	128,430,542
Medium-rise condominium units	**789,228,749**	559,780,876	33,301,000
	7,530,055,629	5,226,269,751	3,736,124,087
Rental income (Notes 14 and 25)	**39,226,986**	6,481,920	1,412,532
Others	**38,924,774**	70,498,659	45,580,609
	7,608,207,389	5,303,250,330	3,783,117,228
Timeshare and hotel operations			
Timeshare	**78,663,869**	46,077,321	52,878,961
Hotel operations			
Rooms	**74,138,696**	56,091,567	26,743,829
Food and beverages	**31,503,273**	27,660,176	14,897,171
	184,305,838	129,829,064	94,519,961
	₱7,792,513,227	₱5,433,079,394	₱3,877,637,189

Others consist of water income, penalties from default of payment of ICR, collection service fees, gain/loss on repossession, gain/loss on cancellation, maintenance fee and other income from reservation and processing cost.

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.

Timeshares may be transferred, sold, assigned or pledged by delivery of the certificates duly indorsed by the timeshare holders or other legally authorized person subject to certain restrictions, terms and conditions.

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. Costs

This account consists of:

	2014	2013	2012
Cost of sales:			
Real estate operations (Note 9):			
Low-cost mass housing			
Houses and lots	**₱2,776,821,318**	₱1,554,106,908	₱1,362,854,304
Subdivision lots	**10,549,192**	163,412,413	42,981,165
Medium-rise condominium units	**265,189,452**	197,320,474	12,822,403
	3,052,559,962	1,914,839,795	1,418,657,872
Cost of rental services	**7,211,795**	657,382	203,740
Others	**19,032,953**	20,866,941	16,114,549
	3,078,804,710	1,936,364,118	1,434,976,161
Timeshare and hotel operations			
Timeshare	**15,130,146**	12,140,099	16,375,980
Hotel operations			
Rooms	**16,522,468**	19,085,469	8,621,563
Food and beverages	**24,405,421**	20,982,106	4,916,457
	56,058,035	52,207,674	29,914,000
	₱3,134,862,745	₱1,988,571,792	₱1,464,890,161

Others pertain to the costs of distribution of water to the subdivision projects of the Group.

21. Operating Expenses

This account consists of:

	2014	2013	2012
Marketing and selling	**₱542,426,043**	₱307,015,371	₱197,402,838
Documentation	**288,924,371**	292,188,702	232,054,087
Provision for credit and impairment losses (Notes 8, 11 and 13)	**130,857,268**	58,414,812	2,076,561
Taxes and licenses	**117,708,870**	102,911,135	38,605,092
Salaries and employee benefits (Notes 24 and 27)	**104,765,286**	75,943,647	55,249,493
Provision for probable losses (Note 29)	**77,282,541**	26,340,946	10,680,718
Management and professional fees	**43,882,495**	44,502,235	26,188,710
Security, messengerial and janitorial (Note 14)	**43,785,292**	25,369,411	23,590,909
Depreciation and amortization (Notes 13 and 14)	**36,629,536**	22,566,268	15,138,560
Communication, light and water (Note 14)	**34,459,309**	15,777,860	12,212,461
Rent (Note 25)	**30,230,472**	8,350,287	7,211,136
Transportation and travel (Note 14)	**24,241,333**	22,270,000	13,778,481

(Forward)

	2014	2013	2012
Provision for write-down (Note 12)	**₱22,200,000**	₱3,646,000	₱–
Repairs and maintenance	**17,851,228**	9,611,827	6,057,675
Entertainment, amusement and representation (Note 26)	**13,765,328**	10,575,323	19,131,170
Supplies	**8,679,627**	7,750,140	4,604,354
Subscription dues and fees	**2,283,923**	876,704	789,447
Write-off of assets (Note 8)	–	64,945,573	–
Miscellaneous	**40,870,981**	56,283,828	13,162,815
	₱1,580,843,903	₱1,155,340,069	₱677,934,507

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

	2014	2013	2012
Borrowings (Notes 17 and 27)	**₱350,099,357**	₱363,633,267	₱181,122,301
Accretion (Note 15)	**45,639,202**	40,918,456	34,410,141
Bank charges	**408,895**	1,851,418	752,184
Net interest expense on pension obligation (Note 24)	**192,765**	63,034	28,004
	₱396,340,219	₱406,466,175	₱216,312,630

23. Other Income

This account consists of:

	2014	2013	2012
Interest income from:			
Installment contract receivables (Note 8)	**₱900,894,912**	₱531,811,849	₱218,340,111
Cash in banks (Note 7)	**916,898**	1,369,278	8,878,285
Gain on sale of building and improvements (Note 9)	**10,943,948**	–	–
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	**20,595,816**	25,647,328	11,333,687
	₱933,351,574	₱558,828,455	₱235,154,999

Miscellaneous income includes retrieval fee, association dues and transfer fee.

24. **Pension Cost**

FHI and LHDC

FHI and LHDC have unfunded, noncontributory, defined benefit pension plan covering substantially all of their 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 and LHDC's pension plan in 2014 and 2013 are as follows:

	2014							
		Net benefit cost in consolidated statements of comprehensive income			**Remeasurements in other comprehensive income**			
	January 1, 2014	**Current service cost**	**Interest cost**	**Subtotal**	**Experience adjustments**	**Actuarial changes arising from changes in financial assumptions**	**Subtotal**	**December 31, 2014**
Present value of defined benefit obligation	**₱1,134,000**	**₱666,589**	**₱66,942**	**₱733,531**	**(₱362,431)**	**₱284,800**	**(₱77,631)**	**₱1,789,900**

	2013							
		Net benefit cost in consolidated statements of comprehensive 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	₱745,279	₱531,151	₱37,122	₱568,273	(₱21,752)	(₱157,800)	(₱179,552)	₱1,134,000

<u>8990 HDC</u>

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:

	2014								
		Net benefit cost in consolidated statements of income			**Remeasurements in other comprehensive income**				
	January 1, 2014	**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, 2014**
Present value of defined benefit obligation	**₱4,163,900**	**₱720,427**	**₱235,260**	**₱955,687**	**₱–**	**₱1,032,613**	**₱1,088,700**	**₱2,121,313**	**₱7,240,900**
Fair value of plan assets	**1,936,945**	**–**	**109,437**	**109,437**	**(83,092)**	**–**	**–**	**(83,092)**	**1,963,290**
Net defined benefit liability	**₱2,226,955**	**₱720,427**	**₱125,823**	**₱846,250**	**₱83,092**	**₱1,032,613**	**₱1,088,700**	**₱2,204,405**	**₱5,277,610**

	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

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 ₱7.1 million and ₱3.1 million as of December 31, 2014 and 2013, respectively, is included in trade and other payables (see Note 15).

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

	2014	2013
Cash	**₱–**	₱809,434
Available-for-sale securities		
Debt instruments	**1,049,925**	1,052,930
UITF	**897,610**	58,408
Accrued interest receivable	**17,470**	18,193
Accrued expenses	**(1,715)**	(2,020)
	₱1,963,290	₱1,936,945

8990 HDC has 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:

	2014	2013
	%	%
Discount rates:		
FHI	**5.95**	6.04
8990 LHDC	**5.74**	5.74
8990 HDC	**5.67**	6.10
Salary increase rates:		
FHI	**2.00**	2.00
8990 LHDC	**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:

	2014	2013
Less than 1 year	₱–	₱307,493
More than 1 year to 5 years	180,541	3,829,482
More than 5 years to 10 years	6,149,868	24,726,700
More than 10 years to 15 years	4,707,038	1,062,031
More than 15 years to 20 years	10,597,320	29,037,143
More than 20 years	53,204,808	53,346,401

The average duration of the defined benefit obligation at the end of the reporting period is 23.4 years and 18 years in 2014 and 2013, respectively.

25. **Leases**

8990 Holdings

8990 Holdings as a lessee

In 2012, 8990 Holdings entered into a non-cancellable operating lease as a lessee covering its office premises in Liberty Center Building in Makati City. The lease has a term of two years until 2014, with renewal options. During the year, the Company renewed the said contract for another two years ending July 31, 2016.

During the year, the Company entered into a non-cancellable operating lease as a lessee covering a corporate suite for a term of one year and will expire on June 22, 2015.

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

	2014	2013
Less than one year	**₱9,925,072**	₱528,612
More than one year but not more than five years	**555,044**	–
	₱10,480,116	₱528,612

Rent expense arising from this operating lease agreement amounted to ₱14.5 million and ₱1.0 million in 2014 and 2013, respectively.

FHI

FHI as a lessee

FHI recognized rent expense amounting to ₱5.3 million, ₱3.6 million, and ₱4.4 million, in 2014, 2013 and 2012, respectively, pertaining to rental of FHI's office. The lease agreements are renewable annually upon mutual agreement of the parties. As of December 31, 2014, 2013 and 2012, FHI has no future minimum rentals payable under non-cancellable operating leases.

FHI as a lessor

In 2014, FHI leased its land to ALRC for a term of fifty (50) years which shall be renewable subject to the mutual agreement of the parties. Rent income recognized by FHI amounted to ₱0.7 million (see Notes 14 and 19).

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

	2014	2013
Within one year	**₱–**	₱–
After one year but not more than five years	**14,136,905**	–
More than five years	**200,148,809**	–
	₱214,285,714	₱–

8990 HDC

8990 HDC as a lessee

8990 HDC recognized rent expense amounting to ₱1.3 million, ₱3.2 million, and ₱2.3 million in 2014, 2013 and 2012, 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, 2014, 2013 and 2012, 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 ₱36.5 million, ₱4.2 million, and ₱1.0 million in 2014, 2013 and 2012, respectively (see Notes 14 and 19).

In 2014, 8990 HDC leased its land to ALRC for a term of fifty (50) years which shall be renewable subject to the mutual agreement of the parties. Rent income recognized by 8990 HDC amounted to ₱0.7 million (see Notes 14 and 19).

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

	2014	2013
Within one year	**₱6,362,509**	₱3,732,255
After one year but not more than five years	**16,217,856**	7,883,275
More than five years	**206,580,885**	1,074,221
	₱229,161,250	₱12,689,751

8990 LHDC

8990 LHDC as a lessee

8990 LHDC recognized rent expense amounting to ₱0.6 million in 2014 and ₱0.1 million in 2013 and 2012 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 ₱1.2 million and ₱1.1 million in 2014 and 2013, respectively (see Notes 14 and 19).

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

	2014	2013
Within one year	**₱1,320,000**	₱1,080,000
After one year but not more than five years	**1,650,000**	2,430,000
	₱2,970,000	₱3,510,000

26. **Income Taxes**

Provision for income tax consists of:

	2014	2013	2012
Current:			
RCIT	**₱160,094,668**	₱34,169,799	₱23,045,001
MCIT	–	1,057,214	90,104
Final	**182,383**	46,875	86,139
	160,277,051	35,273,888	23,221,244
Deferred	**144,461,296**	222,571,695	25,947,615
	₱304,738,347	₱257,845,583	₱49,168,859

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
2011	₱14,909,611	₱14,909,611	₱–	2014
2012	44,335,797	43,558,575	777,222	2015
2013	4,143,861	–	4,143,861	2016
2014	377,042,350		377,042,350	2017
	₱440,431,619	₱58,468,186	₱381,963,433	

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:

	2014	2013
Deferred tax liability on:		
Excess of accounting basis over tax basis of deferred gross profit on real estate sales	**₱468,218,117**	₱336,299,944
Effect of straight line recognition of rental income	**627,180**	222,000
	468,845,297	336,521,944
Deferred tax asset on:		
Accrued expenses	**55,087,440**	56,677,039
Allowance for impairment losses	**13,994,912**	16,685,912
Retirement liability	**668,087**	668,087
NOLCO	**274,340**	6,990,893
MCIT	**6,527**	1,147,318
	70,031,306	82,169,249
Net deferred tax liability	**₱398,813,991**	₱254,352,695

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 in the future:

	2014	2013
NOLCO	**₱381,048,966**	₱4,091,970
Allowance for impairment and probable losses	**48,500,868**	2,795,106
Deferred rent	**16,369,047**	–
Accrued expenses	**11,811,739**	29,348,070
Retirement liability	**2,460,981**	881,200
MCIT	**1,140,791**	–
Foreign exchange revaluation	**2,879**	–
	₱461,335,271	₱37,116,346

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 or 1.0% of net revenue. EAR expenses amounted to ₱13.8 million, ₱10.6 million, and ₱19.1 million in 2014, 2013 and 2012, respectively (see Note 20).

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

	2014	2013	2012
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Income under income tax holiday	**(21.98)**	(20.42)	(26.95)
Costs directly incurred in the issuance of shares	**(2.84)**	–	–
Nontaxable income	–	(0.57)	(6.49)
Nondeductible expenses	**0.64**	3.21	4.08
Change in unrecognized deferred tax assets	**0.38**	1.15	2.20
Income subjected to final tax		(0.02)	(0.04)
Others	**2.23**	(2.79)	–
	8.43%	10.56%	2.80%

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, 2014:

Project Name	Reg. No.	Date Registered	ITH Period	Registered Activity
Deca Homes Minglanilla Subdivision Phase 3	2008-158	July 14, 2008	4 years	Developer of Low-cost Mass Housing Project
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 Esperanza	2011-009	January 10, 2011	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Mactan 5	2011-008	January 10, 2011	4 years	New 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
Bon Giorno Homes	2011-035	February 8, 2011	4 years	New Developer of Low-cost

Project Name	Reg. No.	Date Registered	ITH Period	Registered Activity
Subdivision				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 Northfield Estates	2009-157	November 11, 2009		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
Deca Homes Resort Residences Phase 9	2014-109	July 22, 2014	3 years	Expanding Developer of Low-Cost Mass Housing Project
Deca Homes Indangan Phase 1	2014-128	August 15, 2014	4 years	New Developer of Low-Cost Mass Housing Project
Deca Homes Resort Residences Phase 12	2014-129	August 15, 2014	3 years	Expanding Developer of Low-Cost Mass Housing Project
Deca Homes Baywalk – Talisay II	2014-172	October 8, 2014	3 years	Expanding Developer of Low-Cost Mass Housing Project
Deca Homes Resort Residences Executive	2014-174	October 9, 2014	3 years	Expanding Developer of Low-Cost Mass Housing Project
Deca Homes Pavia Phase 2	2014-189	October 28, 2014	3 years	Expanding Developer of Low-Cost Mass Housing Project
Deca Homes Indangan Phase 2	2014-190	October 28, 2014	3 years	Expanding 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-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		8990 DHDC	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Total liabilities	**₱16,871,379,200**	₱8,206,313,543	**₱4,599,832,045**	₱1,741,513,025	**₱3,415,484,097**	₱1,501,667,894	**₱899,921,560**	₱196,354,592
Total equity	**5,462,324,605**	5,127,751,684	**1,419,706,677**	305,336,305	**1,747,527,228**	1,187,800,012	**590,667,996**	2,535,042
Debt to equity ratio	**76:24**	62:38	**76:24**	85:15	**66:34**	56:44	**60:40**	99:01

The Group plans to further increase the capitalization of HDC and 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, 2014 and 2013, 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:

	2014		
Category	**Amount/ Volume**	**Outstanding Balance**	**Terms and Conditions**
Stockholders			
Due from related parties		**₱4,522,399**	**Non - interest bearing, payable on demand, unsecured, no impairment**
Loans Payable		**25,000,000**	**On demand, 5.50% per annum, unsecured**
Finance costs	**₱347,569**		
Entities owned by shareholders			
Due from related parties		**128,896,515**	**Non - interest bearing, payable on demand, unsecured, no impairment**
Due to related parties		**369,019,267**	**Non - interest bearing, payable on demand, unsecured**

	2013		
Category	Amount/ Volume	Outstanding Balance	Terms and Conditions
Stockholders			
Due from related parties		₱205,790,884	Non - interest bearing, payable on demand, unsecured, no impairment
Loans Payable		113,850,000	On demand, 7.50% per annum, unsecured
Finance costs	₱19,447,799		
Entities owned by shareholders			
Due from related parties		311,699,706	Non - interest bearing, payable on demand, unsecured, no impairment
Due to related parties		172,808,746	Non - interest bearing, payable on demand, unsecured

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

	2014	2013
Gross amount of due from (to) stockholders	**₱4,522,399**	₱223,006,493
Gross amount of due from (to) stockholders offset in the consolidated statement of financial position	−	(17,215,609)
Net amount of due from (to) stockholders included in 'Due to related parties' as presented in the consolidated statement of financial position	**₱4,522,399**	₱205,790,884

On May 2014, the Group executed deed of assignments to acquire the ICRs of BGH and UBHC, entities under common control as discussed in Note 8.

During the year, 8990 HDC and FHI executed a deed of sale on the building and hotel improvements to ALRC, an associate of the Group. On the same date, a contract of lease was executed by the parties and ALRC on the land where the building is erected (see Notes 9 and 14).

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 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 13).

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 14). 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 ICRs 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 ₱31.1 million, ₱11.6 million, and ₱5.2 million in 2014, 2013 and 2012, respectively. Post-employment benefits of key management personnel amounted to ₱0.9 million, ₱0.2 million, and ₱62.7 thousand in 2014, 2013 and 2012, 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 total net asset disposed amounted to ₱116.06 million which resulted to loss on sale amounting to ₱11.17 million. The total net cash outflow from the disposal amounted to P61.68 million.

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 ₱77.3 million, ₱26.3 million, and ₱10.7 million in 2014, 2013 and 2012, respectively (see Note 21).

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

	2014	2013
Balance at beginning of year	**₱90,931,807**	₱64,590,861
Provisions during the year (Note 21)	**77,282,541**	26,340,946
Balance at end of year	**₱168,214,348**	₱90,931,807

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:

	2014	2013	2012
Net income	**₱3,309,079,587**	₱2,183,684,230	₱1,704,486,031
Divided by weighted average number of common shares	**5,302,444,208**	4,232,663,764	3,255,182,544
	₱0.62	₱0.52	₱0.52

There were no potential dilutive common shares in 2014, 2013 and 2012.

31. **Notes to Statements of Cash Flows**

The following are the significant noncash transactions of the Group:

2014

- In May 2014, the Group acquired the installment contract receivables amounting to ₱208 million, related deposits of ₱1.1 million and assumed liability on conversion of its title amounting to ₱6.8 million from related parties under common control, which resulted in an increase in due to related parties amounting to ₱203.1 million.

- During the year, the Group subscribed in the preferred shares of an associate carried in the books at ₱1.2 billion resulting to an increase in due to related parties amounting to ₱788.8 million.

- In October, 2014, the Group sold its building and hotel improvements with carrying value of ₱457.8 million for ₱468.8 million which resulted in an increase in due from a related party of ₱34.0 million.

- During the year, the Group reclassified parcel of lots amounting to ₱833.1 million from land held for future development to inventories at the commencement of construction.

- The Group reclassified a parcel of lot amounting to ₱21.0 million booked under 'Land held for future development' to 'Investment property'.

- The Group also reclassified its land amounting to ₱139.9 million booked under 'Inventories' to Investment property' due to a change of intention for the use of the property.

- In December 2014, the Group used its creditable withholding tax certificates amounting to ₱23.7 million to pay its income tax liability.

- The inventories increased by ₱840.3 million as a result of repossession of inventories of the Group during the year.

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.

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

On January 15, 2015, the respective BOD of 8990 HDC, FHI, and 8990 DHDC approved the cash dividends amounting to ₱510.00 million, ₱90.00 million, and 400.00 million, respectively, to be paid to the Parent Company on or before March 30, 2015.

On February 17, 2015, the BOD of the Group approved the following:

- Declaration of cash dividends of the Parent Company of ₱0.18 per share or ₱993.2 million to stockholders of record as of March 4, 2015 to be paid on March 30, 2015.
- Offering and issuance by the Group of registered corporate notes in the amount of up to ₱5 billion with a potential for an oversubscription in the amount of ₱4 billion.
- Investment of the Parent Company in a new or existing subsidiary which will provide cable and internet services to the housing development projects of the Group, under the terms and conditions as may be approved by the management.

33. 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 April 10, 2015.