FORTIFYING THE PILLARS OF OUR GROWTH

Eton Properties Philippines, Inc.

2014 ANNUAL REPORT

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FINANCIAL HIGHLIGHTS

For Eton Properties, 2014 was a year to consolidate its areas of strength and revisit its operations, with an eye to enhance the Company's long-term competitiveness by optimizing future earnings. As a result of these initiatives, the Company reported gross revenues of P2.28 billion in 2014, 38% lower than the 2013 figure. Of this amount, real estate sales accounted for revenues of P1.54 billion, a 52% drop from 2013, following the temporary halt in sales activities to pave the way for their value optimization plans. The Company ended the year with a net income of P119.86 million, a 14% increase from its 2013 net income of P105.07 million—a slight improvement of net income ratio from previous year's as a result of the Company's value enhancement efforts, with expectations of improved margins outlook in the coming years.

FINANCIAL HIGHLIGHTS

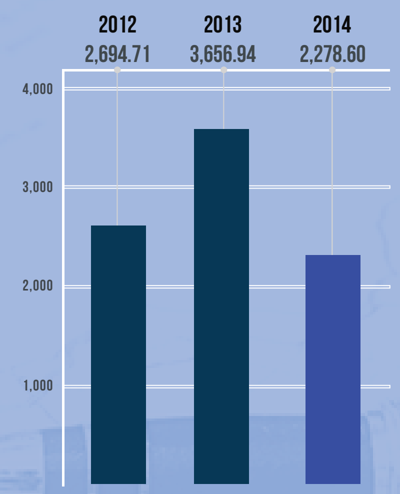
CONSOLIDATED STATEMENTS OF INCOME

(In Million Pesos)	2014	2013
Revenue	2,278.60	3,656.94
Costs and Expenses	2,165.06	3,561.85
Other Income (Charges)	88.45	170.56
Income Before Income Tax	201.99	265.65
Provision For Income Tax	82.13	160.58
Net Income	119.86	105.07

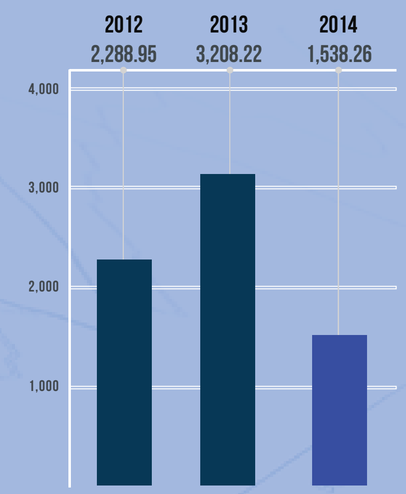
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Million Pesos)	AS OF DECEMBER 2014	AS OF DECEMBER 2013
Current Assets	14,717.72	9,489.34
Non Current Assets	8,975.90	10,550.85
Total Assets	23,693.62	20,040.19
Current Liabilities	12,925.81	8,602.24
Non current Liabilities	2,686.22	3,480.13
Total Liabilities	15,612.03	12,082.37
Equity	8,081.59	7,957.82
Total Liabilities and Equity	23,693.62	20,040.19

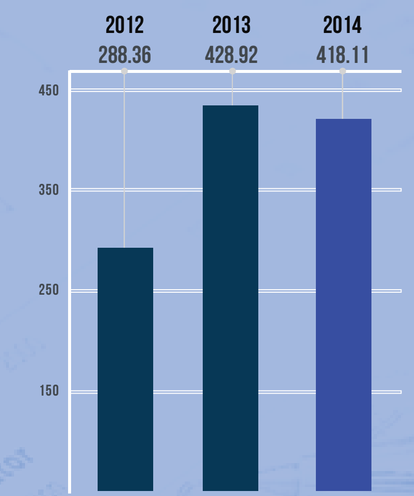
TABLES AND CHARTS



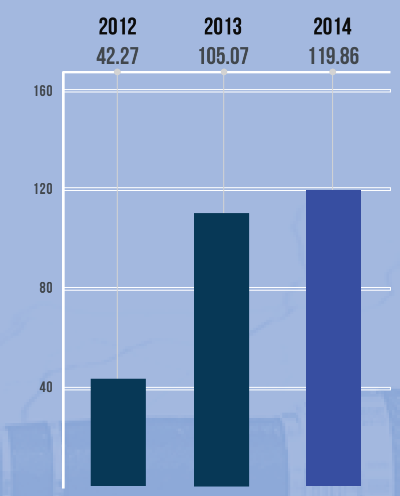
CONSOLIDATED REVENUES
(In Millions)



REAL ESTATE REVENUE
(In Millions)



EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION
(In Millions)



NET INCOME
(In Millions)

CHAIRMAN'S MESSAGE

2014 was another good year for the Philippine economy, with a recovering global market, strong domestic consumption, and positive investor sentiment creating a stable macro environment that enabled Eton Properties to successfully pursue its value optimization plans.

Recognizing the need to take a long-term view to ensure that Eton Properties is properly equipped to take on the challenges of the future, the Company took the bold action of stepping backwards in 2014 to closely examine its business processes. Having grown considerably in the past years, 2014 was the right time to take stock of our operations and assess our journey to growth. In so doing, we not only identified our limitations and constraints but also discovered our blocks of strength, which we built on to establish and fortify our pillars of growth.

As part of our consolidation efforts, we reexamined our operations and deferred sales activities in 2014 with the twin goals of streamlining our project pipeline and reassessing costs and prices to ensure alignment with the market, in order to obtain higher margins. We also completed 8 Adriatico, our high rise condominium project in Manila while prioritizing the construction of ongoing projects. Hand in hand with this, we embarked on the critical task of reworking our master plans, putting greater attention on the best use of the land vis-à-vis evolving market needs.

Expectedly, these initiatives affected our revenues for the year—a consequence that we anticipated, prepared for, and accepted as necessary to ensure the Company's long-term competitiveness. In the process, we began to unlock the full value of our projects, managed costs, optimized synergies within the company, and laid down the foundation for our continued growth.

With our growth pillars fortified and secure, and with the Philippine economy continuing to give us much reason for optimism, we now aim to move forward and upward. We are all set to go full steam ahead with our sales and marketing activities in 2015. We are also set to pursue the development of various residential and commercial projects that would live up to the Eton brand promise of stability and dependability. As we pursue all these, we will continue to be on the lookout for opportunities that would allow us to further enhance our revenue streams and improve shareholder value.

Needless to say, we are confident that we can deliver on all our commitments to our clients, and that through these efforts, they will recognize us for being a reliable developer that they can always trust.

> Having grown considerably in the past years, 2014 was the right time to take stock of our operations and assess our journey to growth. In so doing, we not only identified our limitations and constraints but also discovered our blocks of strength, which we built on to establish and fortify our pillars of growth.

With the full support of everyone in our Company, I am confident that we can move to the path of sustained growth in the years ahead.

Thank you very much.

DR. LUCIO C. TAN
Chairman

PRESIDENT'S REPORT

In 2014, Eton Properties focused on two very important areas: the delivery of our projects to our valued clients and the completion of existing developments.

To ensure that we prioritized the attainment of these objectives, we put the company's efforts and resources into activities that supported these goals. To this end, non-complementary activities were deferred, including most of our sales and marketing activities.

As a result, we ended 2014 with gross revenues of P2.28 billion, 38% lower than our 2013 figure. Of this amount, real estate sales accounted for revenues of P1.54 billion, dropping 52% from the previous year as a direct result of the temporary halt in our sales activities.

Making up for the slack in sales revenues, rental income surged by 65% in 2014, reaching P740 million, on the back of the strong take-up of the Company's office spaces among BPOs, especially in Eton Cyberpod Centris and Corinthian Cyberpod Ortigas. Following the opening of our third BPO building, our gross leasable area expanded by 69% in 2014, providing new income streams for our Company. Leases were renewed at considerably better rental prices, improving by 24%, a trend that we expect to hold through 2015 especially since our properties are among those chosen by top multinational outsourcing firms to host their business operations.

As we focused on completing several projects, our total assets rose 18% to P23.69 billion. We completed 8 Adriatico in 2014. Simultaneously, we continued the construction of ongoing projects, all of which we aim to complete expeditiously. These include: 68 Roces in Quezon City, Eton Tower Makati, Mini Suites at Eton Tower Makati, the West Wing Villas at North Belton Communities in Quezon City, and the West Wing Residences, TierraBela and Village Walk at Eton City.

Following the implementation of all these initiatives, the Company ended 2014 with a net income of P119.86 million, 14% higher than our 2013 net income of P105.07 million, indicating improved margins and profitability.

As the Philippine economy continues to remain strong, we are confident that investor interest in our new and upcoming projects will be robust. We plan to introduce new concepts and formats that will widen our prospective market's choices and reinvigorate interest in our projects. Once again, we expect our clients to choose Eton's properties for their strategic location, quality construction, and for offering the best value in their class, whether these are our residential, commercial, or flagship developments. We will also continue to closely study the property landscape and ensure that our pricing strategies and offerings are aligned with that of the market, as we aim to continuously create value for both our clients and our shareholders.

Among the Company's 2015 plans is to launch a mixed-use development composed of a high rise condominium, a boutique mall, and a BPO office building.

Likewise, we look forward to completing the re-master planning process for Eton City. Plans are also afoot to commence construction of a fifth BPO building in Eton Centris, and to expand Centris Walk, in order to increase our retail footprint and enhance recurring income streams. Also slated for 2015 is the pre-development of a sixth BPO building in Ortigas Center, and the reconceptualization of Aurora Heights Residences in Quezon City to maximize use of the property.

> In 2014, Eton Properties focused on two very important areas: the delivery of our projects to our valued clients and the completion of existing developments.

As we close 2014, I am proud to note that we have proven ourselves worthy of the Eton brand promise. As we move ahead, I would like to reassure our stakeholders that they can look forward to more value-adding activities that can only lead to the sustained growth of the company.

Indeed, 2014 was a challenging but productive transition year for Eton Properties. In closing, let me reiterate that none of our achievements would have been possible without the strong and able support of our Board of Directors, whose strong corporate values and leadership guided us through our business decisions. I would also like to thank our dedicated management team, hardworking staff, and business partners for their selfless support and unwavering commitment to service.

LUCIO K. TAN, Jr.
President and CEO

BOARD OF DIRECTORS

Dr. Lucio C. Tan
Chairman

From top-left:
Harry C. Tan, Lucio K. Tan, Jr., Joseph T. Chua
Michael G. Tan, Juanita T. Tan Lee, Washington Z. Sycip
Wilfrido E. Sanchez, Antonino L. Alindogan, Jr., Johnip G. Cua
*Not in photo is Mr. Ramon S. Pascual

LUCIO C. TAN
Chairman

Director/Chairman/President of Tangent Holdings Corp.; Director/Chairman of Asia Brewery, Inc., Fortune Tobacco Corp., PMFTC Inc., Grandspan Development Corp., Himmel Industries Inc., Tanduay Distillers, Inc., Tanduay Brands International, Inc., The Charter House, Inc., Asian Alcohol Corp., Absolut Distillers, Inc., Progressive Farms, Inc., Eton City, Inc., Belton Communities, Inc., FirstHomes, Inc., PNB Life Insurance, Inc., PNB Savings Bank, Allied Leasing & Finance Corp., Allied Commercial Bank, Allied Banking Corporation (HK) Ltd., Basic Holdings Corp.; Chairman/CEO of Lucky Travel Corp., Philippine Airlines, Inc., LT Group, Inc. (formerly Tanduay Holdings, Inc.), PAL Holdings, Inc., Manufacturing Services & Trade Corp., REM Development Corp., Foremost Farms, Inc., Basic Holdings Corp., Dominium Realty & Construction Corp., Shareholdings, Inc., Sipalay Trading Corp., Fortune Tobacco International Corp., Allied Bankers Insurance Corp., Trustmarks Holdings Corp., Zuma Holdings and Management Corp., Tangent Holdings Corp., Saturn Holdings, Inc., Maranaw Hotels and Resort Corp. and Paramount LandEquities, Inc.; Director of Philippine National Bank; Chairman/President of Tan Yan Kee Foundation, Inc.; Chairman Emeritus FFCCCII

MICHAEL G. TAN
Director

Director/President of LT Group, Inc. (formerly Tanduay Holdings, Inc.); Director/Chief Operating Officer of Asia Brewery, Inc., Director/Treasurer of Air Philippines Corp.; Director of Philippine National Bank, Allied Bankers Insurance Corp., PMFTC Inc., Lucky Travel Corp., Philippine Airlines, Inc., Philippine Airlines Foundation, Inc., Air Philippines Corp., PAL Holdings, Inc., Absolut Distillers, Inc., Eton City, Inc., Victorias Milling Company, Inc., Shareholdings, Inc., Tangent Holdings Corp., Maranaw Hotels & Resort Corp., Paramount LandEquities, Inc., Saturn Holdings, Inc., Abacus Distribution Systems Philippines, Inc., Tanduay Brands International, Inc., Shareholdings, Inc., Allied Commercial Bank, Tangent Holdings Corp., PNB Forex Inc., PNB Global Remittance and Financial (HK) Limited, Bulawan Mining Corp., PNB Savings Bank; Chairman of PNB Holdings Corp., PNB Management & Development Corp.

HARRY C. TAN
Director

Director of LT Group, Inc. (formerly Tanduay Holdings, Inc.), Eton Properties Philippines, Inc., Eton City, Inc., Belton Communities, Inc., FirstHomes, Inc., Lucky Travel Corp., Tanduay Distillers, Inc., The Charter House, Inc., Pan Asia Securities, Inc., Philippine National Bank, Asia Brewery, Inc., Basic Holdings Corp., PAL Holdings, Inc., Himmel Industries, Inc., Asian Alcohol Corp., Absolut Distillers, Inc., Progressive Farms, Inc., Manufacturing Services & Trade Corp., PMFTC Inc., REM Development Corp., Grandspan Development Corp., Dominium Realty & Construction Corp., Fortune Tobacco International Corp., Tanduay Brands International, Inc., Tobacco Recyclers Corp.; Shareholdings, Inc., Abacus Distribution Systems Phils., Inc. and Allied Bankers Insurance Corp.; Director/Chairman for Tobacco Board of Fortune Tobacco Corp.; Director/ President of Maranaw Hotels & Resort Corp. and Landcom Realty Corp.

JUANITA T. TAN LEE
Director & Treasurer

Director of LT Group, Inc. (formerly Tanduay Holdings, Inc.), Maranaw Hotels & Resort Corp., PAL Holdings, Inc., and Air Philippines Corp.; Director/ Corporate Secretary of Asia Brewery, Inc., Fortune Tobacco Corp., Dominium Realty and Construction Corp., and Shareholdings, Inc.; Corporate Secretary of Asian Alcohol Corp., Absolut Distillers, Inc., Foremost Farms, Inc., Fortune Tobacco Int'l Corp., Grandspan Development Corp., Himmel Industries, Inc., Landcom Realty Corp., PMFTC, Inc., Lucky Travel Corp., Marcuenco Realty & Development Corp., Progressive Farms, Inc., REM Development Corp., Tanduay Distillers, Inc., Tanduay Brands International Inc., Progressive Farms, Inc.; Tobacco Recyclers Corp., Total Bulk Corp., and Zebra Holdings, Inc.; Assistant Corporate Secretary of Basic Holdings Corp; Trustee of University of the East and University of the East- Ramon Magsaysay Memorial Medical Center

LUCIO K. TAN, JR.
President

Director/President of Tanduay Distillers, Inc.; Executive Vice President of Fortune Tobacco Corp.; Executive Director of Dynamic Holdings Limited; Director of Allied Bankers Insurance Corp., Philippine Airlines, Inc., Philippine National Bank, LT Group, Inc. (formerly Tanduay Holdings, Inc.), MacroAsia Corp., PMFTC Inc., Foremost Farms, Inc., Eton City, Inc., First Homes, Inc., Belton Communities, Inc., PNB Remittance Center Limited (RCL); Bulawan Mining Corp.; PNB Capital & Investment Corp., PNB (Europe) Plc., PNB RCI Holding Co. Ltd., PNB Forex, Inc., Maranaw Hotels & Resort Corp., Saturn Holdings, Inc., Paramount LandEquities, Inc., Tangent Holdings, Inc., Zuma Holdings and Management Corp., Trustmark Holdings Corp., Lucky Travel Corp., Progressive Farms, Inc., The Charter House, Inc., Himmel Industries, Inc., Asian Alcohol Corp., Absolut Chemicals, Inc., PAL Holdings, Inc., Air Philippines Corp., Tanduay Brands International, Inc., PNB Management & Development Corp., Victorias Milling Company, Inc., PNB Savings Bank, Basic Holdings Corp., Ford Philippines, Goldbond Printing, Inc., Silverfoil and Allied Leasing & Financial Corp.

JOSEPH T. CHUA
Director and EVP-COO

Director/Chairman of J.F. Rubber Philippines, Cavite Business Resources, Inc.; Director/President and Chief Executive Officer of MacroAsia Corp.; Director of Bulawan Mining, Lufthansa Technik Philippines, Inc., Philippine Airlines, Inc., Eton City, Inc., Belton Communities, Inc., FirstHomes, Inc., Philippine National Bank and LT Group, Inc. (formerly Tanduay Holdings, Inc.), PNB Management & Development Corp., PNB General Insurers Co. Inc., Air Philippines Corp., PAL Holdings, Inc.; President of Goodwind Development Corp. (Guam); Director/ President of MacroAsia Airport Services Corp., MacroAsia Properties Development Corp., MacroAsia Mining Corp., and MacroAsia Air Taxi Services, MacroAsia Catering Services, Inc., Watergy Business Solutions, Inc.

RAMON S. PASCUAL
Director

Executive Director of Dynamic Holdings Limited; Director of Eton City, Inc., Belton Communities, Inc. and FirstHomes, Inc.

WASHINGTON Z. SYCIP
Director

Chairman Emeritus of Asian Institute of Management; Chairman of Cityland Development Corp., Lufthansa Technik Philippines, Inc., MacroAsia Corp., State Properties Corp., and Steag State Power, Inc.; Director of LT Group, Inc. (formerly Tanduay Holdings, Inc.), Philippine Airlines, Inc., and Philippine National Bank; Independent Director of Asian Eye Institute, Belle Corp., Century Properties Group, Inc., First Philippine Holdings Corp., Highlands Prime, Inc., Lopez Holdings Corp., Metro Pacific Investment Corp., Philippine Equity Management Inc., Philippine Hotelier, Inc., Philamlife, Inc., The PHINMA Group, Realty Investment, Inc., Commonwealth Foods, Inc., and Stateland, Inc.; Trustees of Gokongwei Brothers Foundation, PinoyMe Foundation, Tan Yan Kee Foundation and Philippine Business of Education; Board of Governors of I-Academy; Board of Trustees of Metrobank Foundation, Inc. and Synergeia Foundation, Inc.; Adviser to the Board of Asian Terminals, Inc., Banco de Oro, JG Summit Holdings, Jollibee Food Corp., Metropolitan Bank & Trust Co., Philippine Long Distance Telephone Co; Senior Adviser to the Board of Investment and Capital Corp. of the Phils.

WILFRIDO E. SANCHEZ
Independent Director

Tax Counsel of Quiason Makalintal Barot Torres Ibarra & Sison Law Offices; Independent Director of Center for Leadership & Change, Inc., Magellan Capital Holdings, Corp., Kawasaki Motor Corp., and LT Group, Inc. (formerly Tanduay Holdings, Inc.); Director of Adventure International Tours, Inc., Amon Trading Corp., EEI Corp., EMCOR, Inc., J-DEL Investment and Management Corp., K Servico, Inc., House of Investments, JVR Foundation, Inc., PETNET, Inc., Transnational Diversified Corp., Transnational Diversified Group, Inc., and Universal Robina Corp.

ANTONINO L. ALINDOGAN, JR.
Independent Director

Director/Chairman of An-Cor Holdings, Inc.; Director/ Chairman/President of Landrum Holdings, Inc.; Independent Director of Philippine Airlines, Inc., Rizal Commercial Banking Corp., PAL Holdings, Inc., House of Investments, Inc., Great Life Financial Assurance Corp., and RCBC Bankard Services Corp. and LT Group, Inc. (formerly Tanduay Holdings, Inc.); Former President of C55, Inc.; Former Chairman of the Board of Directors of Development Bank of the Philippines (DBP); Former Consultant for Microfinance of DBP; Former Member of the Monetary Board of Bangko Sentral ng Pilipinas

JOHNIP G. CUA
Independent Director

Chairman of the Board of Trustees of Xavier School, Inc., P&Gers Fund Inc.; Chairman & President of Taibrews Corp.; Director of BDO Private Bank, Philippine Airlines, Inc., PAL Holdings, Inc., MacroAsia Corp., MacroAsia Catering Services, Inc., MacroAsia Airport Services Corp., MacroAsia Properties Development Corp., PhilPlans First Inc., STI Education Systems Holdings, Inc., Alpha Alleanza Manufacturing, Inc., Allied Botanical Corp., Century Pacific Food, Inc., Interbake Marketing Corp., Lartizan Corp., Teambake Marketing Corp.; Member of the Board of Trustees of Xavier School Educational & Trust Fund

OUR BUSINESS PHILOSOPHY

In doing business, Eton Properties is guided by a business philosophy that enshrines CUSTOMER FOCUS and VALUE CREATION.

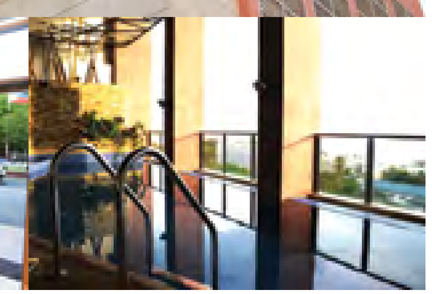
Customer focus means fully understanding what our customers want, now and in the future. This means anticipating their lifestyle needs in advance, taking into consideration the dynamics of the market landscape. Our singular focus on our customer has led us to develop strategically located properties that are accessible to main thoroughfares, as well as destinations that matter the most to them: schools, hospitals, recreation and entertainment centers, and their places of work.

Value creation springs from our ability to focus on our customer. It spurs us to constantly examine our operations and activities, to ensure that all these would create value for the customer, as he would define it, now and in the future.

COMPLETED PROJECTS

RESIDENTIAL PROJECTS

Eton Properties has distinguished itself for developing residential properties in well-chosen locations across Metro Manila that are especially prized for their investment potential. Eton's diversified portfolio includes high-rise condominiums, mid-rise buildings, residential subdivisions, township projects, commercial centers and Business Process Outsourcing (BPO) office buildings. All residential projects are easily accessible from the city's commercial, business and school districts, further ensuring the steady appreciation of their value. A number of projects are located within self-sustaining cities and communities developed by Eton, masterplanned to offer clients the best value in their class. Designed to meet the discerning taste and lifestyle needs of its target market, each residential project is outfitted with amenities and features with an eye for quality, aesthetics, and the recognition that clients' needs may grow and evolve in time.

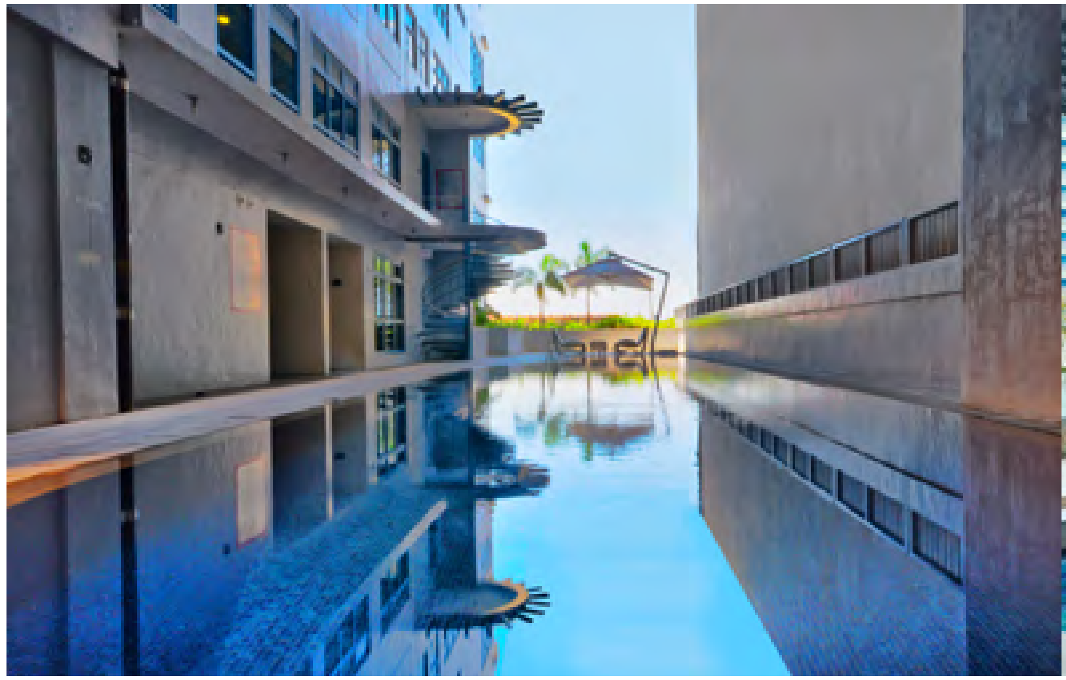


ETON BAYPARK MANILA

Situated at the corner of Roxas Boulevard and Kalaw Street, the 29-storey Eton Baypark Manila offers a panoramic view of Manila Bay, the historic Rizal Park and Intramuros. Decked with fully-furnished units, its amenities include an adult and children's pool, function room and fitness center.

one Archers' PLACE

Located close to Manila's top educational institutions, One Archers' Place along Taft Avenue is designed for students and young professionals. A 31-storey twin tower residential condominium, it offers competitively-priced studio and one-bedrooom flats with lifestyle amenities, and two floors of retail and dining choices. Situated near an LRT station and within easy reach of the Makati business district, it offers a prime investment opportunity with its strong leasing potential brought about by year-round tenant demand.



ETON PARKVIEW GREENBELT

Sitting at the heart of the Makati business district, the 33-storey all-loft Eton Parkview Greenbelt is the preferred residence of office executives who would like to have a second home during weekdays. It offers spacious one-bedroom and two-bedroom loft units with wide living spaces, high ceilings, big windows, and good views of the Washington Sycip Park and Legaspi Park. Its amenities include a reception lobby, landscaped gardens, swimming pool, function room, fitness center, and a children's play area.

THE ETON RESIDENCES GREENBELT

Rising 39 storeys with two basements, The Eton Residences Greenbelt features well-appointed one-bedroom, two-bedroom and three-bedroom loft units. With wide bedroom and living room windows, it offers a good view of the Makati skyline and Greenbelt Park for the upscale market. Its amenities include an adult and kids' swimming pools, a zen-inspired meditation garden, outdoor jacuzzi, function room, fitness center, and a children's playground. It is equipped with four high-speed elevators, an air conditioned main lobby, 100% standby emergency power and a guest annunciator for all units.

BELTON PLACE

Belton Place Makati answers the high demand for residential accommodation among executives who work in the BPO companies in the area and students from nearby universities. A self-contained residential condominium close to Ayala Avenue and Sen Gil Puyat Avenue, it offers competitively-priced studio and one-bedroom units. It has a function room, fitness center, swimming pools, meditation pockets and children's play area.

ETON EMERALD LOFTS
ORTIGAS

Located at the corners of F. Ortigas, Jr. and Garnet Avenues, Eton Emerald Lofts offers residents the conveniences of being right at the heart of the Ortigas business district, which offers a wide array of retail, dining, and entertainment options. It is close to major malls as well as key cities through the MRT. Eton Emerald Lofts also offers retail shops at the ground floor. Rising 36 storeys, it offers one bedroom and two bedroom lofts. Its sixth floor is an amenity deck with leisure facilities such as adult and children's swimming pools, an equipped fitness gym, a function room and children's playground.

8 ADRIATICO

Located in Manila's tourist and business district, 8 Adriatico is a 42-storey SOHO (Small office/Home office) and residential condominium that offers the conveniences of urban living. There are studio units for small office/home office use; and two-bedroom, one-bedroom, and studio units for residential use. Amenities include separate lobbies for residential and SOHO units, swimming pools, a fitness center, function room, and a landscaped garden.

North Belton COMMUNITIES

Located in northern Quezon City, North Belton Communities offers the advantages of city living in a suburban environment. The project is 10 minutes away from major commercial centers and is readily accessible through main thoroughfares such as EDSA, Quirino Highway, Mindanano Avenue, Tandang Sora, MRT Hub, and the North Luzon expressway via Mindanao Avenue. *Another development within North Belton Communities that is still undergoing construction is the West Wing Villas (please see full project description under Current Projects in page 31).*

The Manors AT NORTH BELTON COMMUNITIES

Within North Belton Communities is The Manors, a cluster of mid-rise residential condominiums covering 2.7 hectares just across SM Hypermarket. It features a clubhouse, swimming pool and basketball court, round-the-clock security, perimeter fence, a wide entrance road and a guarded entrance gate. The Manors offers a choice of studio, two-bedroom, and three-bedroom units.

WEST WING RESIDENCES

West Wing Residences is a 2.2 hectare residential subdivision within North Belton Communities. It offers competitively-priced two-bedroom and three-bedroom townhouses, and for larger families, three-bedroom and four-bedroom house and lots which offer more space to grow. Its lifestyle amenities include a clubhouse, swimming pool, multi-purpose court, basketball court and playground.

ETON CITY

Eton City, the company's flagship township project in Sta. Rosa, Laguna, is the first masterplanned waterfront development in the country. It is envisioned to be an integrated, mixed-use development that is home to various residential enclaves, lifestyle destinations and a dynamic business district. *Other developments within Eton City that are still undergoing construction or land development are West Wing Residences and TierraBela (please see full project description under Current Projects in page 31-32).*

South Lake Village AT ETON CITY

A high-end, first-of-its-kind island lot development, South Lake Village at Eton City is a 78-hectare residential enclave made up of distinct island lots surrounded by a 35-hectare man-made lake. It embodies Eton Properties' vision to create high-value developments that match the lifestyle needs of its target market.

RiverBend @ETON CITY

RiverBend at Eton City is a residential community with natural elements integrated into its modern Asian contemporary design. Features and amenities include a clubhouse, swimming pool, basketball court, 24-hour security, and a water reservoir. Conveniently located close to the Eton City Exit, this community sits right beside the future University of Sto. Tomas Sta. Rosa campus.

COMMERCIAL CENTERS AND OFFICE BUILDINGS

With the Philippine economy's continuous expansion, Eton Properties recognizes the growing demand for commercial centers and office buildings, especially among multinational firms in the business process outsourcing sector (BPO). With an eye to provide growth anchors around Metro Manila, Eton Properties has designed and developed mixed-use business enclaves in the country's emerging business centers, in particular, Quezon City and Ortigas Center. Strategically situated next to major thoroughfares and transportation hubs, each business enclave is accessible to workers, residents, and shoppers.

Eton's commercial developments are masterplanned to ensure optimum functionality and include retail and entertainment components in unique formats to create a fully integrated and self-sustaining community. Conforming to global standards, the office buildings are mostly designed for the specific needs of the business process outsourcing industry, which account for the majority of the tenants, but also optimally serve the needs of the business community in general. Each offers the amenities that allow tenants to be productive and efficient at their work, while providing a safe and secure environment that promotes growth and encourages work-life balance. Eton's BPO offices are granted special economic zone status by the Philippine Economic Zone Authority (PEZA).

ETON CENTRIS

Eton Centris, a 12-hectare mixed-use development in Quezon City, currently has four components: Centris Station, Centris Walk, Centris Elements, and Cyberpod Centris. Strategically located along EDSA corner Quezon Avenue, Eton Centris is recognized as the gateway to Quezon City's emerging Triangle Park Central Business District.

Located within Eton Centris, Eton Cyberpod Centris is one of Quezon City's largest BPO hubs. To date, it features four BPO office buildings - Cyberpod Centris One, Cyberpod Centris Two and the two-tower Cyberpod Centris Three, with a total gross leasable area of 96,232 square meters. The retail spaces within the four buildings, on the other hand, make up an additional gross leasable area of 4,162 square meters.

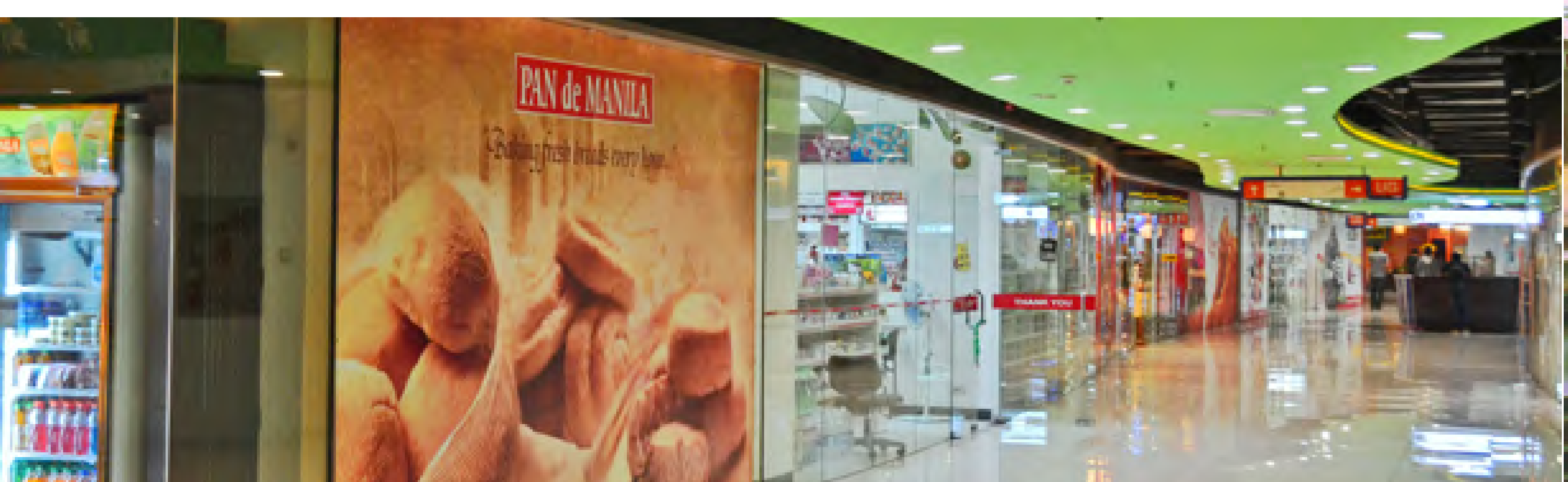
Centris Station is a one-stop-shop two-level commercial center. It has a direct link to the Quezon Avenue MRT Station and features a number of transport options reaching various destinations. It also hosts a wide array of restaurants and retail stores.

Centris Walk is an upscale lifestyle, dining and entertainment destination within Eton Centris. Its unique mix of dining choices is meant to excite foodies in the metro. Centris Walk also offers family-oriented activities and specialty shops.

Elements is a modern event venue that caters to social and corporate functions. The event space, covering approximately 2,000 sqm, offers two (2) air-conditioned halls, two (2) suites, ample parking space and landscaped gardens.

ETON
CYBERPOD
CORINTHIAN

Strategically situated within the Ortigas Central Business District, close to the intersection of EDSA and Ortigas Avenue, Eton Cyberpod Corinthian is a masterplanned development featuring three low-rise buildings in a self-sustained development. All three buildings provide a gross leasable area of 28,000 square meters with an additional 2,815 square meters dedicated to retail spaces.



CURRENT PROJECTS

68 Roces is a secure gated community of upscale luxury residences with important feng shui elements incorporated into the project design. Boasting of a superb location along Don Alejandro Roces Avenue in Quezon City, it is close to schools, hospitals, commercial and recreation centers. Its amenities include a 24-hour security (CCTV) system covering the whole development, an electric perimeter fence, clubhouse, function room, adult and kids' swimming pools, children's play area, green pathways, lush landscaping and an arcade commercial strip.

68 ROCES

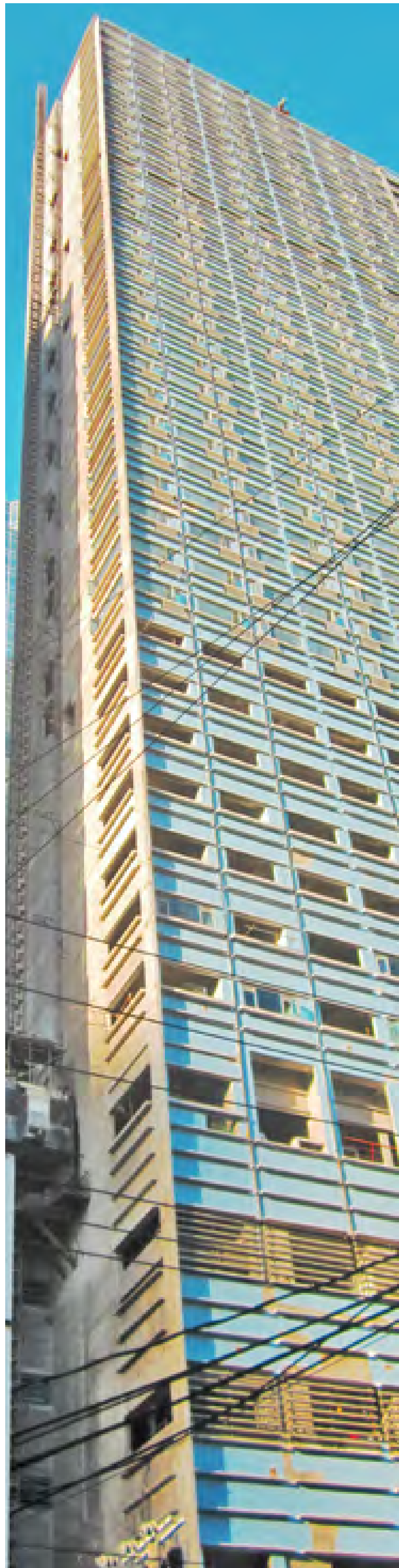
ETON TOWER MAKATI

Occupying the corner of De la Rosa and VA Rufino Streets in Legaspi Village Makati, the 41-storey Eton Tower Makati is located right at the corridors of business, and is designed to meet the needs of executives. It features executive residences, serviced apartments and SOHO units, and a mix of retail and food options at a 2-storey retail area at the ground floor. Amenities include three-storey tower gardens, swimming pools, jogging paths, a function room and a gym. It is the first high-rise residential condominium to have a direct connection to the Makati CBD's elevated walkways.

A unique serviced residence for businessmen for whom a strategic location and value-for-money are important, The Mini Suites at Eton Tower Makati does not scrimp on amenities that matter the most to its users. Located within the Makati financial district, it is close to all major business and commercial destinations and is easily accessible to all points of Metro Manila.

Stylishly designed to convey the vibe of Mini Suites in Causeway Bay, Hongkong, The Mini Suites has 368 rooms across 7 floors (6th-12th) of Eton Tower Makati, comprising 28 family rooms and 340 single / double rooms. To better serve its tenants, Mini Suites offers various amenities such as a gym, a meeting room; business center facilities; a restaurant; a medical clinic; free wifi in all rooms and public areas; non-smoking rooms and designated smoking areas; parking lots for guests; housekeeping services; and front desk assistance.

The mini M suites ETON TOWER MAKATI



WEST WING VILLAS

West Wing Villas is the 5.2 hectare prime phase of North Belton Communities. This cluster comes with a choice of three-bedroom to four-bedroom units, designed for bigger families. It offers different options: the single detached Madison unit covering 150 square meters of floor area; the Lincoln with 110 square meters; Washington covering 80 square meters; and Kennedy covering 70 square meters. All are designed and equipped to provide for the living needs of families. Amenities include a clubhouse, swimming pool and basketball court.

WEST WING RESIDENCES AT ETON CITY

West Wing Residences offers two-storey modern residential homes inspired by contemporary American architecture within a self-contained community within Eton City. The community offers lifestyle amenities such as a clubhouse, swimming pool, landscaped gardens, children's playground, barbeque areas and a multi-purpose court. Located near the future commercial district of Eton City, next to the Eton City interchange along SLEX, it is accessible to important destinations and shopping centers, schools, hospitals, golf courses, and the newest leisure spots in the South.

Village Walk @ ETON CITY

Village Walk at Eton City is an 11.5 hectare commercial strip that will be home to a varied mix of retail and dining establishments. It is envisioned to become a vibrant commercial hub offering diverse lifestyle choices for shoppers and foodies.

TierraBela ETON CITY

The latest addition to Eton City, TierraBela is an 8.7 hectare residential development decked with lifestyle amenities and lush greenery. It features lot areas starting at 200 square meters, and is designed to be an Italian-Mediterranean community. It is easily accessible from the emerging business district in the South, many recreational facilities and retail and leisure destinations.

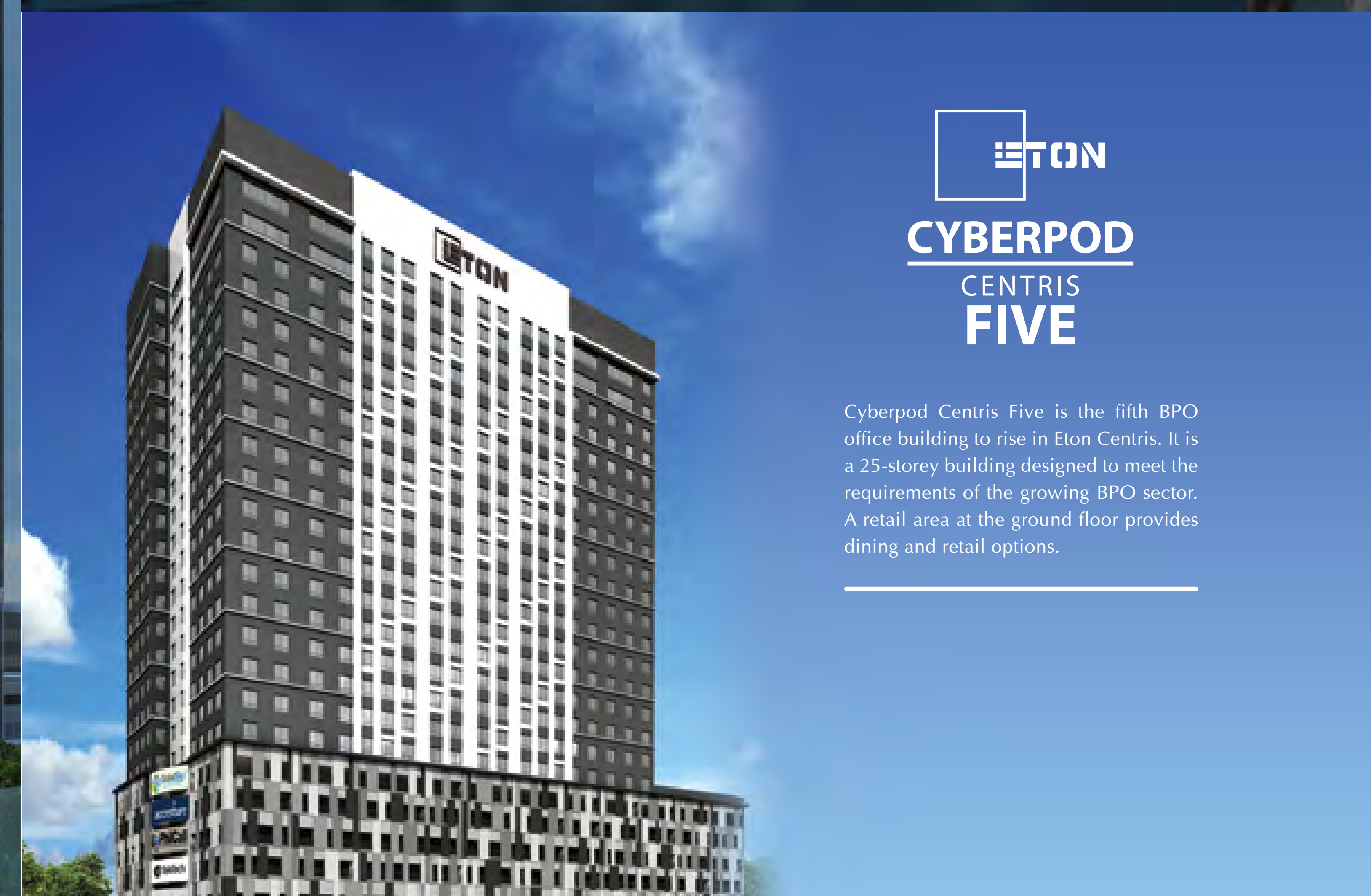
2015
LAUNCHES

ETON
WestEnd Square

Situated close to Ayala and Buendia Avenues, Eton WestEnd Square is a prime business, commercial and residential enclave in the West of Makati. Inspired by West End in London, it is a mixed-use complex that offers a good balance of business and lifestyle establishments. Envisioned to be the home of professionals and executives, it consists of a BPO building, a retail complex; and two residential towers, making it a self-sustaining, vibrant community.

Centris Walk

The new wing of Centris Walk will feature more retail and dining establishments, providing a wider selection of entertainment options for everyone.



ETON
CYBERPOD
CENTRIS
FIVE

Cyberpod Centris Five is the fifth BPO office building to rise in Eton Centris. It is a 25-storey building designed to meet the requirements of the growing BPO sector. A retail area at the ground floor provides dining and retail options.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Eton Properties Philippines, Inc. and its subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

DR. LUCIO C. TAN
Chairman

LUCIO K. TAN, JR.
President and CEO

WILFREDO Z. PINEDA
Chief Financial Officer

Signed this 16th day of March 2015

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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 Stockholders and the Board of Directors
Eton Properties Philippines, Inc.
8th Floor, Allied Bank Center
6754 Ayala Avenue, Makati City

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Eton Properties Philippines, Inc. and 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.

Josephine H. Estomo
Partner
CPA Certificate No. 46349
SEC Accreditation No. 0078-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 102-086-208
BIR Accreditation No. 08-001998-18-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751279, January 5, 2015, Makati City

March 16, 2015

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	**2013**
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 17)	**P1,959,365,647**	P785,780,848
Trade and other receivables (Notes 6 and 14)	**3,953,590,866**	1,268,881,876
Real estate inventories (Note 7)	**7,456,687,729**	5,863,733,874
Other current assets (Note 8)	**1,348,079,142**	1,570,942,035
Total Current Assets	**14,717,723,384**	9,489,338,633
Noncurrent Assets		
Receivables - net of current portion (Note 6)	**608,117,854**	2,237,215,389
Investment properties (Note 9)	**8,010,382,780**	7,896,402,543
Property and equipment (Note 10)	**28,082,975**	45,937,368
Deferred income tax assets - net (Note 24)	**73,926,008**	97,990,781
Other noncurrent assets (Note 11)	**255,392,095**	273,305,428
Total Noncurrent Assets	**8,975,901,712**	10,550,851,509
TOTAL ASSETS	**P23,693,625,096**	P20,040,190,142
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	**P2,524,872,424**	P3,839,374,732
Payables to related parties (Note 17)	**986,752,411**	848,948,461
Customers' deposits (Note 13)	**2,017,397,769**	2,849,146,696
Current portion of:		
Loans payable (Note 14)	**508,114,380**	1,009,914,973
Payables to landowners (Note 15)	**1,296,785,000**	–
Deposits and other current liabilities (Note 16)	**91,886,979**	54,856,499
Deposit for future stock subscription (Notes 17 and 25)	**5,500,000,000**	–
Total Current Liabilities	**12,925,808,963**	8,602,241,361
Noncurrent Liabilities		
Loans payable - net of current portion (Note 14)	**1,321,823,065**	1,943,559,902
Payables to landowners - net of current portion (Note 15)	**992,922,528**	1,296,785,000
Other noncurrent liabilities (Note 16)	**371,483,567**	239,785,831
Total Noncurrent Liabilities	**2,686,229,160**	3,480,130,733
Total Liabilities	**15,612,038,123**	12,082,372,094
Equity (Note 25)		
Capital stock - P1 par value	**2,905,348,700**	2,905,348,700
Additional paid-in capital	**3,500,000,000**	3,500,000,000
Accumulated remeasurements on retirement benefits (Note 23)	**17,886,450**	13,982,185
Retained earnings	**1,658,359,778**	1,538,495,118
Treasury shares	**(7,955)**	(7,955)
Total Equity	**8,081,586,973**	7,957,818,048
TOTAL LIABILITIES AND EQUITY	**P23,693,625,096**	P20,040,190,142

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2014	**2013**	**2012**
REVENUE			
Real estate sales	**P1,538,260,541**	P3,208,224,899	P2,288,951,599
Rental income (Notes 9, 16 and 27)	**740,339,594**	448,720,012	405,757,690
	2,278,600,135	3,656,944,911	2,694,709,289
COSTS AND EXPENSES			
Cost of real estate sales (Note 7)	**1,303,734,258**	2,489,829,829	1,692,201,965
Cost of rental income (Notes 9 and 10)	**280,707,826**	190,293,228	149,777,011
Selling expenses (Note 19)	**155,051,518**	365,764,277	308,560,403
General and administrative expenses (Note 20)	**425,564,790**	515,966,808	570,561,189
	2,165,058,392	3,561,854,142	2,721,100,568
OTHER INCOME (CHARGES)			
Interest income (Notes 6 and 18)	**42,037,214**	42,833,325	54,221,553
Finance charges (Notes 14 and 18)	**(49,316,716)**	(35,735,909)	(72,353,764)
Foreign exchange gains (losses) - net	**(1,153,946)**	3,852,792	12,358,405
Other income - net (Note 22)	**96,881,591**	159,607,900	141,786,750
	88,448,143	170,558,108	136,012,944
INCOME BEFORE INCOME TAX	**201,989,886**	265,648,877	109,621,665
PROVISION FOR INCOME TAX (Note 24)			
Current	**59,733,710**	51,594,854	132,900,200
Deferred	**22,391,516**	108,980,387	(65,547,000)
	82,125,226	160,575,241	67,353,200
NET INCOME	**P119,864,660**	P105,073,636	P42,268,465
BASIC/DILUTED EARNINGS PER SHARE (Note 26)	**P0.0413**	P0.0362	P0.0145

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	**2013**	**2012**
NET INCOME	**P119,864,660**	P105,073,636	P42,268,465
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains (losses) on defined benefits obligation (Note 23)	**5,577,522**	22,283,659	(560,552)
Income tax effect	**(1,673,257)**	(6,685,098)	168,166
	3,904,265	15,598,561	(392,386)
TOTAL COMPREHENSIVE INCOME	**P123,768,925**	P120,672,197	P41,876,079

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

	Capital Stock - P1 Par Value (Note 25)				Additional Paid-in Capital (Note 25)	Accumulated Remeasurements on Retirement Benefits, net of Deferred Income Tax Effect (Note 23)	Retained Earnings (Note 25)	Treasury Shares (Note 25)	Total
		Subscribed							
	Issued	Total	Receivable	Net					
BALANCES AS AT DECEMBER 31, 2011	P723,798,267	P2,181,550,433	(P573,657,671)	P1,607,892,762	P2,400,000,000	(P1,223,990)	P1,391,153,017	(P7,955)	P6,121,612,101
Net income for the year	–	–	–	–	–	–	42,268,465	–	42,268,465
Other comprehensive loss	–	–	–	–	–	(392,386)	–	–	(392,386)
Total comprehensive income	–	–	–	–	–	(392,386)	42,268,465	–	41,876,079
Issuance of shares of stock	2,181,550,433	(2,181,550,433)	–	(2,181,550,433)	–	–	–	–	–
Collection of subscription receivable	–	–	573,657,671	573,657,671	–	–	–	–	573,657,671
BALANCES AS AT DECEMBER 31, 2012	2,905,348,700	–	–	–	2,400,000,000	(1,616,376)	1,433,421,482	(7,955)	6,737,145,851
Net income for the year	–	–	–	–	–	–	105,073,636	–	105,073,636
Other comprehensive income	–	–	–	–	–	15,598,561	–	–	15,598,561
Total comprehensive income	–	–	–	–	–	15,598,561	105,073,636	–	120,672,197
Conversion of advances to additional paid-in capital	–	–	–	–	1,100,000,000	–	–	–	1,100,000,000
BALANCES AS AT DECEMBER 31, 2013	2,905,348,700	–	–	–	3,500,000,000	13,982,185	1,538,495,118	(7,955)	7,957,818,048
Net income for the year	–	–	–	–	–	–	119,864,660	–	119,864,660
Other comprehensive income	–	–	–	–	–	3,904,265	–	–	3,904,265
Total comprehensive income	–	–	–	–	–	3,904,265	119,864,660	–	123,768,925
BALANCES AS AT DECEMBER 31, 2014	P2,905,348,700	P–	P–	P–	P3,500,000,000	P17,886,450	P1,658,359,778	(P7,955)	P8,081,586,973

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**P201,989,886**	P265,648,877	P109,621,665
Adjustments for:			
Depreciation and amortization (Notes 9, 10, 11 and 20)	**181,457,877**	132,432,984	115,057,289
Loss (gain) on disposal of property and equipment	**1,981,481**	(36,689)	(79,670)
Interest income (Notes 6 and 18)	**(42,037,214)**	(42,833,325)	(54,221,553)
Interest expense (Notes 14 and 18)	**34,075,174**	33,633,315	63,680,156
Unrealized foreign exchange losses (gains)	**1,153,946**	(3,540,698)	4,910,812
Movements in retirement benefits liability (Notes 21 and 23)	**14,316,049**	19,070,970	12,865,068
Operating income before working capital changes	**392,937,199**	404,375,434	251,833,767
Decrease (increase) in:			
Trade and other receivables	**(1,054,165,320)**	(841,834,390)	1,260,730,305
Real estate inventories	**(600,031,327)**	515,095,446	(1,663,325,541)
Other assets	**246,361,987**	38,034,154	(424,104,520)
Increase (decrease) in:			
Trade and other payables	**(1,310,521,967)**	277,222,793	(309,985,141)
Payables to related parties	**137,803,950**	144,279,102	(459,385,258)
Customers' deposits	**(831,748,927)**	272,949,807	831,416,479
Deposits and other liabilities	**159,989,689**	150,824,471	(5,084,654)
Cash generated from (used in) operations	**(2,859,374,716)**	960,946,817	(517,904,563)
Interest received	**41,324,579**	42,833,325	54,221,553
Interest paid	**(34,004,570)**	(30,838,540)	(61,252,303)
Income taxes paid, including creditable withholding taxes	**(57,111,052)**	(128,478,033)	(209,538,039)
Net cash from (used in) operating activities	**(2,909,165,759)**	844,463,569	(734,473,352)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment properties (Notes 9 and 33)	**(253,046,019)**	(1,193,672,923)	(532,800,264)
Property and equipment (Notes 10 and 33)	**(16,397,166)**	(10,746,278)	(40,040,306)
Software (Note 11)	**(19,063,936)**	(1,143,879)	(2,718,728)
Proceeds from disposal of property and equipment (Note 9)	-	377,804	616,561
Net cash used in investing activities	**(288,507,121)**	(1,205,185,276)	(574,942,737)

(Forward)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans (Note 14)	**P500,000,000**	P2,487,325,000	P1,865,575,748
Payment of loans payable (Note 14)	**(1,627,588,375)**	(3,164,928,473)	(999,128,267)
Deposit for future stock subscription (Note 17)	**5,500,000,000**	–	–
Advances from parent company converted to equity (Notes 17 and 25)	–	1,100,000,000	–
Proceeds from collection of subscription receivable (Note 17)	–	–	573,657,672
Net cash from financing activities	**4,372,411,625**	422,396,527	1,440,105,153
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(1,153,946)**	3,540,698	(4,910,812)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,173,584,799**	65,215,518	125,778,252
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**785,780,848**	720,565,330	594,787,078
CASH AND CASH EQUIVALENTS AT END OF YEAR (Notes 5 and 33)	**P1,959,365,647**	P785,780,848	P720,565,330

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Authorization for Issue of the Consolidated Financial Statements

Corporate Information

Eton Properties Philippines, Inc. ("Eton" or "the Parent Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on April 2, 1971 under the name "Balabac Oil Exploration & Drilling Co., Inc." to engage in oil exploration and mineral development projects in the Philippines. On May 12, 1988, the SEC approved the Parent Company's registration and licensing as a listed company.

On August 19, 1996, the Parent Company's Articles of Incorporation (the Articles) was amended to: (a) change the Parent Company's primary purpose from oil exploration and mineral development to that of engaging in the business of a holding company; and (b) include real estate development and oil exploration as among its secondary purposes.

On February 21, 2007, the Parent Company's Board of Directors (BOD) adopted the following amendments:
(a) change the corporate name to Eton Properties Philippines, Inc.; (b) change the primary purpose to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, residential, including, but not limited to, all kinds of housing projects, commercial, industrial, urban or other kinds of real property, improved or unimproved; to acquire, purchase, hold, manage, develop and sell subdivision lots; to erect, construct, alter, manage, operate, lease buildings and tenements; and to engage or act as real estate broker; (c) increase the number of directors from 11 to 15; and, (d) change of financial year-end from April 30 to December 31.

The above amendments were adopted by the Parent Company's shareholders on April 19, 2007 and approved by the SEC on June 8, 2007.

On October 6, 2009, the Parent Company's BOD approved the acquisition of an approximately 12-hectare property, with an appraised value of P3,953.2 million, owned by Paramount Landequities, Inc. (Paramount), where the Eton Centris projects are situated in exchange for the issuance of 1.6 billion shares to Paramount at P2.5 per share. On October 22, 2009, the Parent Company and Paramount executed a Deed of Conveyance pertaining to the asset-for-share swap (see Note 17). As approved by SEC in July 2011, the property was recognized by the Parent Company at the value of P4.0 billion (see Notes 7, 9 and 17).

Prior to restructuring in 2012, Paramount and Saturn Holdings, Inc. (Saturn) have ownership interest of 55.07% and 42.39%, respectively, in Eton.

On September 17, 2012, LT Group, Inc. (LTG)'s BOD approved the assumption by LTG of certain liabilities of Paramount from Step Dragon Co. Ltd. and Billinge Investments Ltd., British Virgin Island (BVI)-based companies, and Saturn from Penick Group Ltd., also a BVI-based company, amounting to P1,350.8 million and P521.3 million, respectively. LTG is a publicly listed company incorporated and domiciled in the Philippines.

On September 25 and September 26, 2012, LTG subscribed to 1,350,819,487 common shares of Paramount and 490,000,000 common shares of Saturn, respectively, with a par value of P1.00 per share and will be issued to LTG from the increase in Paramount's and Saturn's authorized capital stock. LTG paid for the subscription in full by way of conversion into equity of LTG's advances to Paramount and Saturn amounting to P1,350.8 million and P490.0 million, respectively. On the same dates, Paramount and Saturn filed its application for increase in authorized capital with the Philippine SEC in order to accommodate LTG's investment.

Upon SEC's approval on October 10, 2012, Paramount and Saturn became subsidiaries of LTG with 98.18% and 98.99% ownership interests, respectively, thus, giving LTG a 98.00% effective ownership in Eton.

On October 30, 2012, LTG entered into deeds of sale of shares with the Controlling Shareholders of Paramount and Saturn for the remaining issued and outstanding shares of the said companies. Thus, Paramount and Saturn became wholly owned subsidiaries of LTG.

On October 22, 2012, the Parent Company's BOD approved to voluntarily delist the Parent Company from the Philippine Stock Exchange (PSE) in light of the Parent Company's inability to comply with the minimum public ownership requirement of PSE within the allowed grace period. On December 8, 2012, Paramount made a tender offer to buy back shares of the Parent Company traded in the PSE resulting in the increase in its ownership interest from 55.07% to 56.86%, thus, increasing LTG's effective ownership interest in Eton to 99.30%. The delisting of the Parent Company became effective on January 2, 2013.

As of December 31, 2014 and 2013, Eton is 56.86%-owned by Paramount. Eton's ultimate parent company is Tangent Holdings Corporation, a company incorporated and domiciled in the Philippines.

The Parent Company's registered business address is 8th Floor, Allied Bank Center, 6754 Ayala Avenue, Makati City.

Below are the Parent Company's ownership interests in its subsidiaries:

Subsidiaries	Percentage of Ownership
Belton Communities, Inc. (BCI)	100%
Eton City, Inc. (ECI)	100%
FirstHomes, Inc. (FHI)	100%
Eton Properties Management Corporation (EPMC)	100%

BCI was incorporated and registered with the SEC on November 5, 2007. On February 18, 2008, the BOD of BCI approved the increase of BCI's capital stock from 20,000 common shares to 100,000,000 shares at P1.0 par value per share and the subscription of the Parent Company to 24,995,000 shares, which, in addition to the 5,000 common shares originally subscribed, would equal to 25% of the authorized capital stock; In 2014, 75% of BCI's capital stock has been subscribed by the Parent Company. 75% of BCI's capital stock still is unsubscribed.

On October 15, 2014, the BOD of BCI approved the increase of its authorized capital stock from P20,000 divided into 20,000 common shares with a par value of P1.0 per share to P800,000,000 divided into 800,000,000 common shares with a par value of P1.0 per share. On December 23, 2014, BCI filed an application with the SEC to increase its authorized capital stock which was subsequently approved by the SEC on January 7, 2015.

ECI was incorporated and registered with the SEC on October 8, 2008. On October 15, 2014, the BOD of ECI approved the increase of its authorized capital stock from P100,000,000 divided into 100,000,000 common shares with a par value of P1.0 per share to P1,000,000,000 divided into 1,000,000,000 common shares with a par value of P1.0 per share. On December 23, 2014, ECI filed an application with the SEC to increase its authorized capital stock which was subsequently approved by the SEC on January 6, 2015.

On October 15, 2010, FHI was incorporated and registered with the Philippine SEC as a wholly owned subsidiary of the Parent Company with a total subscribed capital stock of P1.3 million.

EPMC was incorporated and registered with the SEC on September 29, 2011 to manage, operate, lease, in whole or in part, real estate of all kinds, including buildings, house, apartments and other structures. EPMC has not yet started its operations as of December 31, 2014.

All subsidiaries, except for EPMC, are engaged in real estate development. All subsidiaries' registered business address is 8th Floor, Allied Bank Center, 6754 Ayala Avenue, Makati City, Metro Manila.

Authorization for Issue of the Consolidated Financial Statements
The consolidated financial statements of Eton Properties Philippines, Inc. and its Subsidiaries (the Group) as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 were authorized for issuance by the BOD on March 16, 2015.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation and Statement of Compliance
The consolidated financial statements have been prepared under the historical cost basis and are presented in Philippine peso (Peso), which is the Parent Company's functional and presentation currency. All values are rounded to the nearest Peso, except when otherwise indicated.

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014. The financial statements of the subsidiaries are prepared for the same financial reporting year as the Parent Company, using consistent accounting policies.

A subsidiary is an entity over which the Parent Company has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and,
- The Group's voting rights and potential voting rights.

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

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but are considered as an impairment indicator of the assets transferred.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new standards and amendments to existing standards and Philippine interpretations effective beginning January 1, 2014. The nature and impact of each new standard and amendment is 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*), 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, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*, 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 amendment has no impact in the Group's financial position or performance as the Group has no offsetting arrangements.

- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*, provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. The amendment has no impact to the Group's financial position or performance as it has no derivative transactions.

- Amendments to PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial Assets,* 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 amendments affect disclosures only and will have no impact on the Group's financial position or performance.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*, clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. The interpretation has no impact in the Group's consolidated financial statements as the entities in the Group 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 PFRS (2010 to 2012 cycle)

In the 2010 to 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 material impact to the Group.

Annual Improvements to PFRS (2011 to 2013 cycle)

In the 2011 to 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*, is effective immediately. This amendment has no impact to the Group as it is not a first time PFRS adopter.

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

The Group will adopt the standards, amendments and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new changes in PFRS to have a significant impact on the consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

Standards issued but not yet effective

- PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version), reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. 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 have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Philippine Board of Accountancy (BOA). The Group will not opt to early adopt the standard.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting

Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by the BOA.

Effective in 2015

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*, require 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.

Annual Improvements to PFRS (2010 to 2012 cycle)
The 2010 to 2012 annual improvements cycles contain non-urgent but necessary amendments to the following standards. These are effective for annual periods beginning on or after January 1, 2015.

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*, 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.

  This amendment does not apply to the Group as it does not have share-based-payment compensation.

- Amendment to PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, 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 (or PFRS 9, if early adopted). The Group shall consider this amendment for future business combinations.

- Amendments to PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*, are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

  The amendments affect disclosures only and will have no impact on the Group's financial position or performance.

- Amendment to PAS 16, *Property, Plant and Equipment: Revaluation Method - Proportionate Restatement of Accumulated Depreciation*, and *PAS 38, Intangible Assets: Revaluation Method - Proportionate Restatement of Accumulated Amortization*, is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment will have no impact on the Group's financial position or performance.

- Amendment to PAS 24, *Related Party Disclosures - Key Management Personnel*, 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. These amendments affect disclosures only and will have no impact on the Group's financial position or performance.

Annual Improvements to PFRS (2011 to 2013 cycle)
The following *Annual Improvements* to PFRS (2011 to 2013 cycle) contain non-urgent but necessary amendments to the following standards. These are effective for annual periods beginning on or after January 1, 2015. Except as otherwise stated, the Group does not expect these amendments to have a significant impact on the financial statements.

- Amendment to PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*, 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.

- Amendment to PFRS 13, *Fair Value Measurement - Portfolio Exception*, 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.

- Amendment to PAS 40, *Investment Property*, 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 in 2016

- Amendments to PAS 16, *Property, Plant and Equipment,* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*, 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.

- Amendments to PAS 16, *Property, Plant and Equipment,* and PAS 41, *Agriculture - Bearer Plants*, 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, A*ccounting for Government Grants and Disclosure of Government Assistance*, will apply. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements,* 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. These amendments will not have any impact on the Group's consolidated financial statements.

- Amendments to 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,* address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 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 will not have any impact on the Group's consolidated financial statements.

- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*, 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*, is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Since the Group is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRS (2012 to 2014 cycle)
The Annual Improvements to PFRS (2012 to 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:

- Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*, 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.

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

- Amendment to PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*, 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.

- Amendment to PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*, 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.

- Amendment to PAS 34, *Interim Financial Reporting - Disclosure of Information "Elsewhere in the Interim Financial Report",* 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 in 2018

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

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

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

- PFRS 9, *Financial Instruments* (2014 or final version), 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. Retrospective application is required, but comparative information is not compulsory.

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

The following new standard and amendments to existing standards issued by the IASB have not yet been adopted by the FRSC as of December 31, 2014.

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

- Amendments to International Accounting Standards (IAS) 1, *Presentation of Financial Statements,* were issued in December 2014 by the IASB. The amendments include narrow-focus improvements in five areas; namely, materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. The amendments are effective on or after January 1, 2016.

- Amendments to IFRS 10, *Consolidated Financial Statements*, IFRS 12, *Disclosure of Interests in Other Entities*, and IAS 28, *Investments in Associates and Joint Ventures*. In December 2014, the IASB issued *Investment Entities: Applying the Consolidation Exception* (amendments to IFRS 10, IFRS 12 and IAS 28). The amendments address certain issues that have arisen in applying the investment entities exception under IFRS 10.

The Company is currently assessing the impact of IFRS 15 and the amendments to IFRS 10, 12, IAS 1, 28 and plans to adopt the new and amended standards on their required effective dates once adopted locally.

Summary of Significant Accounting Policies

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

Current versus Non-Current Classification

The Group presents assets and liabilities in the balance sheet based on current/non-current classification. An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading

- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value and are acquired three months or less before their maturity.

Financial Instruments

Date of recognition

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

Initial recognition and classification of financial instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments includes transaction cost, except for those designated at fair value through profit or loss (FVPL).

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

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

As of December 31, 2014 and 2013, the Group's financial assets and financial liabilities consist of loans and receivables, and other financial liabilities.

"Day 1" difference

Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in 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 consolidated statement of income, unless it qualifies for recognition as some other type of assets. In cases where the data to be used is not observable, the difference between the transaction price and model value is only recognized in consolidated statements of income 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. These financial assets are included in current assets if maturity is within 12 months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

As of December 31, 2014 and 2013, the Group's loans and receivables include cash and cash equivalents, trade and other receivables, deposits in escrow and refundable deposits.

Other financial liabilities

Other financial liabilities are initially recorded at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

As of December 31, 2014 and 2013, the Group's other financial liabilities include trade and other payables (except those non-contractual liabilities and liabilities to government agencies), payables to related parties, loans payable, payables to landowners, security deposits and advance rentals.

Impairment of Financial Assets

The Group assesses at each financial 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 have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or a group of contracted parties are/is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss is recognized in the consolidated statement of income.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is 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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

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 the consolidated statement of income.

Real Estate Inventories

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

Cost includes:

- land cost;
- amounts paid to contractors for construction; and
- borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

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

Advances to Contractors

Advances to contractors pertain to advance payments made to contractors at the start of each contract packages. These are diminished every progress billing payment based on the percentage of accomplishment of each contract package.

Value-added Tax (VAT)

VAT is equal to 12% of the purchase or selling price of the VATable goods and services. VAT imposed on purchases is called input VAT while VAT imposed on sales is called output VAT. Input VAT and output VAT are presented at net in the consolidated statement of financial position. Revenues, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of the asset or as part of the expense item, as applicable. VAT on the purchase of assets classified as capital assets exceeding a certain threshold as provided by the taxing authority is recognized as deferred input VAT and is amortized within the life of the asset of five years, whichever is shorter.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Other current assets", "Other noncurrent assets", or "Trade and other payables" accounts in the consolidated statement of financial position.

Investment Properties

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and are not occupied by the Group.

Investment properties, except for land, are carried at cost less accumulated depreciation and any impairment in value. Land is carried at acquisition cost less any impairment in value. The cost of an investment property, except for land, includes its construction costs and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs. Additions, betterments and major replacements are capitalized while minor repairs and maintenance are charged to expense as incurred.

Construction in progress is stated at cost less any impairment in value. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant asset is completed or put into operational use.

Depreciation of investment properties commences once these are available for use and is computed on a straight-line basis over the estimated useful lives of the investment properties as follows:

	Years
Buildings	25 to 40
Residential unit	5

Depreciation of investment properties ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The useful lives and depreciation method are reviewed annually based on expected asset utilization to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from the investment properties.

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

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Investment property is derecognized when either it has been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The cost of property and equipment is comprised of construction cost, including borrowing costs, or purchase price plus any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Construction in progress is stated at cost less any impairment in value. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization of property and equipment commences once the property and equipment is available for use and is computed on a straight-line basis over their estimated useful lives as follows:

	Years
Transportation equipment	5
Furniture, fixtures and equipment	3 to 5
Leasehold improvements	5 or term of the lease, whichever is shorter

Depreciation and amortization ceases at the earlier of the date that the item is classified as held for sale or included in a disposal group that is classified as held for sale in accordance with PFRS 5 and the date the asset is derecognized.

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

When a property and equipment is retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from consolidated statement of financial position and any resulting gain or loss is recognized in consolidated statement of income.

Software

Software, which is included under "Other noncurrent assets" in the consolidated statement of financial position, is measured at cost on initial recognition. Subsequently, software is carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method over the software's estimated useful life of five years.

Impairment of Noncurrent Nonfinancial Assets

The Group assesses at each financial reporting date whether there is an indication that its noncurrent nonfinancial assets, which include investment properties, property and equipment, and software, 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 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 assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in consolidated statement of income.

An assessment is made at each financial reporting date as to whether there is an 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 depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in consolidated statement of income. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Customers' Deposits including Excess of Collections over Recognized Receivables
Customers' deposits represent payments from buyers which will be applied against the related contracts receivables. This account also includes the excess of collections over the recognized contracts receivables, which is determined based on the revenue recognition policy of the Group.

Security Deposits
Security deposits, included in the "Other current liabilities" and "Other noncurrent liabilities" in the consolidated statement of financial position, are measured initially at fair value and are subsequently measured at amortized cost using the effective interest method.

The difference between the cash received and the fair value of the amount to be refunded to tenants is deferred, included in the "Deferred credits" account in the consolidated statements of financial position, and amortized using the straight-line method under the "Rental income" account in the consolidated statement of income.

Deposit for Future Stock Subscription
Deposit for future stock subscription represents the amount received which will be applied as payment in exchange for a fixed number of the Group's own equity instruments. It is classified as an equity item if there is sufficient unissued authorized capital stock, or if in case the unissued authorized capital stock is insufficient to cover the amount of deposit, (1) the BOD and stockholders have approved a proposed increase in authorized capital stock for which a deposit was received, and (2) the proposed increase was filed with the SEC; otherwise, the deposit is classified as a liability.

Capital Stock and Additional Paid-In Capital
Capital stock is measured at par value for all shares subscribed and/or issued. Subscribed capital stock is the portion of the authorized capital stock that has been subscribed but not yet fully paid and therefore still unissued. The subscribed capital stock is reported net of the subscription receivable.

When the shares are subscribed or sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the liability settled or fair value of the shares issued or, whichever is more reliably determinable. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against the retained earnings.

Treasury Shares
Treasury shares are carried at cost and are presented as deduction from equity. No gain or loss is recognized in consolidated statement of income on the purchase, sale, reissuance or cancellation of treasury shares. Any difference between the carrying amount and the consideration on the reissuance of treasury shares is recognized as additional paid-in capital.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend distributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit". A deficit is not an asset but a deduction from equity.

Unappropriated retained earnings represent that portion which can be declared as dividends to stockholders. Appropriated retained earnings represent that portion which has been restricted, and therefore, not available for dividend declaration.

Revenue and Cost 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 measured reliably. 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 a principal in all of its revenue arrangements.

Real estate sales
The percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold. The Group starts recognizing income under percentage-of-completion when the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

When a sale of real estate does not meet the requirements for income recognition, the sale is accounted for under the deposit method. Under this method, revenue is not recognized and the receivable from the buyer is not recorded. The real estate inventory continues to be reported in the Group's consolidated statement of financial position as part of real estate inventories and the deposit as part of "Customers' deposits" account.

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

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

Rental income
Rental income under noncancellable leases of investment properties is recognized in consolidated statement of income on a straight-line basis over the lease term, while rental income under cancellable leases is recognized based on the terms of the lease contract or based on a certain percentage of the gross revenue of the tenants, as applicable.

Charges and expenses recoverable from tenants
Income arising from expenses recharged to tenants recorded as "Rental dues" in "Other income" account is recognized in the period in which the compensation becomes receivable.

Cost of rental income
Cost of rental income is recognized in relation to the leasing activities of the Group. This includes general administrative and selling expenses allocated to the leasing activities, rental expense on the property leased to tenants and depreciation of the investment properties.

Interest income
Interest income is recognized as it accrues.

Loss on sales cancellations
Realized revenue related to cancelled sales contracts are recognized as other losses net of forfeited deposits.

Expense Recognition
Expenses are recognized when there is a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Operating expenses, which consist of selling, and general and administrative expenses are recognized when incurred.

Commissions
Commission paid to sales marketing agents on the sale of real estate units are nonrefundable and are expensed when paid.

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of development costs (included in "Real estate inventories" or "Investment properties" accounts in the consolidated statement of financial position). Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Capitalized borrowing cost is based on applicable weighted average borrowing rate for those coming from general borrowings and the actual borrowing costs eligible for capitalization for funds borrowed specifically.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

Basic/Diluted Earnings Per Share
Basic earnings per share is computed by dividing net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, after giving retroactive effect to any stock dividends or stock splits, if any, declared during the year.

Diluted earnings per share is computed in the same manner, with the net income for the year attributable to equity holders of the Parent Company and the weighted average number of common shares outstanding during the year, adjusted for the effect of all dilutive potential common shares.

Retirement Benefits 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:

a) Service cost; and
b) Net interest on the net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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 consolidated statement of income.

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 consolidated statement of income in subsequent periods.

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 reimbursements is virtually certain.

Income Taxes
Current income tax
Current income 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 are enacted or substantively enacted at the financial reporting date.

Deferred income tax
Deferred income tax is determined at the financial reporting date using the balance sheet liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) [excess MCIT] and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences, excess MCIT and unused NOLCO can be utilized before their expiration.

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

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the financial reporting date. Movements in the deferred tax assets and liabilities arising from changes in tax rates are charged or credited to the income for the period.

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Other Comprehensive Income

Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRS.

Foreign Currency-Denominated Transactions and Translations

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the exchange rate at the financial reporting date. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss shall be recognized in the consolidated statement of comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in consolidated statement of income, any exchange component of that gain or loss shall be recognized in consolidated statement of income.

Leases

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

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

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

The Group as lessor

Leases where the Group does not transfer substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments for noncancellable lease are recognized in consolidated statement of income on a straight-line basis over the lease term. Any difference between the calculated rental income and amount actually received or to be received is recognized as deferred rent in the consolidated statement of financial position. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Variable rent is recognized as income based on the terms of the lease contract.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized under "Other income" account in the consolidated statement of income.

The Group as lessee

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

Provisions and Contingencies

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

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

Events After the Financial Reporting Date

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

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements requires the Group to exercise judgments, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the consolidated financial statements as they become reasonably determinable.

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

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the parent company financial statements: Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effect of any change in accounting estimates are reflected in the financial statements as they become reasonably determinable.

Revenue recognition
Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others, the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and stage of completion of the project. Based on the judgment of the Group, the percentage-of-completion method is appropriate in recognizing revenue on real estate sale transactions in 2014, 2013 and 2012.

Classification of financial instruments
The Group classifies a financial instrument or its component on initial recognition and re-evaluates this designation at every financial reporting date as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position (see Note 28).

Operating lease commitments - the Group as lessor
The Group has entered into commercial property leases of its investment properties. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out on operating leases. Rental income amounted to P740.3 million, P448.7 million and P405.8 million in 2014, 2013 and 2012, respectively (see Note 27).

Operating lease commitments - the Group as lessee
Currently, the Group has land lease agreements with several non-related parties and office lease agreement with a related party. The Group has determined that all significant risks and rewards of ownership of these properties are retained by the lessors. Thus, the Group considers these lease agreements as operating leases. Rental expense included under "Outside services" amounted to P11.1 million in 2014 and 2013, and P11.0 million in 2012. (see Notes 20 and 27). Additional rental expense was recognized in 2014, 2013 and 2012 amounting to P39.3 million included under "Cost of rental income" related to the lease of a parcel of land where one of the Parent Company's projects is located.

In determining whether a lease contract is cancellable or not, either acting as a lessor or a lessee, the Group considered, among others, the probability of the cancellation and the significance of the penalty, including economic consequences, to the Group.

Classification of properties
The Group determines whether a property is classified as investment property or real estate inventory as follows:

- Investment property comprises land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation.

- Real estate inventory comprises of property that is held for sale in the ordinary course of business. Principally, this is a residential property that the Group develops and intends to sell before or on completion of construction.

The carrying values of the Group's investment properties and real estate inventories amounted to P8,010.4 million and P7,456.7 million as of December 31, 2014 and P7,896.4 million and P5,863.7 million as of December 31, 2013, respectively (see Notes 7 and 9).

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

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

The carrying values of the Group's investment properties and property and equipment amounted to P8,010.4 million and P28.1 million as of December 31, 2014 and P7,896.4 million and P45.9 million as of December 31, 2013, respectively (see Notes 9 and 10).

Accounting Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Revenue and cost recognition
The Group's revenue and cost recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue and cost of real estate sales is recognized based on the percentage-of-completion which is measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Real estate sales and cost of real estate sales amounted to P1,538.3 million and P1,303.7 million in 2014, P3,208.2 million and P2,489.8 million in 2013 and P2,289.0 million and P1,692.2 million in 2012, respectively.

Estimation of allowance for loans and receivables
The Group maintains allowance for impairment losses at a level based on the results of the specific and collective assessments under PAS 39. Under the specific assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Group to stratify its receivables based on the credit risk characteristics of the customers. Impairment loss is then determined based on historical loss experience of the receivables stratified per credit risk profile.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology, and assumptions used for the individual and collective assessments are based on management's judgments and estimates. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

As of December 31, 2014 and 2013, the Group did not recognize any allowance for impairment on its loans and receivables (see Note 28).

Measurement of net realizable value of real estate inventories
The Group adjusts the cost of its real estate inventories to net realizable value (NRV) based on its assessment of the recoverability of cost of the inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

As of December 31, 2014 and 2013, real estate inventories, which are carried at cost, amounted to P7,456.7 million and P5,863.7 million, respectively (see Note 7).

Estimation of useful lives of investment properties, and property and equipment excluding land and construction in progress, and software
The Group estimates the useful lives of its investment properties, property and equipment, and software based on the period over which the assets are expected to be available for use. The estimated useful lives of the investment properties, property and equipment and software are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives of investment properties, property and equipment and software would increase depreciation and amortization expense and decrease noncurrent assets.

The carrying values of the Group's investment properties (excluding land and construction in progress), property and equipment (excluding construction in progress) and software amounted to P4,658.0 million, P28.1 million and P18.9 million, respectively, as of December 31, 2014 and P3,352.2 million, P45.9 million and P10.6 million, respectively, as of December 31, 2013 (see Notes 9, 10 and 11).

Assessment of impairment of noncurrent nonfinancial assets and estimation of recoverable amount
The Group evaluates its nonfinancial assets for any impairment in value. This includes considering certain indications of impairment such as 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 and significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the asset's fair value less costs to sell and value-in-use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

The Group did not identify any indications of impairment, thus, it believes that the carrying amounts of its noncurrent nonfinancial assets approximate their recoverable amounts as of December 31, 2014 and 2013.

Estimation of retirement benefits costs and liability
The determination of the Group's retirement benefit costs and obligation is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 23 and include among others, discount rate and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions will materially affect retirement benefits obligations.

As of December 31, 2014 and 2013, retirement benefits liability amounted to P38.4 million and P29.7 million, respectively. Retirement benefits cost amounted to P14.3 million, P19.1 million, and P12.9 million in 2014, 2013 and 2012, respectively (see Note 23).

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at each financial reporting date and makes adjustments to it to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Group will generate sufficient future taxable profits to allow all or part of the deferred income tax assets to be utilized. The Group looks at its projected financial performance in assessing the sufficiency of future taxable income.

As of December 31, 2014 and 2013, the Group recognized deferred income tax assets amounting to P145.4 million and P169.3 million, respectively (see Note 24).

Determination of fair value of financial instruments
Where the fair values of financial assets and liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets information if possible, but where this is not feasible; estimates are used in establishing fair values (see Note 28).

Provisions and contingencies
The Group is currently involved in legal proceedings. The Group currently does not believe these proceedings will have a material adverse effect on the consolidated financial statements. It is possible; however, that future financial performance could be materially affected by effectiveness of the strategies relating to these proceedings.

4. Segment Information

Operating segments are components of the Group: (a) that engage in business activities from which the Group may earn revenues and incur losses and expenses (including revenues and expenses relating to transactions with other components of the Group); (b) whose operating results are regularly reviewed by the Group's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available. The Group's CODM is the Parent Company's BOD. The Parent Company's BOD regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance. Segment revenues and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenues and segment expenses are consistent with those in the consolidated statements of income. Financing costs (including interest expense) and income taxes are managed on a per company basis and are not allocated to operating segments.

Further, the measurement of the segment assets are the same as those described in the summary of significant accounting and financial reporting policies.

The Group has only one geographical segment as all of its assets are located in the Philippines. The Group operates and derives all of its revenue from domestic operations. Thus, geographical business information is not required.

Revenue is recognized to the extent that it is probable that those economic benefits will flow to the Group and that the revenue can be reliably measured. The Group does not have revenue from transaction with a single external customer, which amount to 10% or more of the Group's revenues.

Segment expenses are those directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses such as direct costs and expenses and general and administrative expenses.

The business segments where the Group operates follow:

- Residential developments - sale of residential lots and condominium units; and,
- Leasing activities - development of Business Process Outsourcing (BPO) buildings and commercial spaces for lease.

Considering the nature of the business segments, there were no intersegment revenues generated for all years.

2014

	Residential Developments	Leasing Activities	Unallocated Corporate Balance	Consolidated
Revenue from external customers	P1,538,260,541	P740,339,594	P–	P2,278,600,135
Direct costs	(1,303,734,258)	(280,707,826)	–	(1,584,442,084)
Operating profit	234,526,283	459,631,768	–	694,158,051
Interest income	37,500,147	–	4,537,067	42,037,214
Other income (charges)	(64,756,337)	152,690,348	7,793,634	95,727,645
Finance charges	–	–	(49,316,716)	(49,316,716)
Selling, general and administrative expenses	(137,023,098)	–	(443,593,210)	(580,616,308)
Provision for income tax	–	–	(82,125,226)	(82,125,226)
Net income	P70,246,995	P612,322,116	(P562,704,451)	P119,864,660
Other information				
Segment assets	P12,901,196,446	P8,349,265,218	P2,369,237,424	P23,619,699,088
Deferred income tax assets - net	–	–	73,926,008	73,926,008
Total segment assets	P12,901,196,446	P8,349,265,218	P2,443,163,432	P23,693,625,096
Segment liabilities	P5,114,691,771	P395,016,546	P10,102,329,806	P15,612,038,123
Segment additions to property and equipment, investment properties and software	P35,461,102	P253,046,019	P–	P288,507,121
Depreciation and amortization	P35,777,503	P145,680,374	P–	P181,457,877

2013

	Residential Developments	Leasing Activities	Unallocated Corporate Balance	Consolidated
Revenue from external customers	P3,208,224,899	P448,720,012	P–	P3,656,944,911
Direct costs	(2,489,829,829)	(190,293,228)	–	(2,680,123,057)
Operating profit	718,395,070	258,426,784	–	976,821,854
Interest income	39,384,723	–	3,448,602	42,833,325
Other income (charges)	–	132,890,850	30,569,842	163,460,692
Finance charges	–	–	(35,735,909)	(35,735,909)
Selling, general and administrative expenses	–	–	(881,731,085)	(881,731,085)
Provision for income tax	–	–	(160,575,241)	(160,575,241)
Net income	P757,779,793	P391,317,634	(P1,044,023,791)	P105,073,636

(Forward)

2013

	Residential Developments	Leasing Activities	Unallocated Corporate Balance	Consolidated
Other information				
Segment assets	P10,585,925,128	P8,130,589,436	P1,225,684,797	P19,942,199,361
Deferred income tax assets - net	–	–	97,990,781	97,990,781
Total segment assets	P10,585,925,128	P8,130,589,436	P1,323,675,578	P20,040,190,142
Segment liabilities	P4,702,241,939	P620,784,929	P6,759,345,226	P12,082,372,094
Segment additions to property and equipment, and investment properties	P11,890,157	P1,450,952,923	P–	P1,462,843,080
Depreciation and amortization	P38,209,737	P94,223,247	P–	P132,432,984

2012

	Residential Developments	Leasing Activities	Unallocated Corporate Balance	Consolidated
Revenue from external customers	P2,288,951,599	P405,757,690	P–	P2,694,709,289
Direct costs	(1,692,201,965)	(149,777,011)	–	(1,841,978,976)
Operating profit	596,749,634	255,980,679	–	852,730,313
Interest income	50,331,313	–	3,890,240	54,221,553
Other income (charges)	–	77,659,015	76,486,140	154,145,155
Finance charges	–	–	(72,353,764)	(72,353,764)
Selling, general and administrative expenses	–	–	(879,121,592)	(879,121,592)
Provision for income tax	–	–	(67,353,200)	(67,353,200)
Net income	P647,080,947	P333,639,694	(P938,452,176)	P42,268,465
Other information				
Segment assets	P9,942,408,475	P6,666,194,762	P1,386,003,656	P17,994,606,893
Deferred income tax assets - net	–	–	213,656,266	213,656,266
Total segment assets	P9,942,408,475	P6,666,194,762	P1,599,659,922	P18,208,263,159
Segment liabilities	P2,407,139,805	P114,569,746	P8,949,407,757	P11,471,117,308
Segment additions to property and equipment, and investment properties	P42,759,034	P532,800,264	P–	P575,559,298
Depreciation and amortization	P36,505,250	P78,552,039	P–	P115,057,289

5. Cash and Cash Equivalents

	2014	2013
Cash on hand and in banks	**P593,158,039**	P523,448,271
Cash equivalents	**1,366,207,608**	262,332,577
	P1,959,365,647	P785,780,848

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term investment rates ranging from 0.13% to 1.5% in 2014 and 0.25% to 2.15% in 2013, respectively (see Note 18).

6. Trade and Other Receivables

	2014	2013
Contracts receivables	**P3,566,569,797**	P2,946,845,731
Lease receivables (Note 27)	**190,467,377**	49,858,177
Receivables from tenants	**56,481,004**	26,911,305
Others	**748,190,542**	482,482,052
	4,561,708,720	3,506,097,265
Less noncurrent portion of contracts receivables	**(608,117,854)**	(2,237,215,389)
	P3,953,590,866	P1,268,881,876

a. Contracts receivables consist of revenues recognized to date based on the percentage-of-completion less collections received from the respective buyers.

The Group assigned certain contracts receivables to Banco de Oro Unibank, Inc. (BDO) on a with recourse basis (see Note 14). The total assigned contracts receivables amounted to P257.6 million and P367.3 million as of December 31, 2014 and 2013, respectively.

Interest from contracts receivables, included under "Interest income", amounted to P37.5 million, P39.4 million and P50.3 million in 2014, 2013 and 2012, respectively (see Note 18).

b. Other receivables are due and demandable and include accrued interest receivable pertaining to interest earned from cash equivalents. Included also in other receivables are the advances to officers and employees which pertain to unliquidated cash advances that are due within one year, and unpaid utility charges of tenants. Unliquidated cash advances to officers and employees are recoverable through salary deduction.

7. Real Estate Inventories

	2014	2013
Condominium and residential units	**P2,801,096,784**	P2,933,431,325
Land held for future development	**3,365,859,585**	578,388,295
Subdivision projects under development	**1,289,731,360**	2,351,914,254
	P7,456,687,729	P5,863,733,874

a. A summary of the movements in real estate inventories is set out below:

	2014	2013
Beginning of year	**P5,863,733,884**	P6,192,109,320
Land acquired and development costs incurred (Notes 15 and 17)	**2,733,294,524**	1,970,378,201
Borrowing costs capitalized (Note 18)	**163,393,579**	191,076,182
Disposals recognized as cost of sales	**(1,303,734,258)**	(2,489,829,829)
End of year	**P7,456,687,729**	P5,863,733,874

b. In 2014 and 2013, the Group acquired parcels of land from related parties (see Note 17) and third parties which will be used for development of condominium units and subdivision projects for sale.

In 2009, the Parent Company acquired parcels of land through an asset-for-share swap agreement. The land, with a total appraised value of P3,953.2 million, was transferred to the Parent Company in exchange for the issuance of 1.60 billion common shares (see Note 17). A portion of the land where the Group's buildings held for lease are situated, with an allocated cost of P658.9 million, was recognized as investment property in 2009. The remaining portion of the land, with an allocated cost of P3,294.3 million, was considered as real estate inventory. In 2010, the Parent Company reclassified a portion of the land, which was previously recognized as real estate inventory as of December 31, 2009 with cost amounting to P2,187.4 million, to investment property in view of management's plan to develop thereon additional buildings to be held for lease (see Note 9). On July 21, 2011, the SEC approved the valuation of the land acquired through the asset-for-share swap agreement at P4.0 billion, thereby, resulting to an increase in the recorded value of the land by P46.8 million.

c. Real estate inventories recognized as part of cost of real estate sales in 2014, 2013 and 2012 amounted to P1,303.7 million, P2,489.8 million and P1,692.2 million, respectively.

d. Borrowing costs capitalized as cost of real estate inventories in 2014 and 2013 amounted to P163.4 million and P191.1 million, respectively (see Notes 14 and 18).

8. Other Current Assets

	2014	2013
Advances to contractors (Note 17)	**P367,220,936**	P404,347,312
Prepayments	**91,204,978**	494,844,044
Input VAT	**600,709,380**	344,027,129
Creditable withholding taxes	**192,114,085**	267,177,353
Deferred rent (Note 27)	**90,700,540**	54,544,364
Deposits in escrow	**6,129,223**	6,001,833
	P1,348,079,142	P1,570,942,035

a. Advances to contractors are diminished from settlement of progress billings. The activities related to these advances will be completed within the Group's normal operating cycle.

b. Prepayments consist of prepaid insurance, taxes and licenses and other prepaid expenses which consist of unamortized portion of other operating overhead such as advanced payments for SAP maintenance. Prepaid taxes and licenses consist of unamortized portion of taxes and licenses such as business permit, real estate taxes and output VAT paid in advance.

c. Deposits in escrow pertain to the escrow funds required by several Escrow Agreements entered into by the Group with the Housing and Land Use Regulatory Board pursuant to the provisions of the temporary licenses to sell issued by the latter to the Group for some of its projects. The Escrow Agreements stipulate, among others, the opening of an escrow account with Philippine National Bank (PNB), an entity under common control, where sales proceeds from projects with temporary licenses to sell shall be deposited. Such escrow accounts shall only be released to the Group upon compliance with all the requirements for the issuance of a Certificate of License to Sell and Certificate of Registration of the projects.

9. Investment Properties

As of December 31, 2014 :	Land	Land Improvements and Buildings	Residential Unit	Construction in Progress	Total
Cost					
Beginning of year	P3,213,393,506	P3,648,238,477	P7,620,000	P1,330,781,368	P8,200,033,351
Additions	52,330	226,168,776	–	26,824,913	253,046,019
Disposal	–	(15,564,622)	–	–	(15,564,622)
Transfers from property and equipment (Note 10)	–	7,544,592	–	–	7,544,592
Reclassification	–	1,218,627,340	–	(1,218,627,340)	–
End of year	3,213,445,836	5,085,014,563	7,620,000	138,978,941	8,445,059,340
Accumulated Depreciation					
Beginning of year	–	296,010,808	7,620,000	–	303,630,808
Depreciation for the year	–	145,680,374	–	–	145,680,374
Disposal	–	(15,564,622)	–	–	(15,564,622)
Reclassification	–	930,000	–	–	930,000
End of year	–	427,056,560	7,620,000	–	434,676,560
Net Book Values	P3,213,445,836	P4,657,958,003	P–	P138,978,941	P8,010,382,780

As of December 31, 2013 :	Land	Buildings	Residential Unit	Construction in Progress	Total
Cost					
Beginning of year	P2,956,113,506	P3,480,019,715	P7,620,000	P305,327,207	P6,749,080,428
Additions (Note 18)	257,280,000	166,672,107	–	1,027,000,816	1,450,952,923
Reclassification	–	1,546,655	–	(1,546,655)	–
End of year	3,213,393,506	3,648,238,477	7,620,000	1,330,781,368	8,200,033,351
Accumulated Depreciation					
Beginning of year	–	201,787,561	7,620,000	–	209,407,561
Depreciation for the year	–	94,223,247	–	–	94,223,247
End of year	–	296,010,808	7,620,000	–	303,630,808
Net Book Values	P3,213,393,506	P3,352,227,669	P–	P1,330,781,368	P7,896,402,543

a. In December 2014 and 2013, the Group reclassified the cost of completed buildings intended for leasing amounting to P1,218.6 million and P1.6 million, respectively, from construction in progress to buildings.

b. In December 2014, the Group had total additions to investment properties amounting to P253.0 million which includes P226.2 million additions to buildings for Eton Cyberpod Centris-BP03 and Eton Cyperpod Corinthian. The additions to construction in progress amounting to P14.5 million are construction costs for Eton Cyberpod Centris Township while additions amounting to P12.3 million are construction costs for South Lake Village Recreational Island, Phase 1 of Village Walk Project and Eton City Township.

In December 2013, the Group had total additions to investment properties amounting to P1,451.0 million which includes P257.3 million additions to land (see Note 18). The additions amounting to P1,022.4 million to construction in progress are construction costs for Eton Cyberpod Centris Building Three which the management intends to be leased out. Moreover, the P166.7 million additions to buildings mainly compose of major additions to Eton Cyberpod Centris Building Two.

The addition to land in 2014 pertains to land incidental costs incurred amounting to P52,330 on a parcel of land which will be used for future development.

The addition to land in 2013 pertains to cost allocated to a parcel of land acquired from a related party amounting to P257.3 million which will be used for future development (see Note 17).

c. Borrowing cost capitalized as cost of investment properties amounted to P30.0 million and P34.7 million in 2014 and 2013, respectively (Note 19).

d. Rental income and direct operating expenses arising from the investment properties amounted to P740.3 million and P280.7 million in 2014, and P448.7 million and P190.3 million in 2013, respectively.

Depreciation of investment properties amounting to P145.7 million and P94.2 million were recognized as part of cost of rental income in 2014 and 2013, respectively.

e. The estimated fair value of the investment properties as of December 31, 2014, the latest valuation date, amounted to P22.7 billion. The value of the land was arrived at using the Market Data Approach. In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. The approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. For the replaceable fixed assets valuation, the Cost Approach method of valuation is used. It considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation based physical wear and tear, and obsolescence. In estimating the Cost of Replacement of the new building and other land improvements, the Modified Quantity Survey Method is adopted.

Property	Approach	Fair Value
Land	Market Data	P15,812,676,000
Building for Lease	Cost Approach	6,890,541,000
		P22,703,217,000

The valuations were performed by an independent professional appraiser. The valuation model used in accordance with that recommended by the International Valuation Standards Council has been applied. These valuation models are consistent with the principles in PFRS 13.

Management believes that the fair value of the investment properties as of the latest valuation date is substantially the same as fair value as of December 31, 2014.

10. Property and Equipment

As of December 31, 2014 :	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction in Progress	Total
Cost					
Beginning of year	P63,911,664	P104,892,729	P25,990,092	P–	P194,794,485
Additions	2,333,398	13,157,357	906,411	–	16,397,166
Transfer to investment properties (Note 9)	–	(994,126)	(6,550,466)	–	(7,544,592)
Reclassification	(2,862,060)	2,862,060	–	–	–
Disposals	(13,444,708)	(3,902,064)	–	–	(17,346,772)
End of year	49,938,294	116,015,956	P20,346,037	P–	186,300,287
Accumulated Depreciation and Amortization					
Beginning of year	P47,551,095	P88,912,706	P12,393,316	–	P148,857,117
Depreciation and amortization (Note 20)	6,395,157	17,147,278	1,379,551	–	24,921,986
Reclassification	(2,611,877)	1,681,877	–	–	(930,000)
Disposals	(12,092,242)	(2,539,549)	–	–	(14,631,791)
End of year	39,242,133	105,202,312	13,772,867	–	158,217,312
Net Book Values	P10,696,161	P10,813,644	P6,573,170	P–	P28,082,975

As of December 31, 2013 :	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction in Progress	Total
Cost					
Beginning of year	P61,947,774	P100,794,313	P17,504,797	P6,584,234	P186,831,118
Additions	4,746,801	4,098,416	1,901,061	–	10,746,278
Reclassification	–	–	6,584,234	(6,584,234)	–
Disposals	(2,782,911)	–	–	–	(2,782,911)
End of year	63,911,664	104,892,729	25,990,092	–	194,794,485
Accumulated Depreciation and Amortization					
Beginning of year	42,570,093	67,185,983	8,510,441	–	118,266,517
Depreciation and amortization (Note 20)	7,422,798	21,726,723	3,882,875	–	33,032,396
Disposals	(2,441,796)	–	–	–	(2,441,796)
End of year	47,551,095	88,912,706	12,393,316	–	148,857,117
Net Book Values	P16,360,569	P15,980,023	P13,596,776	P–	P45,937,368

The Group has fully depreciated property and equipment that are still in use with cost of P129.3 million and P48.5 million in 2014 and 2013, respectively.

In 2014, the Company recognized as part of "Cost of Rental Income" the depreciation of equipment used in leasing activities amounting to P9.3 million.

11. Other Noncurrent Assets

	2014	2013
Refundable deposits	P173,304,552	P167,546,621
Software - net of amortization	18,854,913	10,646,494
Deferred input VAT	60,082,630	95,089,483
Others	3,150,000	22,830
	P255,392,095	P273,305,428

a. Refundable deposits consist principally of amounts paid to utility providers for service applications and guarantee deposit required by the Makati Commercial Estate Association (MACEA). Deposits paid to utility companies will be refunded upon termination of the service contract while guarantee deposit paid to MACEA will be diminish upon project completion.

b. The rollforward analysis of the Group's software follows:

	2014	2013
Cost	P25,288,957	P24,145,078
Beginning of year		
Additions	19,063,936	1,143,879
End of year	44,352,893	25,288,957
Accumulated Amortization		
Beginning of year	14,642,463	9,465,122
Amortization (Note 20)	10,855,517	5,177,341
End of year	25,497,980	14,642,463
Net Book Values	P18,854,913	P10,646,494

12. Trade and Other Payables

	2014	2013
Accounts payable	P331,820,299	P345,975,634
Retentions payable	710,106,771	731,493,025
Accrued real estate development costs	760,746,123	2,006,540,627
Other accrued expenses	722,199,231	755,365,446
	P2,524,872,424	P3,839,374,732

Accounts payable and retentions payable are normally settled within the Group's normal operating cycle. Other accrued expenses consist primarily of accrued interest, accrued rent, and accrued taxes.

Accrued real estate development costs pertain to construction work accomplishment by the contractors.

13. Customers' Deposits

Customers' deposits represent payments received from buyers of residential units that will eventually be applied against the corresponding contracts receivables following the revenue recognition policy of the Group. This account also includes the excess of collections over the recognized receivables based on percentage of completion amounting to P476.3 million and P670.0 million as of December 31, 2014 and 2013.

As of December 31, 2014 and 2013, customers' deposits amounted to P2,017.4 million and P2,849.2 million, respectively.

14. Loans Payable

This account consists of:

	2014	2013
Bank loans	**P1,523,582,485**	P1,990,119,775
Notes payable	**306,354,960**	963,355,100
	1,829,937,445	2,953,474,875
Less current portion	**508,114,380**	1,009,914,973
Noncurrent portion	**P1,321,823,065**	P1,943,559,902

Bank loans

On August 4, 2014, the Parent Company entered into a loan agreement with Union Bank amounting to P500.00 million. The loan bears an interest rate of 7.50% and was subsequently paid on September 4, 2014.

On January 28, 2013, the Parent Company entered into an unsecured term loan agreement with BDO amounting to P2,000.0 million to finance the construction of the Parent Company's projects. The term loan bears an interest rate of 5.53% and will mature on January 26, 2018. Principal repayments will start one year from the date of availment and are due quarterly while interest payments are due quarterly starting April 28, 2014. Effective October 28, 2013, the Parent Company and BDO agreed to the new interest rate of 4.75%.

Interest expense related to bank loans amounted to P8.3 million, P16.0 million and P9.6 million, net of capitalized portion of P118.8 million, P148.1 million and P115.9 million in 2014, 2013 and 2012, respectively (see Notes 7, 9 and 18).

Notes payable

Notes payable include various notes from BDO which arose from the assignment of the Groups' contracts receivables on a with recourse basis in 2014 and 2013 (see Note 6). These notes bear interest based on Philippine Dealing System Treasury Fixing (PDSTF) rate for one year plus 1.5% net of gross receipts tax. The rate of interest is 6% in 2014. In 2013 and 2012, interest rates range from 5.22% to 6.00% and 6.00% to 6.66%, respectively, subject to annual repricing. Interest is due monthly in arrears during the first two years of the term and thereafter, interest shall be collected with the principal covering the term of three years or the term of the contracts to sell, whichever comes first.

Interest expense on notes payable amounted to P25.8 million, P17.6 million and P54.1 million, net of capitalized portion of P74.6 million, P77.6 million and P13.9 million, in 2014, 2013 and 2012, respectively (see Notes 7, 9 and 18).

15. Payables to Landowners

In September 2012, the Parent Company executed a P556.8 million promissory note to a landowner in relation to its purchase of land located at the corner of Dela Rosa and V.A. Rufino Sts., Legaspi Village, Makati City with total purchase price of P742.4 million. In November 2012, the Parent Company again executed a promissory note to a landowner amounting to P740.0 million in relation to its purchase of land located at Don Alejandro Roces Avenue, Barangay Obrero, Quezon City with total purchase price of P1,000.0 million.

On various dates in 2014, ECI and BCI executed a total of P992.9 million promissory notes to various landowners for the purchase of parcels of land located at Sta. Rosa, Laguna with total purchase price of P1.3 billion.

The details of the notes payable are presented below:

Interest rate	Due date	Principal amount
PDSTF 3 years + 1.00%	3 years from execution of note	P556,785,000
PDSTF 3 years + 0.50%	3 years from execution of note	740,000,000
PDSTF 3 years + 0.50%	3 years from execution of note	992,922,528
		2,289,707,528
Less current portion		1,296,785,000
Noncurrent portion		P992,922,528

16. Other Noncurrent Liabilities

	2014	2013
Security deposits	**P349,901,739**	P161,600,879
Advance rentals	**43,510,132**	98,658,136
Retirement benefits liability (Note 23)	**38,391,693**	29,653,166
Deferred credits	–	4,730,149
	431,803,564	294,642,330
Less current portion of:		
Security deposits	**60,319,997**	53,348,407
Deferred credits	–	1,508,092
	60,319,997	54,856,499
	P371,483,567	P239,785,831

Security deposits pertain to the amounts paid by the tenants at the inception of the lease which is refundable at the end of the lease term.

Advance rentals pertain to deposits from tenants which will be applied against receivables either at the beginning or at the end of lease term depending on the lease contract.

17. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (i) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (ii) associates; and (iii) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the

Company and close members of the family of any such individual. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The Parent Company has transacted with its subsidiaries and other related parties as follows:

Company	Relationship
LT Group, Inc. (LTG)	Parent Company
Paramount	Intermediate Parent Company
Saturn	Stockholder and subsidiary of LTG
Belton Communities, Inc.	Subsidiary
Eton City, Inc.	Subsidiary
FirstHomes, Inc.	Subsidiary
Eton Properties Management Corporation	Subsidiary
Asia Brewery, Inc. (ABI)	Subsidiary of LTG
Dunmore Development Corporation	Subsidiary of LTG
Philippine National Bank (PNB)	Subsidiary of LTG
Basic Holdings, Corporation (BHC)	Entities Under Common Control
Grandspan Development Corporation (Grandspan)	Entities Under Common Control

The consolidated statements of income include the following costs and other expenses related account balances arising from transactions with related parties:

	Financial Statement Account	2014	2013	2012
Entities Under Common Control	**Management fee**	**(P57,150,000)**	(P42,000,000)	(P77,200,000)
	Rental expense	**(11,140,368)**	(11,140,368)	(10,983,528)
Key Management	**Short-term benefits**	**(9,730,558)**	(10,196,956)	(36,498,890)
	Post-employment benefits	**(1,676,543)**	(5,711,782)	(3,847,953)

The consolidated statements of financial position include the following account balances as of December 31 with related parties:

		Amount / Volume		Outstanding Balance		
	Financial Statement Account	2014	2013	2014	2013	Terms and Conditions
Parent Company	Payables to related parties	**P–**	P150,000,000	**(P400,000,000)**	(P400,000,000)	Unsecured; interest bearing
Intermediate Parent Company	Deposits for future stock subscriptions	**3,150,000,000**	–	**(3,150,000,000)**	–	Unsecured; Non-interest bearing
Stockholder and Subsidiary of LTG	Deposits for future stock subscriptions	**2,350,000,000**	–	**(2,350,000,000)**	–	Unsecured; Non-interest bearing
Subsidiary of LTG	Cash and cash equivalents	**918,411,996**	325,773,889	**1,626,074,203**	707,662,207	Deposits and placements; interest-bearing
	Payables to related parties	**–**	600,000,000	**(444,000,000)**	(444,000,0000)	Unsecured; Non-interest bearing

(forward)

		Amount / Volume		Outstanding Balance		
		2014	2013	2014	2013	Terms and Conditions
Subsidiary of LTG	Trade and other payables	**105,750,000**	(105,750,000)	**–**	(105,750,000)	Non-interest bearing; On demand; non-interest bearing
	Payables to related parties	**(134,868,330)**	–	**(134,868,330)**	–	Unsecured; interest bearing
Entities under Common Control	Payables to related parties	**57,150,000**	42,000,000	**(9,603,000)**	(4,103,100)	Management fee; non-interest bearing
	Other current assets	**(522,370)**	(104,489,100)	**641,898**	1,164,268	Advances to contractors; non-interest bearing
	Payables to related parties	**–**	–	**–**	(845,361)	Cash advance; non-interest bearing
		1,718,919	–	**1,718,919**	–	Unsecured; non-interest bearing

As of December 31, 2014 and 2013, the outstanding related party balances are unsecured and settlement occurs in cash, unless otherwise indicated. The Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which these related parties operate.

Other terms and conditions related to the above related party balances and transactions are as follows:

Transactions with LTG

- The Parent Company obtained a loan from LTG amounting to P250.0 million in 2013. Outstanding balance amounted to P400.0 million as of December 31, 2014.

Transactions with Paramount and Saturn

- In 2014, the Company received advances from its stockholders, Paramount and Saturn, amounting to P3,150.0 million and P2,350.0 million, respectively. On November 14, 2014, Paramount and Saturn authorized the conversion of its advances to the Parent Company into equity by way of subscription to 2,067,669,172 shares of stock at an issue price of P2.66 per share. On January 14, 2015, the Parent Company filed an application with the SEC for the increase in authorized capital stock and was subsequently approved on January 23, 2015 (see Note 25).

Transactions with Subsidiaries of LTG

- Portion of the Group's "Cash and cash equivalents" are deposited with PNB.

- In 2014, the Parent Company and ECI purchased for an amount of P182.2 million certain parcels of land owned by affiliates where the Parent Company and ECI's projects are located. Total outstanding payable amounting to P134.9 million was recorded under "Due to related parties" as of December 31, 2014.

- The Group has a lease agreement with PNB for the use of the latter's common area as office space of the former. Total rental expense recognized by the Group is included under "Outside services" account in the consolidated statement of income.

- On October 1, 2013, the Group purchased a parcel of land from ABI with total lot area of 10,000 square meters for P600.0 million. Of this amount, the Group paid P156.0 million as downpayment and issued a promissory note for the remaining balance with a 0.5% interest rate per annum. The outstanding balance is payable within four years from the execution of the promissory note.

- In 2012, the Parent Company purchased for an amount of P141.0 million certain parcels of land owned by PNB where one of the Parent Company's projects is located. Total outstanding payable amounting to P105.8 million is included in "Trade and other payables" as of December 31, 2013. The accrual was reversed in 2014 as the project related to the land acquired was cancelled.

Transactions with Entities under Common Control

- The Group has outstanding balances to Grandspan Development Corporation pertaining to the development of the Group's projects. These outstanding balances pertain to advances to contractors, included as part of "Other current assets" account.

- In 2011, the Group entered into a management contract agreement with BHC. Total management fee recognized by the Group included in "Outside services" amounted to P57.2 million, P42.0 million and P77.2 million in 2014, 2013 and 2012, respectively (see Note 20). As of December 31, 2014 and 2013, unpaid management fees amounted to P9.60 million and P4.10 million, respectively.

- The following are the transactions and balances among related parties which are eliminated in the consolidated statements of financial position:

Amounts owed to:	Amounts owed by:	Terms and Conditions	2014	2013
EPPI	FHI	Advances; noninterest-bearing	**P203,093,139**	P217,353,211
	BCI	Advances; noninterest-bearing	**17,850,353**	201,981,757
	ECI	Advances; noninterest-bearing	**103,649,095**	129,842,011
BCI	EPPI	Advances; noninterest-bearing	–	128,830,254
	ECI	Advances; noninterest-bearing	–	2,918,821
	FHI	Advances; noninterest-bearing	–	542,701
ECI	EPPI	Advances; noninterest-bearing	–	274,832,327
	BCI	Advances; noninterest-bearing	**3,119**	8,280,675
	FHI	Advances; noninterest-bearing	–	138,258
FHI	EPPI	Advances; noninterest-bearing	–	31,745,440
	BCI	Advances; noninterest-bearing	–	10,223
	ECI	Advances; noninterest-bearing	–	36,573

18. Interest Income and Finance Charges

	2014	2013	2012
Interest income:			
Contracts receivables (Note 6)	**P37,500,147**	P39,384,723	P50,331,313
Cash and cash equivalents (Note 5)	**4,537,067**	3,448,602	3,890,240
	P42,037,214	P42,833,325	P54,221,553

	2014	2013	2012
Finance charges:			
Interest expense on:			
Loans payable (Note 14)	**P127,070,641**	P164,103,661	P125,536,964
Notes payable (Notes 14 and 15)	**100,397,509**	95,290,408	67,937,118
	227,468,150	259,394,069	193,474,082

(forward)

	2014	2013	2012
Capitalized interest in:			
Real estate inventories (Note 7)	**(163,393,579)**	(191,076,182)	(114,015,046)
Investment properties (Note 9)	**(29,999,397)**	(34,684,572)	(15,778,880)
	(193,392,976)	(225,760,754)	(129,793,926)
	34,075,174	33,633,315	63,680,156
Bank charges and others	**15,241,542**	2,102,594	8,673,608
	P49,316,716	P35,735,909	P72,353,764

Others include penalties and surcharges which are individually not material as to amounts.

Capitalization rates for borrowing costs in 2014, 2013 and 2012 were 5.00%, 4.51%, and 5.30%, respectively.

19. Selling Expenses

	2014	2013	2012
Commissions	**P137,023,098**	P305,200,755	P199,952,422
Advertising and promotions	**18,028,420**	60,563,522	108,607,981
	P155,051,518	P365,764,277	P308,560,403

20. General and Administrative Expenses

	2014	2013	2012
Personnel costs (Note 21)	**P136,008,058**	P139,797,495	P134,893,778
Outside services (Note 17)	**126,645,683**	124,949,500	153,299,289
Taxes and licenses	**62,823,726**	85,842,330	109,713,930
Depreciation and amortization (Notes 10 and 11)	**26,468,769**	38,209,738	36,505,250
Travel and transportation	**24,315,496**	19,081,168	21,088,996
Professional fees	**12,901,228**	13,578,185	20,852,967
Communication, light and water	**9,417,573**	42,915,145	46,232,764
Repairs and maintenance	**5,335,318**	13,205,821	6,704,512
Entertainment, amusement and recreation	**4,919,635**	15,378,366	16,673,602
Office supplies	**3,492,449**	7,408,577	8,725,811
General and motor insurance	**2,939,991**	8,686,560	6,465,758
Reversal of probable loss	–	–	(26,352,371)
Others	**10,296,864**	6,913,923	35,756,903
	P425,564,790	P515,966,808	P570,561,189

Others include expenditures training and seminar fees, membership fees and research and development costs which are individually not material.

21. Personnel Costs

	2014	2013	2012
Salaries and wages	**P102,263,473**	P101,519,234	P100,695,484
Employee benefits	**19,428,536**	19,207,291	21,333,226
Retirement benefits cost (Note 23)	**14,316,049**	19,070,970	12,865,068
	P136,008,058	P139,797,495	P134,893,778

22. Other Income (Charges)

	2014	2013	2012
Rental dues	**P136,641,587**	P140,866,944	P132,646,967
Loss on sales cancellations	**(76,540,209)**	–	–
Others	**36,780,213**	18,740,956	9,139,783
	P96,881,591	P159,607,900	P141,786,750

Others include forfeiture income on sales cancellation, marketing fee, penalty income and late payment charges, and miscellaneous income.

23. Retirement Benefits

The Parent Company has an unfunded, noncontributory defined benefit type of retirement plan covering substantially all of its employees. The Company's retirement benefits is equivalent to seventeen-and-a-half (17.50) days final basic salary for every year of service with a fraction of six months considered as one year. The projected unit credit cost method is used in determining the liability of the Company, which takes into account the factors of mortality, discount, turnover, retirement and salary increase rates of employees. The latest actuarial valuation report is as at December 31, 2014.

RA No. 7641 ("Retirement Pay Law"), an act amending article 287 of Presidential Decree No. 442 ("Labor Code of the Philippines"), requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The components of retirement benefits cost (included in "Personnel costs" under general and administrative expenses) in the Group's consolidated statements of income are as follows:

	2014	2013	2012
Current service cost	**P12,928,281**	P17,325,793	P11,721,982
Interest cost on defined benefits obligation	**1,387,768**	1,745,177	1,143,086
	P14,316,049	P19,070,970	P12,865,068

The retirement benefits liabilities recognized as part of "Other noncurrent liabilities" in the consolidated statements of financial position amounted to P38.4 million and P29.7 million as of December 31, 2014 and 2013, respectively.

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

	2014	2013	2012
Beginning of year	**P29,653,166**	P32,865,855	P19,440,235
Retirement benefits cost in profit or loss:			
Current service cost	**12,928,281**	17,325,793	11,721,982
Interest cost on defined benefits obligation	**1,387,768**	1,745,177	1,143,086
	14,316,049	19,070,970	12,865,068
Re-measurement losses (gains) in other comprehensive income (loss) - actuarial changes arising from changes in:			
Experience adjustments	**(7,107,216)**	(26,236,155)	3,645,142
Financial assumptions	**1,529,694**	3,952,496	(3,084,590)
	5,577,522	22,283,659	(560,552)
End of year	**P38,391,693**	P29,653,166	P32,865,855

The principal assumptions used in determining retirement benefits cost for the Group as of January 1 follow:

	2014	2013	2012
Discount rate	**4.68%**	5.31%	5.88%
Salary increase rate	**10.00%**	10.00%	10.00%
Average future working years of service	**24**	23	23

As of December 31, 2014, the discount and salary increase rates are 4.50% and 10.00%, respectively.

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

	2014		2013	
Discount rate	**+0.5%**	**(P4,070,838)**	+0.5%	(P3,190,781)
	-0.5%	**4,668,572**	-0.5%	3,654,875
Future Salary Increase	**+1.0%**	**9,172,826**	+1.0%	7,177,738
	-1.0%	**(7,224,460)**	-1.0%	(5,665,919)

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

	2014	2013
Less than 1 year	**P191,984**	P670,982
More than 1 year up to 5 years	**2,451,166**	2,723,149
More than 5 years up to 10 years	**24,233,018**	3,854,964
More than 10 years up to 15 years	**93,292,113**	68,970,943
More than 15 years up to 20 years	**101,960,543**	64,544,434
More than 20 years	**3,611,913,530**	2,086,006,317

24. Income Tax

a. Details of the Group's provision for current income tax follow:

	2014	2013	2012
RCIT	**P57,922,096**	P49,290,931	P128,199,512
MCIT	**1,080,937**	1,646,106	1,227,638
Final	**730,677**	657,817	758,385
Deficiency income tax	–	–	2,714,665
	P59,733,710	P51,594,854	P132,900,200

b. The Group's recognized net deferred income tax assets as of December 31, 2014 and 2013 are as follows:

	2014	2013
Deferred income taxes directly recognized in profit or loss:		
Deferred income tax assets on:		
Difference between tax basis and book basis of accounting for real estate transactions	**P36,137,102**	P104,789,375
Deferred rent expense	**P30,337,855**	P27,808,053
Accrued expenses	**29,290,738**	13,972,845
Retirement benefits liability	**19,875,862**	15,581,048
Provision for probable losses	–	5,442,672
NOLCO	**25,817,755**	1,696,703
MCIT over RCIT	**3,954,682**	–
	145,413,994	169,292,696
Deferred income tax liabilities on:		
Difference between tax basis and book basis of accounting for real estate transactions	**(44,121,580)**	(52,321,654)
Deferred rental income	**(18,661,104)**	(11,232,954)
Unrealized foreign exchange gain - net	**(346,948)**	(1,062,209)
	(63,129,632)	(71,301,915)
	82,284,362	104,675,878
Deferred income tax liability from gains arising from changes in actuarial assumptions directly recognized in equity	**(8,358,354)**	(6,685,098)
	P73,926,008	P97,990,781

c. As of December 31, 2014 and 2013, FHI has not recognized deferred income tax assets on the carry forward benefits of NOLCO amounting to P61.1 million and P70.1 million, respectively, based on the assessment that sufficient taxable profit will not be available to allow the deferred income tax assets to be utilized.

Details of Group's NOLCO follow:

Year Incurred	Amount	Expired	Applied	Balance as of December 31, 2014	Available until
2011	P11,959,515	(P11,959,515)	P–	P–	2014
2012	30,406,529	–	(10,865,911)	19,540,618	2015
2013	46,594,968	–	–	46,594,968	2016
2014	81,022,136	–	–	81,022,136	2017
	P169,983,148	(P11,959,515)	(P10,865,911)	P147,157,722	

Details of Group's MCIT follow:

Year Incurred	Amount	Expired	Applied	Balance as of December 31, 2014	Available until
2012	P1,227,638	P–	P–	P1,227,638	2015
2013	1,646,107	–	–	1,646,107	2016
2014	1,080,937	–	–	1,080,937	2017
	P3,954,682	P–	P–	P3,954,682	

d. A reconciliation of the provision for income tax at the applicable statutory income tax rate to the provision for income tax as shown in the consolidated statements of income follows:

	2014	2013	2012
Provision for income tax at the statutory income tax rate	**P60,596,966**	P79,694,663	P32,886,500
Adjustments for:			
Interest income subjected to final tax	**(234,336)**	(376,761)	(408,687)
Nontaxable interest income	**(14,717,934)**	–	(3,459,458)
Nondeductible expenses	**35,879,212**	5,159,578	2,513,606
NOLCO and other deductible temporary differences for which no deferred income tax assets were recognized in current year	**1,062,209**	66,138,629	–
Deductible temporary differences for which no deferred income tax assets were recognized in prior years	**884,789**	9,959,132	–
Application of NOLCO for which no deferred income tax assets were recognized in prior years	**(3,958,974)**	–	(7,348,746)
Loss from real estate projects entitled to income tax holiday (Note 31)	–	–	40,857,841
Nondeductible deficiency income tax	**2,613,294**	–	2,312,144
Provision for income tax	**P82,125,226**	P160,575,241	P67,353,200

25. Equity

Capital Stock

Information on the number of shares of the Parent Company's capital stock as of December 31 are as follows:

	Number of Shares	
	2014	2013
Authorized, par value of P1 per share	**5,000,000,000**	5,000,000,000
Issued	**2,905,348,700**	2,905,348,700
Treasury	**(10,000)**	(10,000)
Outstanding	**2,905,338,700**	2,905,338,700

On May 12, 1988, the SEC approved the registration and licensing of the 30.0 billion authorized capital stock of the Parent Company with a total par value of P300.0 million divided into 18 billion Class "A" shares with par value of P0.01 per share and 12.0 billion Class "B" shares with par value of P0.01 per share. The Parent Company's management does not have the necessary information on the issue/offer price of these shares. On May 12, 1988, the SEC issued a certificate of permit to offer securities for sale to the Parent Company authorizing the sale of the P300.0 million worth of shares of the latter and issuance of certificates of stock for the shares already subscribed and paid for.

On February 21, 1994, the SEC approved the increase in the authorized capital stock of the Parent Company from P300.0 million to P1.0 billion divided into 60.0 billion Class "A" shares with par value of P0.01 per share and 40.0 billion Class "B" shares with par value of P0.01 per share. The Parent Company's management does not have the necessary information on the issue/offer price of these shares. On March 11, 1994, the SEC issued a certificate of permit to offer securities for sale to the Parent Company authorizing the sale of the latter's shares.

On June 25, 1996, by majority vote of the BOD and stockholder representing at least two-thirds votes of the outstanding capital stock, an amendment on the articles of incorporation of the Parent Company was adopted. The amendment among others includes the changing of the par value of the authorized capital stock of the Parent Company from P0.01 per share to P1.0 per share. The amendment was approved by the SEC on August 12, 1997.

In the stockholders meeting held on January 14, 2003, a quasi re-organization was approved which includes a reduction in the authorized capital stock of the Parent Company from P1.0 billion to P73.8 million and subsequently, an increase in the authorized capital stock of the Parent Company, after decrease is effected, to P5.0 billion divided into 5.0 billion shares having a par value of P1.00 per share.

On October 8, 2003, the SEC approved the decrease in the total authorized capital stock of the Parent Company from P1.0 billion to P73.8 million consisting of 73.8 million shares with par value of P1.00 per share. On the same day, the SEC approved the increase in the total authorized capital stock of the Parent Company from P73.8 million to P5.0 billion consisting of 5.0 billion shares with par value of P1.00 per share. Saturn subscribed to P1,231.6 million out of the P4,926.2 million increase in the authorized capital stock.

The issued and outstanding registered shares are held by 1,665 and 1,656 stockholders as of December 31, 2014 and 2013, respectively.

On March 2, 2015, the Parent Company's BOD approved the increase in its authorized capital stock from P5,000,000 divided into 5,000,000 common shares with a par value of P1.0 per share to P8,000,000 divided into 8,000,000 common shares with a par value of 1.0 per share.

Asset-for-Share Swap
On October 6, 2009, the Parent Company's BOD approved the acquisition of an approximately 12-hectare property, with an appraised value of P3,953.2 million, owned by Paramount where the Eton Centris projects are situated in exchange for the issuance of 1.6 billion shares to Paramount at P2.50 per share. On October 22, 2009, the Parent Company and Paramount executed a Deed of Conveyance pertaining to the asset-for-share swap. In 2011, the property and the deposit for future stock subscription were adjusted by the Parent Company to reflect the amount equal to P4.0 billion as approved by SEC. Accordingly, the Parent Company reclassified the deposit for future stock subscription into subscribed capital stock and additional paid-in capital amounting to P1.6 billion and P2.4 billion, respectively. The subscribed capital stock was issued as of December 31, 2012.

In 2012, subscription receivable from Paramount amounting to P573.7 million was collected. The corresponding subscribed shares were issued as of December 31, 2012.

Deposit for Future Stock Subscription
On November 14, 2014, Paramount and Saturn authorized the conversion of its advances to the Parent Company amounting to P3,150.0 million and P2,350.0 million, respectively, into equity by way of subscription to 2,067,669,172 shares of stock at an issue price of P2.66 per share. On January 14, 2015, the Parent Company filed the application for conversion with the SEC which was subsequently approved on January 23, 2015.

Additional Paid-in Capital
In 2013, the Group received cash from Paramount amounting to P1,100.0 million as additional capital contribution, which is recognized under "Additional paid-in capital" account.

Retained Earnings
The retained earnings is restricted for payment of dividends to the extent of the amount of treasury shares amounting to P7,955.

The undistributed earnings of subsidiaries amounting to P166.0 million and P248.3 million as of December 31, 2014 and 2013, respectively, which are included in retained earnings, are not available for declaration as dividend until declared by the subsidiaries.

26. Basic/Diluted Earnings Per Share

Basic/diluted earnings per share were calculated as follows:

	2014	2013	2012
Net income	**P119,864,660**	P105,073,636	P42,268,465
Divided by weighted average number of common shares	**2,905,338,700**	2,905,338,700	2,905,338,700
Basic/diluted earnings per share	**P0.0413**	P0.0362	P0.0145

In 2014, 2013 and 2012, there are no potential common shares, and thus, basic and diluted earnings per share are the same.

27. Operating Leases

The Group as lessor
The Group entered into lease agreements with third parties covering its investment property portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher. The Group records rental income on a straight-line basis over the base and a certain percentage of gross revenue of tenants, as applicable, on a non-cancellable lease term. In 2014, the Group recognized contingent rent amounting to P10.1 million.

Future minimum rentals receivables under noncancellable operating leases as of December 31 follow:

	2014	2013
Within one year	**P835,982,283**	P453,373,012
After one year but not more than five years	**2,247,901,066**	685,932,701
More than five years	**303,396,960**	433,423,492
	P3,387,280,309	P1,572,729,205

The Group as lessee
The Group entered into a renewable cancellable lease agreements with PNB, which generally provides for a fixed monthly rent for the Group's office spaces (see Note 17).

The Parent Company also entered into a lease agreement with third parties for the lease of parcels of land where one of the Parent Company's projects is located. The lease agreement shall be for the period of 20 years commencing on January 1, 2011 renewable for another 20 years at the option of the lessee, the Parent Company, with lease payment subject to 5% escalation annually.

Future minimum rentals payables as of December 31, follow:

	2014	2013
Within one year	**P15,820,057**	P15,066,721
After one year but not more than five years	**71,595,744**	68,186,423
More than five years	**1,428,720,281**	1,447,949,660
	P1,516,136,082	P1,531,202,804

28. Financial Instruments

Fair Value Information
Presented below is the comparison of the carrying values and fair values of the Group's financial instruments that are presented in the consolidated statements of financial position as of December 31, 2014.

	2014		2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Cash on hand	**P701,780**	**P701,780**	P704,059	P704,059
Loans and receivables:				
Cash in banks and cash equivalents	**1,958,663,867**	**1,958,663,867**	785,076,789	785,076,789
Contracts receivables	**3,566,569,797**	**3,566,569,797**	2,946,845,731	2,946,845,731
Lease receivables	**190,467,377**	**190,467,377**	49,858,177	49,858,177
Receivable from tenants	**56,481,004**	**56,481,004**	26,911,305	26,911,305
Others	**748,190,542**	**748,190,542**	482,482,052	482,482,052
Deposits in escrow*	**6,129,223**	**6,129,223**	6,001,833	6,001,833
Refundable deposits**	**173,304,552**	**173,304,552**	167,546,621	167,546,621
	P6,700,508,142	**P6,700,508,142**	P4,465,426,567	P4,465,426,567
Financial Liabilities				
Other financial liabilities:				
Trade and other payables:				
Accounts payable	**P331,820,299**	**P331,820,299**	P345,975,634	P345,975,634
Retentions payable	**710,106,771**	**710,106,771**	731,493,025	731,493,025
Accrued expenses and others	**1,482,945,354**	**1,482,945,354**	2,761,906,073	2,761,906,073
Payables to related parties	**986,752,411**	**986,752,411**	848,948,461	848,948,461
Loans payable	**1,829,937,445**	**1,716,509,221**	2,953,474,875	2,988,916,574
Payable to landowners	**2,289,707,528**	**2,226,042,247**	1,296,785,000	1,312,839,442
Security deposits***	**349,901,739**	**323,236,185**	161,600,879	150,851,603
Advance rentals***	**43,510,133**	**41,212,289**	98,658,136	94,594,053
	P8,024,681,680	**P7,818,624,777**	P9,198,842,083	P9,235,524,865

**Presented as part of "Other current assets" account.*
***Presented as part of "Other noncurrent assets" account.*
****Presented as part of "Deposits and other liabilities" and "Other noncurrent liabilities" accounts.*

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, trade and other receivables, deposits in escrow, trade and other payables, and payables to related parties
The carrying values of cash and cash equivalents, trade and other receivables (except for the noncurrent portion of contracts receivables), deposits in escrow, trade and other payables, and payables to related parties approximate their fair values due to the short-term nature of these financial instruments.

Refundable deposits
The carrying value of deposits is the best estimate of its fair value since the related contracts and agreements pertaining to these deposits have indeterminable terms.

Loans payable, security deposits and advance rentals
The fair values of loans payable, security deposits and advance rentals are estimated using the discounted cash flow method based on the discounted value of future cash flows using the applicable risk-free rates for similar types of instruments. The discount rates used range from 2.75% to 5.07% and 2.13% to 6.57% as of December 31, 2014 and 2013, respectively.

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

- quoted prices in active markets for identical assets (Level 1);
- those involving inputs other than quoted prices included in Level 1 that are observable for the asset, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- those inputs for the asset that are not based on observable market data (unobservable inputs) (Level 3).

As of December 31, 2014 and 2013, there are no financial instruments measured at fair value under Levels 1, 2 and 3. There was no transfer between hierarchies in 2014 and 2013.

Financial Risk Management Objectives and Policies
The Group's principal financial instruments are cash and cash equivalents, payables to related parties and loans payable. The main purpose of these financial instruments is to finance the Group's operations. The Group has various financial assets and financial liabilities such as trade and other receivables, deposits in escrow, refundable deposits, security deposits, and trade and other payables, which arise directly from its operations.

It is the Group's policy that no trading of financial instruments shall be undertaken. Management closely monitors the cash fund and financial transactions of the Group. Cash funds are normally deposited with banks considered as related parties, and financial transactions are normally dealt with related parties. These strategies, to an extent, mitigate the Group's interest rate and credit risks.

Exposure to credit, liquidity, interest rate, and foreign currency risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are: (a) to identify and monitor such risks on an ongoing basis, (b) to minimize and mitigate such risks, and (c) to provide a degree of certainty about costs.

The BOD reviews and approves the policies for managing these risks which are described below.

Credit risk
Credit risk is the risk that the Group will incur a loss because its counterparties failed to discharge their contractual obligations. The Group's credit risks are primarily attributable to contracts receivables and other financial assets.

Credit risk is managed primarily through analysis of receivables on a continuous basis. In addition, the credit risk for contracts receivables is mitigated as the Group has the right to cancel the sales contract without the risk for any court action and can take possession of the subject property in case of refusal by the buyer to pay on time the contracts receivables due. This risk is further mitigated because the corresponding title to the property sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

The carrying amount of cash in banks and cash equivalents, trade and other receivables, deposits in escrow and refundable deposits represent the Group's maximum exposure to credit risk.

As of December 31, 2014 and 2013, the Parent Company's maximum exposure to credit risk for the components of the parent company statements of financial position follows:

	2014	2013
Loans and receivables:		
Cash in banks and cash equivalents	**P1,958,663,867**	P785,076,789
Trade and other receivables:		
Contracts receivables	**3,566,569,797**	2,946,845,731
Receivables from related parties	**56,481,004**	26,911,305
Lease receivables	**190,467,377**	49,858,177
Others	**748,190,542**	482,482,052
Deposits in escrow bank	**6,129,222**	6,001,833
Refundable deposits	**173,304,552**	167,546,621
	P6,699,806,361	P4,464,722,508

The Group is not exposed to concentration risk because it has a diverse base of counterparties. As of December 31, 2014 and 2013, the Parent Company's financial assets are considered as "neither past due nor impaired".

The tables below show the credit quality of the Group's financial assets:

As of December 31, 2014:

	Neither past due nor impaired		Past due but not impaired	Total
	High Grade	Medium Grade		
Cash in banks and cash equivalents	P1,958,663,867	P–	P–	P1,958,663,867
Trade and other receivables:				
Contracts receivables	–	2,953,935,122	612,634,675	3,566,569,797
Lease receivables	–	39,376,822	151,090,555	190,467,377
Receivables from tenants	–	–	56,481,004	56,481,004
Others	–	–	748,190,542	748,190,542
Deposits in escrow	–	–	6,129,222	6,129,222
Refundable deposits	–	16,500,728	156,803,824	173,304,552
	P1,958,663,867	P3,009,812,672	P1,731,329,822	P6,699,806,361

As of December 31, 2013:

	Neither past due nor impaired		Past due but not impaired	Total
	High Grade	Medium Grade		
Cash in banks and cash equivalents	P785,076,789	P–	P–	P785,076,789
Trade and other receivables:				
Contracts receivables	–	145,678,802	2,801,166,929	2,946,845,731
Lease receivables	–	614,249	49,243,928	49,858,177
Receivables from tenants	–	–	26,911,305	26,911,305
Others	–	–	482,482,052	482,482,052
Deposits in escrow	–	–	6,001,833	6,001,833
Refundable deposits	–	–	167,546,621	167,546,621
	P785,076,789	P146,293,051	P3,533,352,668	P4,464,722,508

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

- High grade - pertains to cash in banks and cash equivalents that are deposited or invested in reputable banks.
- Medium grade - pertains to financial instruments wherein counter parties have a minimal likelihood of default and have consistently exhibited good paying habits. These financial assets are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.
- Past due but not impaired - pertains to financial instruments with probability of impairment based on historical trend. Contracts receivables under this credit quality classification show propensity to default in payment despite regular follow up actions and extended payment terms.

The table below shows an aging analysis of financial assets that are past due but not impaired:

As of December 31, 2014:

	Less than 30 days	30-60 days	More than 60 days	Total
Loans and receivables :				
Trade and other receivables :				
Contract receivables	**P155,421,422**	**P131,567,553**	**P2,666,946,147**	**P 2,953,935,122**
Lease receivables	**15,903,395**	**12,429,321**	**11,044,107**	**39,376,823**
Refundable deposits	-	-	**16,500,728**	**16,500,728**
	P171,324,817	**P143,996,874**	**P2,694,490,982**	**P3,009,812,673**

As of December 31, 2013:

	Less than 30 days	30-60 days	More than 60 days	Total
Loans and receivables :				
Trade and other receivables :				
Contract receivables	P7,280,906	P 9,101,133	P129,296,763	P 145,678,802
Lease receivables	-	-	614,249	614,249
	P7,280,906	P 9,101,133	P129,911,012	P146,293,051

Liquidity risk

Liquidity risk is defined as risk that the Group would not be able to settle or meet its obligations on time. The Group maintains sufficient cash in order to fund its operations.

In mitigating liquidity risk, management measures and forecasts its cash commitments, matches debt maturities with the assets being financed, maintains a diversity of funding sources with its unhampered access to bank financing and the capital markets and develops viable funding alternatives through its customers' deposits arising from the Group's pre-selling activities.

The following tables show the maturity profile of the Group's other financial liabilities (undiscounted amounts of principal and related interest) as well as the undiscounted cash flows from financial assets used for liquidity management.

As of December 31, 2014:

	≤ 1 year	>1 to < 5 years	≥ 5 years	Total
Financial liabilities:				
Trade and other payables:				
Accounts payables	**P331,820,299**	**P–**	**P–**	**P331,820,299**
Retentions payable	**710,106,771**	**–**	**–**	**710,106,771**
Accrued expenses and others	**1,482,945,354**	**–**	**–**	**1,482,945,354**
Payables to related parties	**986,752,411**	**–**	**–**	**986,752,411**
Loans payable	**578,026,734**	**1,403,334,020**	**–**	**1,981,360,754**
Payable to landowners	**1,296,785,000**	**992,922,528**	**–**	**2,289,707,528**
Security deposits	**60,364,996**	**203,103,508**	**86,433,235**	**349,901,739**
Advance rentals	**–**	**43,510,133**	**–**	**43,510,133**
	P5,446,801,565	**P2,642,870,189**	**P86,433,325**	**P8,176,104,989**
Financial assets:				
Cash in banks and cash equivalents	**P1,958,663,867**	**P–**	**P–**	**P1,958,663,867**
Trade and other receivables*	**3,205,400,324**	**608,117,854**	**–**	**3,813,518,178**
	P5,164,064,191	**P608,117,854**	**P–**	**P5,772,182,045**

**Excluding other receivables amounting to P748.2 million*

As of December 31, 2013:

	≤ 1 year	>1 to < 5 years	≥ 5 years	Total
Financial liabilities:				
Trade and other payables:				
Accounts payables	P345,975,634	P–	P–	P345,975,634
Retentions payable	731,493,025	–	–	731,493,025
Accrued expenses and others	2,761,906,073	–	–	2,761,906,073
Payables to related parties	848,948,461	–	–	848,948,461
Loans payable	1,009,914,973	1,943,559,902	–	2,953,474,875
Payable to landowners	–	1,296,785,080	–	1,296,785,000
Security deposits	53,348,407	75,073,139	33,179,333	161,600,879
Advance rentals	–	98,658,136	–	98,658,136
	P5,751,586,573	P3,414,076,177	P33,179,333	P9,198,842,083
Financial assets:				
Cash in banks and cash equivalents	P785,076,789	P–	P–	P785,076,789
Trade and other receivables**	759,488,519	1,789,772,311	447,443,078	2,996,703,908
	P1,544,565,308	P3,430,466,889	P447,443,078	P3,781,780,697

**Excluding other receivables amounting to P509.4 million*

Interest rate risk

The Group's exposure to interest rate risk arises from the Parent Company's investment in loans payable. The Group's policy is to manage its interest cost using a mix of fixed and variable rate loans.

The table below demonstrates the possible increase (decrease) in the Group's income before tax as a result of reasonably possible changes in interest rate as of December 31, 2014 and 2013, with all other variables held constant.

	Changes in basis points	**2014**	2013
Notes payable	+100	**(P3,063,550)**	(P9,633,551)
	-100	**3,063,550**	9,633,551
Bank loans	+100	**(15,288,189)**	(19,901,198)
	-100	**15,288,189**	19,901,198

Foreign currency risk

Foreign exchange risk is the risk on volatility of earnings or capital arising from changes in foreign exchange rates, mainly US Dollar to Peso exchange rate. The Group's exposure to foreign currency risk arises from US Dollar-denominated cash and cash equivalents, and payables arising from related party transactions.

The following table shows the Group's foreign currency-denominated monetary assets and its peso equivalents as of December 31:

	US Dollar Value	**Peso Equivalent**
2014	**$1,534,091**	**P68,497,170**
2013	**$1,979,387**	**P87,874,885**

The exchange rate used as of December 31, 2014 and 2013 is P44.65 to US$1.00 and P44.40 to US$1.00, respectively. The Group recognized net foreign exchange loss amounting to P1.2 million in 2014 and net foreign exchange gain of P3.9 million in 2013.

The table below represents the impact on the Group's income before income tax as a result of about a reasonably possible change in US Dollar to Peso exchange rate with all other variables held constant as of December 31, 2014 and 2013.

	Change in Dollar Foreign Exchange Rate	Effect on Income before Income Tax
2014	**4.26%**	**(P2,924,021)**
	(4.26%)	**2,924,021**
2013	5.30%	(4,657,653)
	-5.30%	4,657,653

29. Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2014 and 2013. Accordingly, the Group is not subject to externally imposed capital requirements.

The table below summarizes the total capital considered by the Group:

	2014	2013
Deposit for future stock subscription	**P5,500,000,000**	P–
Equity:		
Capital stock	**2,905,348,700**	2,905,348,700
Additional paid-in capital	**3,500,000,000**	3,500,000,000
Retained earnings	**1,658,359,778**	1,538,495,118
Treasury shares	**(7,955)**	(7,955)
	P13,563,700,523	P7,943,835,863

30. Registration with Philippine Economic Zone Authority (PEZA)

The Group's projects namely, Eton Cyberpod Corinthian and Eton Centris, were registered with PEZA on August 27, 2008 and September 19, 2008, respectively, as non-pioneer "ecozone developer/operator". The locations are created and designated as Information Technology Park.

31. Registration with Board of Investments (BOI)

The Group has three BOI-registered projects namely, Belton Place (BP), Eton Emerald Lofts (EEL) and One Archers Place (OAP).

BP is registered with BOI as a new developer of low-cost housing project on a Non-Pioneer status under the Omnibus Investments Code of 1987 (Executive Order No. 226) on September 15, 2008. This registration entitles the Group to four years ITH from November 2008 or actual commercial operations or selling, whichever is earlier but in no case earlier than the date of registration. The ITH shall be limited only to the revenue generated from this project. Revenue with selling price exceeding P3.0 million shall not be covered by ITH.

Likewise, on September 23, 2008, two other projects of the Group namely, OAP and EEL, were registered with the BOI as a new developer of low-cost housing project on a Non-Pioneer status. These two projects shall enjoy the same benefits as BP.

The Group availed of the tax incentives amounting to P47.0 million in 2012.

32. Contingencies

The Group has various contingent liabilities from legal cases arising from the normal course of business which are currently being contested by the Group. The outcomes of these cases are not currently determinable. Management and its legal counsel believe that the eventual liability from these legal cases, if any, will not have a material effect on Group's financial statements.

33. Notes to Consolidated Statements of Cash Flows

The principal non-cash investing activities of the Group follow:

- In September 2014, the Group reclassified the cost of land improvements with a total amount of P7.5 million from property and equipment to investment properties.

  In 2014, the Group purchased parcels of land which were capitalized as real estate inventories. The unpaid portion of the land purchases of P1,500.6 million is recognized and included under "Due to Related Parties" and "Payable to Landowners" in the amount of P134.9 million and P992.9 million, respectively (see Notes 7, 15, and 17).

- In October 2013, the Group purchased parcels of land with total amount of P600.0 million, which were partially financed through promissory notes totaling to P444.0 million. Of the total amount, P342.7 million was capitalized as real estate inventories and the remaining P257.3 million was capitalized as investment properties which will be used by the Parent Company for future project developments (see Notes 7 and 17).

- In September and November 2012, the Group purchased parcels of land with total amount of P1,742.4 million, which were partially financed through promissory notes totaling to P1,296.8 million (see Note 15).

- In December 2012, the Parent Company reclassified the cost of completed buildings intended for leasing amounting to P163.7 million from real estate inventory to investment properties. In addition, the Parent Company also reclassified the construction cost of showroom amounting to P6.6 million from investment property to property and equipment.

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