



# alphaland
CORPORATION

# ANNUAL REPORT 2013

ONE OF THE STRETCHES OF WHITE SAND BEACH IN BALESIN

Alphaland Corporation, a Philippine property development company, is managed by the RVO Capital Ventures Group.

Alphaland's corporate philosophy states:

We are unique in that we are very selective in the property development projects that we undertake. We focus only on high-end and top-of-the-line projects.

We do not intend to be, and will never be, all things to all people.

**ALPHALAND - UNIQUE!**

LEFT TO RIGHT:
ROBERTO V. ONGPIN, CHAIRMAN;
MARIO A. ORETA, PRESIDENT

August 9, 2014

**Dear Valued Shareholders,**

The year 2013, about which this Annual Report is written, was a difficult and traumatic one for Alphaland Corporation. The relationship between our erstwhile partner the Ashmore group and our group deteriorated to the point that for the entire year of 2013, Alphaland received not a single cent from Ashmore and Chairman Robert V. Ongpin had to step up, with his personal funds, to keep the company afloat.

Early in 2014, the board of Alphaland made a capital call because it was simply out of money. Regrettably, the Ashmore group declined to take up their proportionate share and thus, my group took control of Alphaland. A series of litigations followed after which courts in the Philippines ruled in favor of the group of the undersigned, but Ashmore then submitted the conflict for arbitration in Singapore.

During the course of early 2014, discussions between Ashmore and your company continued in an effort to arrive at an amicable settlement. Regrettably, your company erred in not keeping the Philippine Stock Exchange (PSE) informed of these discussions and thus, the PSE imposed severe penalties on Alphaland.

Fortunately, on June 5, 2014, the Ashmore group and the group of the undersigned were able to conclude a settlement, the results of which I quote below in a disclosure that both groups submitted to the stock exchange:

"Alphaland Corporation (the "Company") wishes to inform the Exchange that today the Company signed a definitive agreement with its shareholders, Alphaland Holdings (Singapore) Pte Ltd. ("AH") and Masrickstar Corporation ("MC"), to settle all the Company's disputes with AH and MC.

The salient provisions of the definitive settlement are as follows:

1. The Company will transfer the following shareholdings and interests (the "Transferred Interests") to a newly incorporated company owned by AH and MC:

   a. 100% of Alphaland Makati Tower, Inc., which owns The Alphaland Tower along Ayala Avenue, Makati City;

   b. 100% of each of Alphaland Marina Club, Inc. and of Alphaland Marina Corporation, which is currently developing the Alphaland Marina & Country Club project in the Manila Bay reclamation area in Parañaque City;

   c. 50% ownership of the Alphaland group in Alphaland Bay City Corporation, the joint venture company formed by the Alphaland group and the Wenceslao group to develop the 32-hectare Alphaland Bay City project at the Aseana Business Park, Parañaque City; and

   d. 60% interest owned by the Company in the Boracay Gateway project, the unincorporated joint venture between the Company and Akean Resorts Corporation to develop the latter's approximately 500 hectares of land in Caticlan (Malay) and Nabas, Aklan.

2. In return, AH and MC will transfer all of the shareholdings in the Company to the Company. AH and MC will also pay the Company Php2.5 billion in cash in two tranches.

3. As a result of these transactions, AH and MC will no longer be shareholders of the Company, and the Company will no longer have any stake in the Transferred Interests. The Company will remain majority-owned and controlled by the group of shareholders led by Mr. Roberto V. Ongpin. Among the assets that will remain with the Company are:

   1. Alphaland Southgate Tower and Mall
   2. Alphaland Makati Place (including The City Club)

3. Alphaland Balesin Island Club
4. Alphaland Baguio Mountain Lodge Homes

Thank you for your kind attention.

As of this time of writing, we have had several hearings at the PSE with regard to the request of both Ashmore and our group for voluntary delisting, and we hope to receive a favorable response from the Exchange in the near future.

We shall keep all of our shareholders informed of any developments as they occur.

Sincerely yours,

Roberto V. Ongpin
Chairman

Mario A. Oreta
President

# Balesin Island Club

THE MAIN POOL AREA AT PHUKET VILLAGE


alphaland
BALESIN ISLAND CLUB

With more than seven kilometers of white-sand beach, Balesin Island sits on the Pacific Ocean, 35 kilometers off the eastern coast of Luzon, and 20 minutes by plane from Manila.

Balesin is an exclusive, world-class island resort off the east coast of the Philippines, for members only. The flagship project of Alphaland Corporation, Balesin Island sits in the Pacific Ocean, 35 kilometers off the eastern coast of Luzon. It is 20 minutes' flight time from Manila, on Alphaland's private fleet of airplanes, which are boarded at Alphaland's private terminal. Balesin Island is about 500 hectares in size, of which less than 40 hectares (about 8%) will ever be developed. The majority of the island is undisturbed, original tropical rainforest. The island is ringed by more than seven kilometers of white-sand beach.

The resort redefines the Asian luxury beach experience, which is characterized by excellent service, and provides a comprehensive array of facilities for an endlessly varied and evolving lifetime experience for its members.

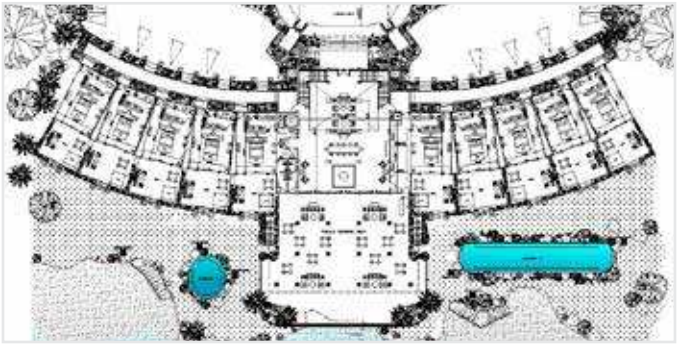
The accommodations consist of seven theme villages, inspired by world-renowned destinations: Balesin, Bali, Costa del Sol, Mykonos, Phuket, St. Tropez, and Toscana. Each village is a distinct experience, and effectively a resort in itself. Each is designed and executed authentically, from architecture and interiors to landscaping and cuisine. The emphasis

of the design is on privacy and exclusivity. Many of the accommodations are standalone villas, while the suites are also very private.

**Royal Villa**

Rising soon is the Balesin Royal Villa. With a targeted October 2014 completion date, this magnificent two-level structure is the ideal venue for large family gatherings, couples who wish to say "I do" in a grand setting, or companies that want to hold conferences away from the hustle and bustle of Manila. The Balesin Royal Villa's upper floor offers two spacious two-bedroom suites, accessible via private elevator, each with its own individual private deck and jacuzzi. On the ground floor are ten villa-type suites with private entrances, as well as a luxuriously appointed living and dining area opening out onto a sweeping deck with two pools overlooking the sea.

In addition to the villages, there are extensive central facilities, including a main clubhouse larger than most



ABOVE: GUESTS CAN TRAVERSE THE ISLAND ON HORSEBACK;
A CENTURY-OLD BALETE TREE; HENCE, THE NAME "BALESIN";
SITE DEVELOPMENT PLAN OF THE BALESIN ROYAL VILLA
BOTTOM: THE BALESIN SPA

country clubs, a Sports Center, an Aquatic Sports Center, a desitination spa, restaurants, and many others.

Balesin Island Club offers a number of complimentary villa nights a year depending on the type of membership. Members and their guests can choose to use these complimentary nights at any of the seven villages or at the clubhouse suites, which are designed for larger families.

Balesin's E.L. Tordesillas Airport, named after the founder of the original resort, has a 1.5 kilometer-long concrete runway, built to international aviation standards, that can accommodate regional aircraft and private jets. The club regularly operates two Cessna Grand Caravans, seating nine passengers, and two British Aerospace (BaE) Jetstream 32's, seating 19. Charter aircraft with larger capacities are added

TOP: MYKONOS VILLAGE
MIDDLE: NUSA DUA BAR AT BALI VILLAGE
BOTTOM: CLUBHOUSE DINING AREA AT BALESIN

ABOVE (CLOCKWISE FROM TOP LEFT): COSTA DEL SOL SALA; TABACALERA CIGAR DIVAN INTERIOR; BRITISH AEROSPACE JETSTREAM 32

BELOW (CLOCKWISE FROM TOP LEFT): MYKONOS THANASSIS TAVERNA; PHUKET SALATHIP; TOSCANA FACADE; NUSA DUA; ST. TROPEZ; BALESIN VILLA

TOP: VIEW OF THE INDOOR BADMINTON COURTS AT THE SPORTS CENTER FROM THE SECOND FLOOR
MIDDLE: HOBIE CAT SAILING ON BALESIN ISLAND CLUB'S CLEAR BLUE WATERS
BOTTOM: AERIAL VIEW OF BALESIN ISLAND CLUB

during peak periods, and the club has operated a capacity of 1,000+ seats a day during these periods. A key aspect of the flight experience is our own private terminal at the Ninoy Aquino International Airport, which is much more convenient— and luxurious— than the crowded public Domestic Terminal.

Alphaland utilized revolutionary technologies and concepts in developing Balesin Island Club. In any island development, the main challenge is water supply. The concrete runway serves as a rainwater catchment, collecting over 200 million liters per year into man-made lakes. The harvested water is processed via ultrafiltration into potable water, which is distributed around the island. Used water is processed aerobically and anaerobically in modular sewage treatment plants, producing Class A greywater. This reclaimed greywater is used for the island's lush landscaping during the summer months. Thus Balesin is - uniquely among island resorts - self-sufficient in water.

The island also produces a lot of its own food, which is made possible by the abundant water and the fertile soil. The original fishing community that continues to live on the island supplies the fish served in its restaurants, and also staffs the aquaculture facilities, which include fish and shellfish farms. The banana plantations on the island produce a surplus, which is sent to the mainland and marketed there. Compact, high-technology organic vegetable farms established near the airport have begun to yield much of the produce needed by the island's restaurants, although some items (like rice and meats) will always be brought in from the mainland, as we would rather not clear forest to accommodate these.

Location and ambiance are key to Balesin Island's overall vision. In this regard, the resort's architectural design remains in harmony with its natural

surroundings. This was achieved by partnering with one of the world's pre-eminent hospitality master planners, EcoPlan, of Florida, USA. EcoPlan has ensured that each structure never overwhelms its environment in any way.

**SPORTS and RECREATION:**

**Outdoor Activities**

- Airsoft Target Shooting range and forest arena with fortifications - Sports Center
- Archery - Archery Range, at the Sports Center
- Bicycling - Bicycles are available for use at the Main Clubhouse
- Boating - Speedboats and sailboats may be rented at the Main Clubhouse
- Fishing - deep sea, on board one of our fleet of speedboats, or gallery fishing at Fish Fun or Family Picnic Grove
- Gardening - Balesin has an Organic Vegetable Farm, where guests may harvest their own salads
- Golf driving range and putting green - On the island
- Hiking - 400+ hectares of forest and banana fields
- Horse riding - Island Trail Ride, Bullring (equestrian), at the Stables
- Kayaking - Aquatic Sports Center
- Mountain Biking - The highest point of Balesin is just above 10m above sea level, but we do have mountain bikes available for rent
- Paddle Boarding, Standup - Aquatic Sports Center
- Paintball/war games - Sports Center
- Picnicking - Family Picnic Grove, which also offers fishing
- Sailing, Hobie Bravo - Aquatic Sports Center
- Sailing, Paraw (native boat) - Aquatic Sports Center
- Scuba Diving - Aquatic Sports Center
- Segway - Main Clubhouse, or they can be delivered to your villa
- Snorkeling - Aquatic Sports Center

TOP: THE BALESIN SALA
MIDDLE: PHUKET VILLA
BOTTOM: MYKONOS POSEIDON BEACH VILLAS


TOP: PRIVATE MASSAGE BY THE BEACH
MIDDLE: THE BALESIN FISH FUN RESTAURANT
BOTTOM: GUEST TRYING OUT THE INDOOR CLIMBING WALL AT THE SPORTS CENTER

- Surfing - Available at certain seasons, off various beaches. Our Aquatic Sports Center will show you the different breaks.
- Swimming - Beach swimming with lifeguards is available at specified schedules. The Clubhouse has a Lagoon Pool, three Outdoor Whirlpools, and a Kiddie Pool; each village has one or more pools, Mykonos Cove Deck has five Outdoor Whirlpools, and Poseidon has an indoor/outdoor pool; the Balesin Spa has a private pool
- Tanning - the main beach and all pool areas are provided with sun lounges.
- Tennis - Outdoor Tennis Court, Sports Center
- Volleyball (beach) - Aquatic Sports Center
- Wakeboarding - Aquatic Sports Center
- Waterskiing - Aquatic Sports Center
- Windsurfing (sailboarding) - Aquatic Sports Center

**Indoor Activities**

- Airsoft Target Shooting Range - Sports Center
- Badminton - Indoor Courts, Sports Center
- Basketball - Indoor Basketball Court, Sports Center
- Billiards - Game Room, Main Clubhouse
- Boxing, with trainer - Sports Center
- Children's Indoor Playroom - Main Clubhouse
- Dancing - Ballroom, Latin, and other styles at various events throughout the island
- Fußbol (table football)- Game Room, Main Clubhouse
- Gym - Sports Center
- Internet and Gaming- Internet Café, Main Clubhouse
- Karaoke- Babes', Mike's and Rannie's KTV Rooms, Main Clubhouse
- Mahjong- Mahjong Rooms, Main Clubhouse
- Mixed Martial Arts, with trainer- Sports Center
- Poker and other card games- Poker Rooms, Main Clubhouse
- Reading- E.L. Tordesillas Library.
- Rock Climbing Wall- Sports Center
- Singing- Babes', Mike's and Rannie's KTV Rooms, Main Clubhouse

- Smoking- Tabacalera Cigar Divan, Main Clubhouse
- Table Tennis (Ping Pong), Game Room, Main Clubhouse
- Tennis Indoor Tennis Court, Sports Center
- Wii©- Wii© Room, Main Clubhouse

**DINING**

- Dining - Breakfast buffet, Main Clubhouse Lounge
- Dining - Filipino, Main Clubhouse Lounge, Balesin Dining Room, Veranda, Balesin Sala
- Dining - Fish, catch-it-yourself, at Fish Fun and Family Picnic Grove
- Dining - French, at St. Tropez Village
- Dining - Greek, at Thanassis Taverna and Cove Deck, Mykonos Village, and Poseidon, Mykonos Beach Villas
- Dining - Indonesian at Bali Warung and Nusa Dua Bar
- Dining - Italian at Toscana Village
- Dining - Japanese at Sakura by Chef Edo-San, Main Clubhouse
- Dining - Spanish at the Restaurante Español and Tapas Bar, Costa del Sol Village
- Dining - Thai at Salathip, Phuket Village
- Dining - Private Michelle's and Anna's at Main Clubhouse, Private Dining Rooms at Bali, Phuket, St. Tropez, Costa del Sol Village and Toscana Village
- Cocktails - The Main Clubhouse has three bars, the Pool bars serve the swimming pools and the beach, and the sala of each village has a bar with general cocktails and drinks and wines unique to its theme. The open-air Nusa Dua bar at Bali village sits on stilts on the water.

**SPA & WELLNESS**

- Massage, Balesin Balance (Eastern and Western)- Balesin Spa
- Massage, Balesin signature (hot banana leaves)- Balesin Spa
- Massage, Foot Spa- Balesin Spa
- Massage, Full Body Scrub- Balesin Spa
- Massage, Island Hot Stones- Balesin Spa
- Massage, Shiatsu - Balesin Spa
- Massage, Swedish- Balesin Spa
- Sauna and Steam Bath - Balesin Spa

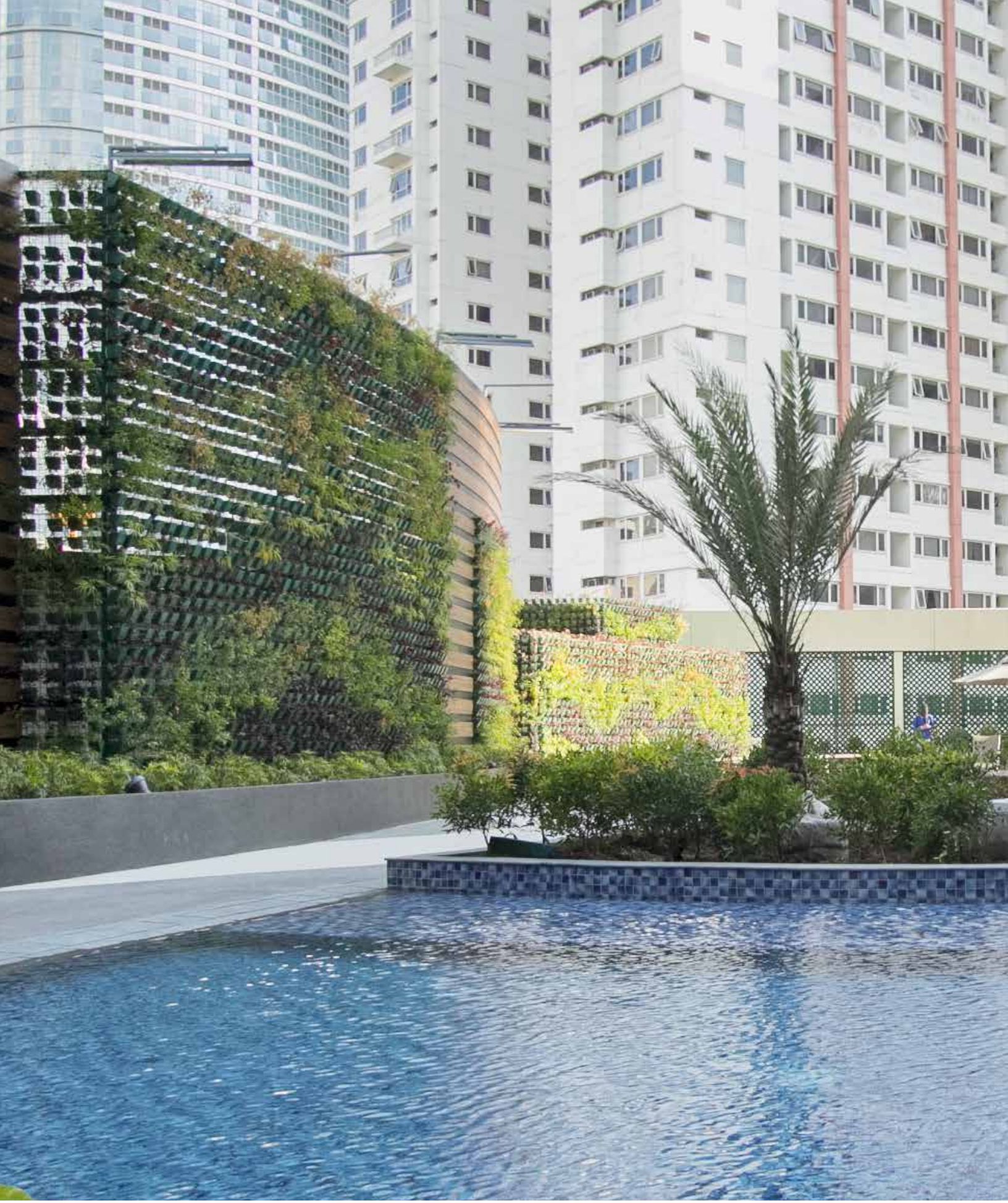
**AMENITIES**

- Beauty treatment - Salon, Main Clubhouse
- Business Center - Main Clubhouse
- Event and conference facilities - Royal Villa, function rooms, Main Clubhouse
- Haircut and grooming - Barber Shop, Main Clubhouse
- Locker Rooms (Men's , Women's, & Children's) - Main Clubhouse and Sports Center
- Shopping - sundries and souvenirs at Joanna's, Main Clubhouse
- Worship - The Balesin Chapel offers regular Catholic masses on Sundays, and other days of Catholic observance. It is open all day for private prayer, and available for weddings and other occasions.

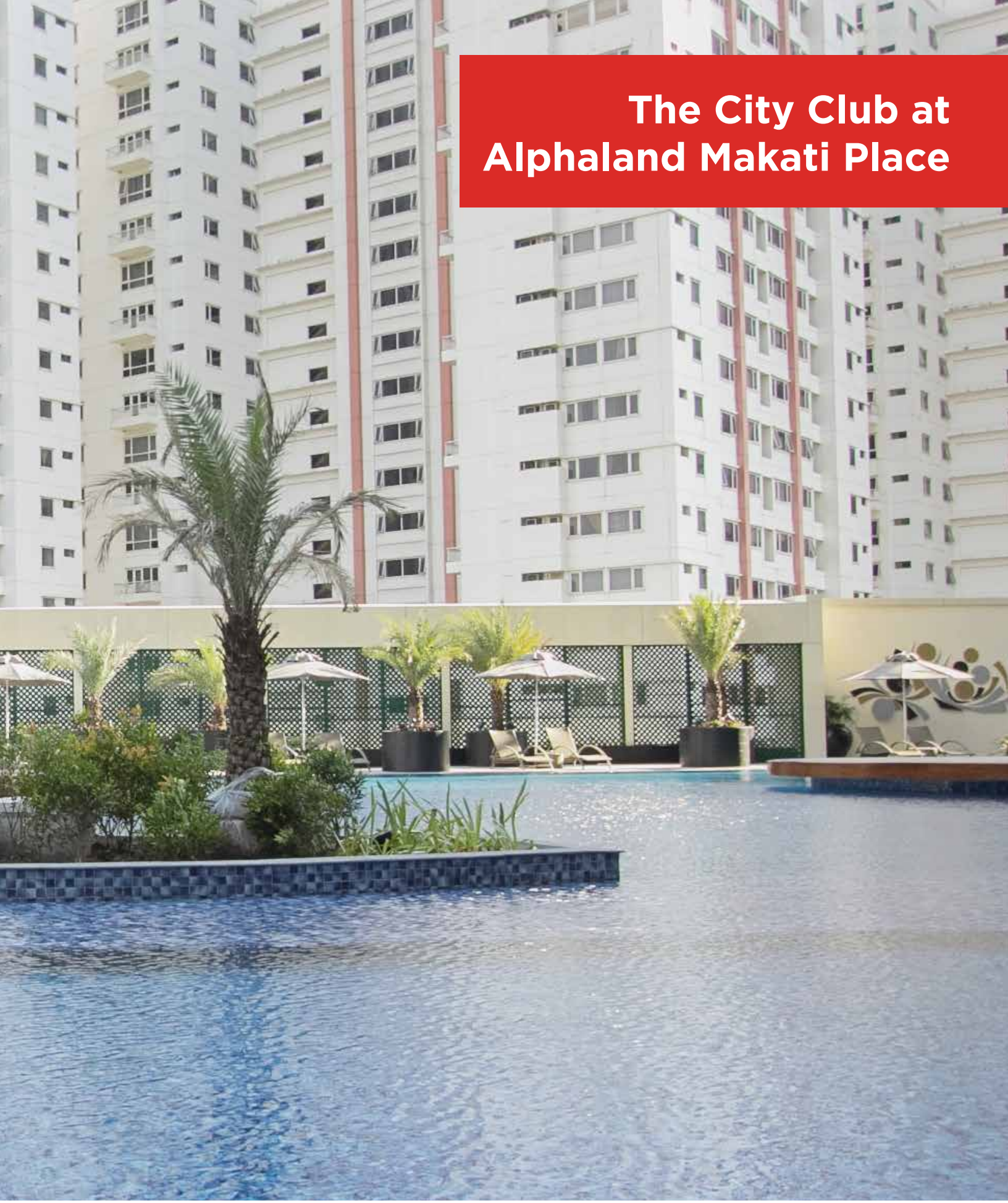
**TRANSPORTATION**

- Bicycling - Bicycles are available at the Main Clubhouse
- Golf Cart rides - all over the island
- Jeepney rides - all over the island

ONE OF THE SWIMMING POOLS AT BALI VILLAGE



# The City Club at Alphaland Makati Place



THE SWIMMING POOL ON THE 6TH FLOOR OF THE CITY CLUB

THE CITY CLUB IS CONVENIENTLY LOCATED IN THE PODIUM OF ALPHALAND MAKATI PLACE

THE CITY CLUB
alphaland MAKATI PLACE

The City Club is three hectares of leisure, entertainment and business options in Makati's central business district. No other club offers all these options in one place.

The City Club is an integral component of Alphaland Makati Place. All unit owners at The Residences at Alphaland Makati Place are automatically members of The City Club, and non-residents may also purchase memberships. Located along Ayala Avenue, it occupies the top three floors of the six-storey podium of Alphaland Makati Place, with an area of 30,000 square meters. It is located within walking distance of most of the major offices, residential buildings, and commercial establishments in the city. This provides convenience from work, home, and everywhere in between.

The City Club offers its members the most number of things to do under one roof. There are over 50 activities to choose from.

The City Club houses eight specialty restaurants, where you can choose from a variety of international cuisines. There's Sakura by Edo-San (Japanese), Mark's Prime Rib (Steak House), Salathip (Thai), A Taste of France (French), Hai Shin Lou (Chinese), Toscana Ristorante Italiano (Italian), Costa del Sol (Spanish) and Balesin Islander (Filipino).

No club is complete without a swimming pool, and The City Club has a lagoon-style swimming pool with additional areas for laps and for children. One notable exclusive to The City Club and its members is a High-

TOP: RELAX AT THE CITY CLUB'S SPA WITH A REJUVENATING MASSAGE
BOTTOM: MEMBERS CAN ENJOY A DELICIOUS MEAL AT ANY OF THE CITY CLUB'S SPECIALTY RESTAURANTS

Definition Virtual Golf simulator, the only one of its kind in the Philippines.

Other activities exclusive to The City Club include an indoor airsoft shooting range that tests marksmanship skills and CrossFit 360 exercise machines. The City Club's indoor courts include Tennis, Badminton, Basketball, and Squash.

The fourth and fifth floors of The City Club were inaugurated on September 5, 2013 with members of the Philippine social, political, and business scene in attendance. On January 27, 2014, the sixth floor was opened to members with the pools, spa facilities and the Balesin Islander restaurant as the main highlights. This event marked the formal completion of The City Club.

RIGHT: THE GYM; VIEW OF THE INDOOR BASKETBALL AND TENNIS COURTS; BOXING RING; SWIMMING POOL; CANADIAN AMERICAN SCHOOL

# Alphaland Makati Place

THE LIVING ROOM OF A TYPICAL UNIT AT ALPHALAND MAKATI PLACE

EXTERIOR PERSPECTIVE OF ALPHALAND MAKATI PLACE

THE RESIDENCES
alphaland
MAKATI PLACE

Continued economic growth brings about the expansion of the Central Business District. Alphaland Makati Place, located on a premium one hectare property along Ayala Avenue Extension, leads the charge.

Alphaland Makati Place is a uniquely intelligent residential and leisure complex, with every detail planned for efficiency, sustainability, and enjoyment. It is advanced in concept and execution. Wong & Ouyang, the renowned architectural firm that designed Alphaland Makati Place, also had a hand in designing Hong Kong's Pacific Place.

Alphaland Makati Place consists of three towers on a six-storey podium. The first three floors of the podium contain an upscale public shopping center while the three floors above that house The City Club, an exclusive urban sports and leisure membership club with more than 50 amenities to choose from. Towers One and Two contain The Residences at Alphaland Makati Place, with 52 and 47 levels respectively. Tower Three has 33-floors luxury hotel. The basement has five levels of parking, designed to reduce the building's overall urban heat-island effect.

The result is an integrated urban lifestyle solution, with residential, sports and


THE MAKATI PLACE MALL

leisure, and retail necessities all in one complex. There is nothing comparable to this in the Central Business District, and no other development presents such a comprehensive living solution. This complete community will cut down on commuting, save time and energy for its residents, and minimize traffic, all in secure, private surroundings.

Alphaland Makati Place is designed from the ground up as an intelligent development, with state-of-the-art building management, automation, and security, as well as energy-efficient mechanical, electrical, and sanitary systems. The complex will consume far less water and energy than comparable buildings, minimizing carbon emissions and unnecessary costs, while still achieving a high level of comfort. The project is registered under the United States Green Building Council (USGBC) rating system, which administers the Leadership in Energy and Environmental Design (LEED). Makati Place is designed to a Gold level of certification.

THE SPACIOUS LIVING ROOM OF A TYPICAL PREMIUM 2-BEDROOM UNIT

The Residences at Alphaland Makati Place offers fully fitted, fully furnished, state-of-the-art Ayala Avenue apartments. Each unit is delivered in ready-to-move-in condition. All furniture, fixtures, and major appliances are included in the unit price, and are installed and tested. Fixtures include a dishwasher, air conditioners, beds, sofas, intelligent lighting, bathroom and kitchen fixtures, a refrigerator/freezer, a laundry washer and dryer, a minibar, and a safe. Premium units come with a wine chiller. Extensive storage is provided, with each unit containing ample shelves, closets and bins. Fixtures for the units were hand-picked from leading global brands, such as Philippe Starck and Kuysen.

Units are fully automated at no additional cost to the buyer. With the use of a provided tablet or any Internet-enabled device, unit owners can control their appliances and lighting even if they are away from home.

TOP: BUILT-IN SHELVING ALLOWS FOR SPACE-SAVING EFFICIENCY
MIDDLE: OPEN-PLAN LIVING / DINING AREA OF A MAKATI PLACE LIVING ROOM
BOTTOM: A TASTEFULLY DESIGNED MAKATI PLACE BEDROOM UNIT

Lights turn on and off with motion-sensor technology, the flat screen TV can be hidden in a built-in recess, and the temperature of the air conditioners can be modified with the press of a button. Other applications on the tablet PC will connect to housekeeping, maintenance, security, billing, and other services. The complex incorporates high-speed fiber-optic infrastructure, ensuring that it will be technologically advanced for years to come.

TOP: ANOTHER VIEW OF A MAKATI PLACE BEDROOM
MIDDLE: THE LCD TV CAN BE DROPPED DOWN INTO A RECESSED AREA WHEN NOT IN USE
BOTTOM: THE KITCHEN ISLAND COUNTER DOUBLES AS A DINING TABLE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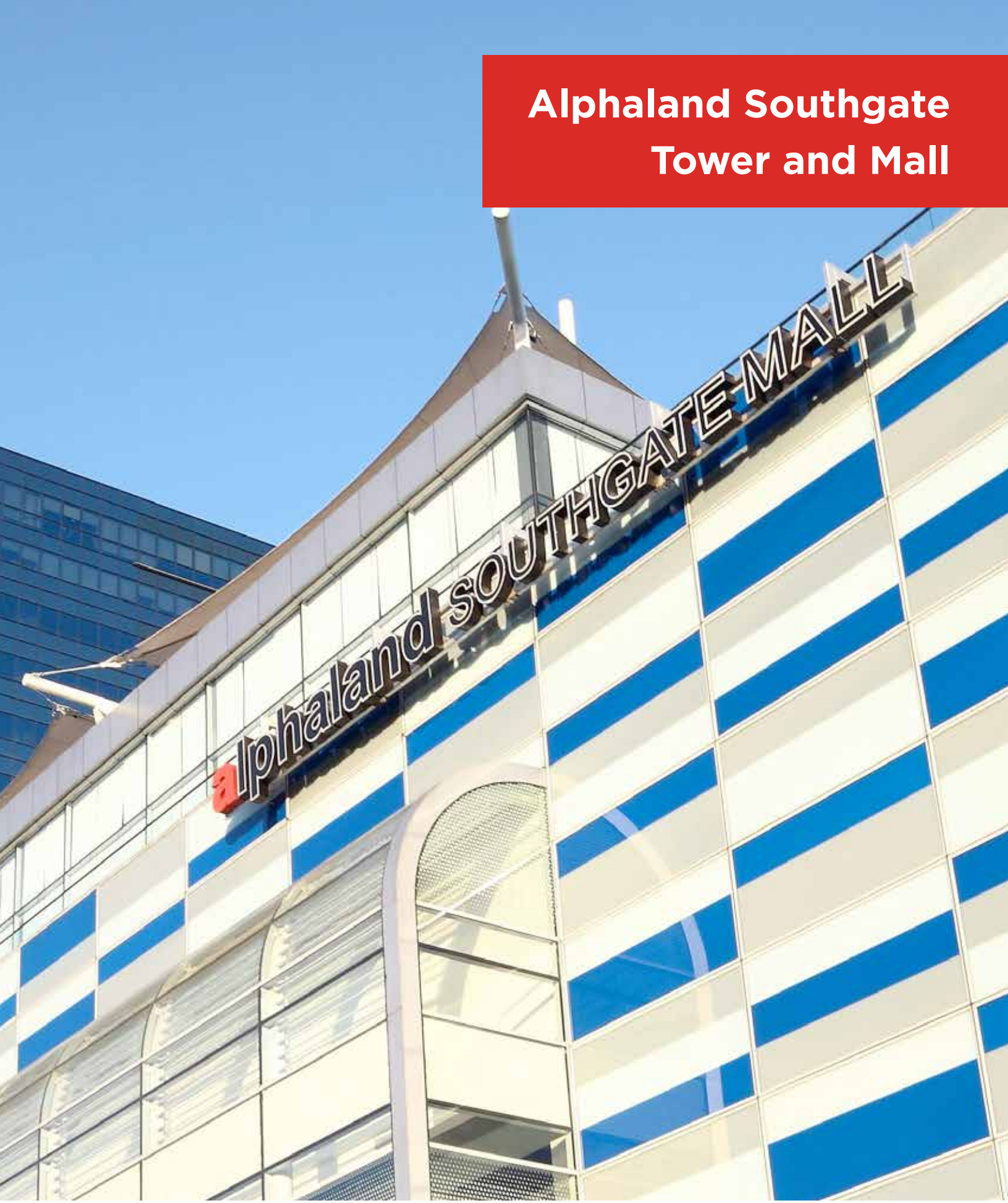
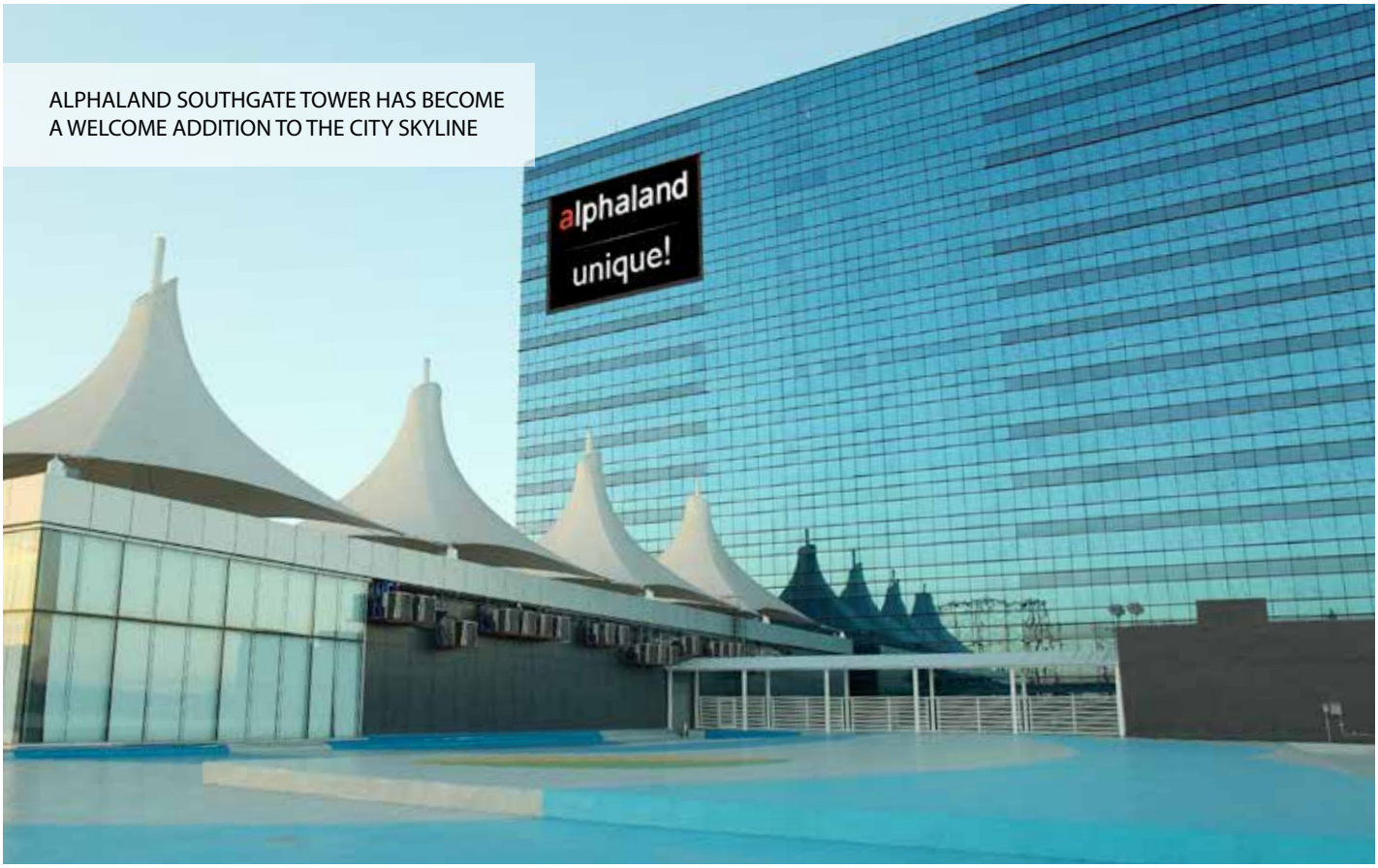
unique!

# Alphaland Southgate Tower and Mall




ALPHALAND SOUTHGATE TOWER AND MALL LOCATED AT THE CORNER OF EDSA AND CHINO ROCES AVENUE




ALPHALAND SOUTHGATE TOWER HAS BECOME A WELCOME ADDITION TO THE CITY SKYLINE

alphaland SOUTHGATE

The Southgate Tower is Alphaland's corporate headquarters and exemplifies the company's vision of superior value transformation.

## ALPHALAND SOUTHGATE TOWER

Alphaland Southgate Tower continues to prosper and has become an iconic establishment in the city of Makati. Its distinctive LED display, set against a blue glass facade, welcomes visitors to the metropolis' central business district.

The project began as an unfinished high-rise building that remained idle for nearly 30 years. Alphaland reinvented it as a modern glass office tower with a podium mall, transforming a former eyesore into one of the city's most recognizable and vibrant landmarks.

Alphaland Southgate first opened its doors in 2010, with the initial batch of tenants composed of companies within the group, including Alphaland itself, PhilWeb Corporation, ISM Communications, and Atok-BigWedge. Major BPO players such as Teleperformance, GHD Pty. Ltd., Genie Technologies, and Alorica Inc. soon followed. Later on, Anthem Solutions

Inc., MRL Gold Phils., Jorge Yulo Architects, and Western Mindanao rounded out the rest of the building's occupants.

By the end of 2011, Alphaland Southgate Tower had reached full occupancy.

Located on Southgate Tower's 6th floor are two establishments that cater to Alphaland's discerning clientele. These are Tabacalera Cigar Divan and Sakura Japanese Restaurant.

The Tabacalera Cigar Divan offers the best hand-rolled Filipino cigars and a selection of single malt whiskies and wines. Not to be missed is Sakura, a modern Japanese restaurant that specializes in grilled teppanyaki dishes and unique variations of sushi and sashimi.

The sixth floor is also home to the Balesin and Boracay function rooms, which have a combined seating capacity of 140 persons in a banquet-style layout. These rooms come fully equipped with ceiling-mounted LCD projectors, a drop-down screen, banquet tables and chairs, and a podium with microphones, platforms, and Wi-Fi access.

TOP: SAKURA JAPANESE RESTAURANT
MIDDLE: TABACALERA CIGAR DIVAN
BOTTOM: THE RETAIL SHOPS AT THE ALPHALAND SOUTHGATE MALL

For larger functions, there is the Alpha Tents. Found on the same level, this magnificent 600 sq.m. events venue is contained within an airconditioned glass structure, allowing for views of Makati and Manila Bay. Because of its layout flexibility, the Alpha Tents allows event planners to conduct a variety of event formats such as conferences, seminars, social occasions, and corporate milestones.

The Alpha Tents includes a reception foyer, an al fresco area, and a dedicated scenic elevator from the ground floor of the mall.

TOP:THE BALESIN AND BORACAY FUNCTION ROOMS
BOTTOM: OPEN LAYOUT OF THE ALPHA TENTS

## ALPHALAND SOUTHGATE MALL

Convenience is the main driver of Alphaland Southgate Mall.

Alphaland Southgate Mall connects directly to Southgate Tower. It offers 18,340 sq.m. of floor area on three levels, with the third level providing commuters with direct access to the Magallanes MRT station. The building houses major bank branches like BDO and PBCOM, fast-food and casual dining establishments, food kiosks, computer shops, a hardware store, beauty and wellness shops, and fashion outlets. Mall events are regularly held during holidays on the ground floor and the third floor.

Alphaland's own property operations team addresses tenants' needs and requests. Supported by a professional staff and a 24/7 concierge service, the group handles any construction, engineering, housekeeping, parking, and security concerns that may arise.

Alphaland Southgate Mall hours are from 10AM to 9PM, Mondays to Sundays.


TOP: EXTERIOR VIEW OF THE ALPHA TENTS
BOTTOM (LEFT): THE SCENIC ELEVATOR CAN BE USED FOR THE ALPHA TENTS
BOTTOM (RIGHT): THE THIRD ANNIVERSARY OF ALPHALAND SOUTHGATE

# Alphaland Baguio Mountain Lodges

alphaland BAGUIO MOUNTAIN LODGES

The Baguio Mountain Lodges will be a master-planned development of authentic log homes just 15 minutes away from Baguio City proper. There will be three designs and floor plans to choose from, and the homes will be sited to maximize the views of the surrounding pine-forested mountains.

The members of the Board of Directors of Alphaland Corporation are as follows:

1. **Roberto V. Ongpin**
   *Chairman and CEO*

2. **Mario A. Oreta**
   *President*

3. **Anna B. Ongpin**

4. **Margarito B. Teves**
   *Independent Director*

5. **Rodolfo Ma. A. Ponferrada**
   *Corporate Secretary*

6. **Craig Webster**

7. **Peter Davies**

8. **Michael A. P. M. Asperin**

9. **Cyrano A. Austria**

10. **Joanna O. Duarte**

11. **Dennis O. Valdes**

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CORPORATION

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY**
**FOR FINANCIAL STATEMENTS**

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City

Gentlemen:

The management of Alphaland Corporation and Subsidiaries is responsible for the preparation and fair presentation of the financial statements for the year ended 31 December 2013 and 2012, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

June 18, 2014

**ROBERTO V. ONGPIN**
Chairman

**MARIO A. ORETA**
President

**JESUSA A. AGUDA**
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this JUN 30 2014 at Makati City, affiants exhibiting to me their respective identification documents, and personally known to me, follows:

| NAME | PASSPORT ID NO. | DATE OF ISSUE | PLACE OF ISSUE |
|---|---|---|---|
| Roberto V. Ongpin | EB5765525 | June 27, 2012 | DFA Manila |
| Mario A. Oreta | EB0611940 | July 22, 2010 | DFA Manila |
| Jesusa A. Aguda | EB7008256 | Dec. 26, 2012 | DFA Manila |

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Book No. IV
Series of 2014

CARLO ANTONIO A. BAUTISTA
Commission No. M-506
Notary Public for Makati City
Until December 31, 2014
The Penthouse, Alphaland
Southgate Tower, Makati City
Roll No.59334
PTR No. 4156231;01/27/14; Makati City
IBP No. 861819; 01/27/14; RSM
MCLE No. IV-0017797 / TIN No. 408-277-800

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
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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
Alphaland Corporation

We have audited the accompanying consolidated financial statements of Alphaland Corporation and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, 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.

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***Opinion***

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

SYCIP GORRES VELAYO & CO.

Maria Vivian C. Ruiz
Partner
CPA Certificate No. 83687
SEC Accreditation No. 0073-AR-3 (Group A),
January 18, 2013, valid until January 17, 2016
Tax Identification No. 102-084-744
BIR Accreditation No. 08-001998-47-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225211, January 2, 2014, Makati City

June 18, 2014

## ALPHALAND CORPORATION AND SUBSIDIARIES
## CONSOLIDATED BALANCE SHEETS

| | **December 31, 2013** | December 31, 2012 (As restated - Note 2) | January 1, 2012 (As restated - Note 2) |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents (Notes 6, 19, 25 and 26) | **₱173,775,856** | ₱408,028,599 | ₱975,049,793 |
| Trade and other receivables (Notes 7, 14, 19, 25 and 26) | **299,064,006** | 216,976,956 | 167,723,644 |
| Land and development costs (Notes 8 and 17) | **2,286,806,564** | 1,171,426,541 | 685,887,592 |
| Parking lots for sale (Note 8 and 17) | **236,300,618** | – | – |
| Advances to related parties (Notes 11, 19, 25 and 26) | **1,213,433,370** | 209,839,072 | 58,990,468 |
| Available-for-sale (AFS) investments (Notes 11, 25 and 26) | **785,555,507** | 1,166,318,831 | – |
| Other current assets (Notes 9, 14 and 28) | **1,729,023,197** | 1,663,510,058 | 1,800,261,128 |
| Total Current Assets | **6,723,959,118** | 4,836,100,057 | 3,687,912,625 |
| **Noncurrent Assets** | | | |
| Investment in a joint venture (Note 4) | **13,344,395,606** | 10,175,195,481 | 9,415,491,718 |
| Investments in and advances to associates (Notes 10 and 19) | **1,067,375,221** | 1,074,730,895 | 928,511,430 |
| AFS investments (Notes 11, 25 and 26) | **29,316,478,408** | 23,416,045,559 | 10,747,425,000 |
| Investment properties (Notes 4, 12 16 and 17) | **14,590,077,559** | 10,958,040,624 | 8,294,784,798 |
| Property and equipment (Notes 12, 13 and 20) | **272,376,854** | 296,881,321 | 351,201,224 |
| Other noncurrent assets (Notes 7, 9, 14, 25, 26 and 28) | **880,412,994** | 683,581,238 | 128,420,211 |
| Total Noncurrent Assets | **59,471,116,642** | 46,604,475,118 | 29,865,834,381 |
| | **₱66,195,075,760** | ₱51,440,575,175 | ₱33,553,747,006 |

| | | | |
|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Trade and other payables (Notes 4, 11, 15, 19, 20, 25, 26 and 28) | **₱3,455,688,409** | ₱3,978,060,617 | ₱2,832,832,583 |
| Current portion of long-term debt (Notes 8, 12, 17, 25 and 26) | **597,629,987** | 229,978,734 | 193,750,100 |
| Current portion of customers' deposits (Notes 20, 25 and 26) | **26,366,314** | 13,745,480 | 19,551,074 |
| Advances from related parties (Notes 19, 25 and 26) | **99,323,812** | 9,993,378 | – |
| Loans payable (Notes 16, 25 and 26) | **–** | 2,000,000,000 | – |
| Total Current Liabilities | **4,179,008,522** | 6,231,778,209 | 3,046,133,757 |
| **Noncurrent Liabilities** | | | |
| Long-term debt - net of current portion (Notes 8, 12, 17, 25 and 26) | **6,810,985,446** | 4,148,994,373 | 2,833,716,202 |
| Customers' deposits - net of current portion (Notes 20, 25 and 26) | **73,768,914** | 77,839,279 | 57,995,948 |
| Retirement benefits obligation (Note 22) | **19,192,925** | 18,753,543 | 10,032,206 |
| Deferred tax liabilities (Note 23) | **5,953,751,403** | 4,286,981,695 | 2,822,623,462 |
| Obligation under finance lease - net of current portion (Note 20) | **1,054,831** | 2,503,384 | 3,790,556 |
| Deposits intended for equity subscription (Notes 18 and 19) | **1,500,000,000** | – | – |
| Other noncurrent liabilities (Notes 8, 11, 20 and 28) | **831,549,718** | 1,149,433,058 | 441,669,208 |
| Total Noncurrent Liabilities | **15,190,303,237** | 9,684,505,332 | 6,169,827,582 |
| **Equity Attributable to Equity Holders of the Parent** | | | |
| Capital stock (Note 18) | **1,838,370,551** | 1,838,370,551 | 1,838,370,551 |
| Additional paid-in capital (Note 18) | **9,672,052,401** | 9,672,052,401 | 9,672,052,401 |
| Unrealized valuation gains on AFS investments (Note 11) | **21,423,378,574** | 16,288,147,877 | 7,129,834,932 |
| Excess of acquisition price over acquired interest (Note 18) | **(159,018,215)** | (159,018,215) | (159,018,215) |
| Retained earnings (Note 18) | **14,046,593,183** | 7,880,124,373 | 5,857,759,524 |
| | **46,821,376,494** | 35,519,676,987 | 24,338,999,193 |
| Less cost of 423,900 shares in treasury (Note 18) | **1,213,526** | 1,213,526 | 1,213,526 |
| | **46,820,162,968** | 35,518,463,461 | 24,337,785,667 |
| **Non-controlling Interests** (Note 1) | **5,601,033** | 5,828,173 | – |
| Total Equity | **46,825,764,001** | 35,524,291,634 | 24,337,785,667 |
| | **₱66,195,075,760** | ₱51,440,575,175 | ₱33,553,747,006 |

*See accompanying Notes to Consolidated Financial Statements.*

# ALPHALAND CORPORATION AND SUBSIDIARIES
# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2013** | 2012 (As restated - Note 2) | 2011 (As restated - Note 2) |
| **REVENUES** | | | |
| Rent (Notes 12, 19 and 20) | **₱574,484,027** | ₱530,916,881 | ₱413,024,287 |
| Real estate sales | **205,023,141** | – | – |
| Others (Note 12) | **4,445,202** | – | – |
| | **783,952,370** | 530,916,881 | 413,024,287 |
| **COSTS AND EXPENSES** | | | |
| Cost of real estate sold (Notes 8 and 21) | **175,798,412** | – | – |
| Cost of services (Note 21) | **134,689,586** | 121,054,677 | 75,219,621 |
| General and administrative (Note 21) | **535,066,336** | 304,193,231 | 217,099,221 |
| | **845,554,334** | 425,247,908 | 292,318,842 |
| **OTHER INCOME (EXPENSES)** | | | |
| Gain on fair value change of investment properties (Note 12) | **3,586,250,552** | 1,409,507,610 | 1,381,654,367 |
| Equity in net income of a joint venture and associates (Notes 4 and 10) | **3,162,707,111** | 722,316,933 | 674,115,939 |
| Gain on sale of AFS investments (Note 11) | **729,653,162** | 329,259,178 | 208,631,416 |
| Interest expense and other finance charges (Notes 16, 17 and 21) | **(211,598,354)** | (123,392,861) | (71,406,981) |
| Interest income (Notes 6, 7 and 9) | **45,527,254** | 31,549,489 | 44,887,264 |
| Foreign exchange gain (loss) - net | **(33,919)** | (228,945) | 53,223 |
| Gain on loss of control (Note 4) | **–** | – | 8,939,415 |
| Loss on sale of an investment (Note 5) | **–** | – | (1,298,081) |
| | **7,312,505,806** | 2,369,011,404 | 2,245,576,562 |
| **INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS** | **7,250,903,842** | 2,474,680,377 | 2,366,282,007 |
| **PROVISION FOR INCOME TAX** (Note 23) | | | |
| Current | **17,160,627** | 8,757,459 | 5,220,444 |
| Deferred | **1,080,622,340** | 446,695,685 | 437,919,826 |
| | **1,097,782,967** | 455,453,144 | 443,140,270 |
| **NET INCOME FROM CONTINUING OPERATIONS** | **6,153,120,875** | 2,019,227,233 | 1,923,141,737 |
| **INCOME FROM DISCONTINUED OPERATIONS** (Note 5) | **–** | – | 12,907,072 |
| **NET INCOME** | **6,153,120,875** | 2,019,227,233 | 1,936,048,809 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Other comprehensive income to be reclassified to profit and loss in subsequent periods: | | | |
| Net gains on AFS investments (Note 11) | **5,705,811,886** | 10,175,975,493 | 6,416,346,188 |
| Income tax effect | **(570,581,189)** | (1,017,662,548) | (641,634,618) |
| | **5,135,230,697** | 9,158,312,945 | 5,774,711,570 |
| Other comprehensive income not to be reclassified to profit and loss in subsequent periods - | | | |
| Remeasurement gain on defined benefit plan (Note 22) | **12,370,795** | 2,965,789 | – |
| | **5,147,601,492** | 9,161,278,734 | 5,774,711,570 |
| **TOTAL COMPREHENSIVE INCOME** | **₱11,300,722,367** | ₱11,180,505,967 | ₱7,710,760,379 |
| Net income attributable to: | | | |
| Equity holders of the Parent | **₱6,154,098,015** | ₱2,019,399,060 | ₱1,936,048,809 |
| Non-controlling interests | **(977,140)** | (171,827) | – |
| | **₱6,153,120,875** | ₱2,019,227,233 | ₱1,936,048,809 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Parent | **₱11,301,699,507** | ₱11,180,677,794 | ₱7,710,760,379 |
| Non-controlling interests | **(977,140)** | (171,827) | – |
| | **₱11,300,722,367** | ₱11,180,505,967 | ₱7,710,760,379 |
| **Basic/Diluted Earnings Per Share** (Note 24) | | | |
| Income from continuing operations attributable to equity holders of the Parent | **₱3.101** | ₱1.017 | ₱1.096 |
| Net income attributable to equity holders of the Parent | **₱3.101** | ₱1.017 | ₱1.103 |

# ALPHALAND CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

| | Attributable to Equity Holders of the Parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock | Additional Paid-in Capital | Unrealized Valuation Gains on AFS Investments | Excess of Acquisition Price over Acquired Interest | Remeasurement Gain on Defined Benefit Plan (Note 22) | Retained Earnings | Treasury Shares | Total | Non-controlling Interests | Total Equity |
| Balances at December 31, 2012, as previously reported | **₱1,838,370,551** | **₱9,672,052,401** | **₱16,288,147,877** | **(₱159,018,215)** | **₱–** | **₱7,877,158,584** | **(₱1,213,526)** | **₱35,515,497,672** | **₱5,828,173** | **₱35,521,325,845** |
| Effect of adoption of Revised PAS 19 (Note 2) | **–** | **–** | **–** | **–** | **–** | **2,965,789** | **–** | **2,965,789** | **–** | **2,965,789** |
| Balances at December 31, 2012, as restated | **1,838,370,551** | **9,672,052,401** | **16,288,147,877** | **(159,018,215)** | **–** | **7,880,124,373** | **(1,213,526)** | **35,518,463,461** | **5,828,173** | **35,524,291,634** |
| Net income | **–** | **–** | **–** | **–** | **–** | **6,154,098,015** | **–** | **6,154,098,015** | **(977,140)** | **6,153,120,875** |
| Other comprehensive income | **–** | **–** | **5,135,230,697** | **–** | **12,370,795** | **–** | **–** | **5,147,601,492** | **–** | **5,147,601,492** |
| Total comprehensive income | **–** | **–** | **5,135,230,697** | **–** | **12,370,795** | **6,154,098,015** | **–** | **11,301,699,507** | **(977,140)** | **11,300,722,367** |
| Remeasurement gain on defined benefit plan transferred to retained earnings | **–** | **–** | **–** | **–** | **(12,370,795)** | **12,370,795** | **–** | **–** | **–** | **–** |
| Increase in non-controlling interests (Note 1) | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **750,000** | **750,000** |
| Balances at December 31, 2013 | **₱1,838,370,551** | **₱9,672,052,401** | **₱21,423,378,574** | **(₱159,018,215)** | **₱–** | **₱14,046,593,183** | **(₱1,213,526)** | **₱46,820,162,968** | **₱5,601,033** | **₱46,825,764,001** |
| | | | | | | | | | | |
| Balances at December 31, 2011 | ₱1,838,370,551 | ₱9,672,052,401 | ₱7,129,834,932 | (₱159,018,215) | ₱– | ₱5,857,759,524 | (₱1,213,526) | ₱24,337,785,667 | ₱– | ₱24,337,785,667 |
| Net income | – | – | – | – | – | 2,019,399,060 | – | 2,019,399,060 | (171,827) | 2,019,227,233 |
| Other comprehensive income | – | – | 9,158,312,945 | – | 2,965,789 | – | – | 9,161,278,734 | – | 9,161,278,734 |
| Total comprehensive income | – | – | 9,158,312,945 | – | 2,965,789 | 2,019,399,060 | – | 11,180,677,794 | (171,827) | 11,180,505,967 |
| Remeasurement gain on defined benefit plan transferred to retained earnings | – | – | – | – | (2,965,789) | 2,965,789 | – | – | – | – |
| Increase in non-controlling interests (Note 1) | – | – | – | – | – | – | – | – | 6,000,000 | 6,000,000 |
| Balances at December 31, 2012 | ₱1,838,370,551 | ₱9,672,052,401 | ₱16,288,147,877 | (₱159,018,215) | ₱– | ₱7,880,124,373 | (₱1,213,526) | ₱35,518,463,461 | ₱5,828,173 | ₱35,524,291,634 |

| | Attributable to Equity Holders of the Parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock | Additional Paid-in Capital | Deposits for Future Stock Subscriptions | Gain on Sale of Preferred Shares of a Subsidiary | Unrealized Valuation Gains on AFS Investments | Excess of Acquisition Price over Acquired Interest | Remeasurement Gain on Defined Benefit Plan (Note 22) | Retained Earnings | Treasury Shares | Total | Non-controlling Interests | Total Equity |
| Balances at December 31, 2010 | ₱1,429,220,287 | ₱5,998,700,015 | ₱2,147,819,426 | ₱2,559,163 | ₱1,000,000 | (₱159,018,215) | ₱– | ₱3,921,710,715 | (₱1,213,526) | ₱13,340,777,865 | ₱3,891,238 | ₱13,344,669,103 |
| Net income | – | – | – | – | – | – | – | 1,936,048,809 | – | 1,936,048,809 | – | 1,936,048,809 |
| Other comprehensive income | – | – | – | – | 5,774,711,570 | – | – | – | – | 5,774,711,570 | – | 5,774,711,570 |
| Total comprehensive income | – | – | – | – | 5,774,711,570 | – | – | 1,936,048,809 | – | 7,710,760,379 | – | 7,710,760,379 |
| Deposits for future stock subscriptions (Note 18) | – | – | 1,933,683,224 | – | – | – | – | – | – | 1,933,683,224 | – | 1,933,683,224 |
| Conversion of deposits for future stock subscriptions into common stock (Note 18) | 408,150,264 | 3,673,352,386 | (4,081,502,650) | – | – | – | – | – | – | – | – | – |
| Subscription - net of subscription receivable of ₱1,472.8 million (Note 18) | 1,000,000 | – | – | – | – | – | – | – | – | 1,000,000 | – | 1,000,000 |
| Effect of deconsolidation (Note 4) | – | – | – | (2,559,163) | 1,354,123,362 | – | – | – | – | 1,351,564,199 | (3,891,238) | 1,347,672,961 |
| Balances at December 31, 2011 | ₱1,838,370,551 | ₱9,672,052,401 | ₱– | ₱– | ₱7,129,834,932 | (₱159,018,215) | ₱– | ₱5,857,759,524 | (₱1,213,526) | ₱24,337,785,667 | ₱– | ₱24,337,785,667 |

*See accompanying Notes to Consolidated Financial Statements.*

## ALPHALAND CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2013** | 2012 (As restated - Note 2) | 2011 (As restated - Note 2) |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax from continuing operations | **₱7,250,903,842** | ₱2,474,680,377 | ₱2,366,282,007 |
| Income before income tax from discontinued operations (Note 5) | **–** | – | 12,907,072 |
| Income before income tax | **7,250,903,842** | 2,474,680,377 | 2,379,189,079 |
| Adjustments for: | | | |
| Gain on fair value change of investment properties (Note 12) | **(3,586,250,552)** | (1,409,507,610) | (1,381,654,367) |
| Equity in net losses (income) of associates (Notes 4 and 10) | **(3,162,707,111)** | (722,316,933) | (674,115,939) |
| Gain on sale of AFS investments (Note 11) | **(729,653,162)** | (329,259,178) | (208,631,416) |
| Interest expense and other finance charges (Note 21) | **158,732,355** | 170,286,044 | 71,406,981 |
| Interest income (Notes 6 and 9) | **(45,527,254)** | (31,549,489) | (44,887,264) |
| Depreciation and amortization (Note 21) | **46,407,407** | 44,530,697 | 15,477,187 |
| Unrealized foreign exchange losses (gains) | **33,919** | 228,945 | (53,223) |
| Gain on loss of control (Note 4) | **–** | – | (8,939,415) |
| Amortization of customers' deposits | **–** | – | (2,496,539) |
| Loss on sale of an investment (Note 5) | **–** | – | 1,298,081 |
| Operating income (loss) before working capital changes | **(68,060,556)** | 197,092,853 | 146,593,165 |
| Provision for impairment losses on trade receivables (Note 7) | **–** | 1,147,070 | – |
| Retirement benefit costs (Note 22) | **12,810,177** | 11,687,126 | 5,112,506 |
| Decrease (increase) in: | | | |
| Trade and other receivables | **(175,643,701)** | (111,248,645) | 103,564,307 |
| Land and development costs (Note 8) | **(741,497,985)** | (467,520,706) | – |
| Parking lots for sale | **86,484,664** | – | – |
| Other current assets | **(464,634,660)** | (503,037,537) | (1,297,766,826) |
| Increase (decrease) in: | | | |
| Trade and other payables | **(753,002,745)** | 860,239,493 | (62,824,476) |
| Customers' deposits | **11,693,972** | 17,435,656 | 25,030,807 |
| Net cash generated from (used for) operations | **(2,091,850,834)** | 5,795,310 | (1,080,290,517) |
| Interest received | **8,168,553** | 25,427,257 | 44,887,264 |
| Income taxes paid | **(1,594,448)** | – | – |
| Net cash flows provided by (used in) operating activities | **(2,085,276,729)** | 31,222,567 | (1,035,403,253) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of AFS investments | **781,517,831** | 447,062,822 | 338,418,644 |
| Decrease (increase) in: | | | |
| Investment properties (Note 12) | **(420,105,614)** | (1,601,910,405) | (951,160,537) |
| Investments in and advances to associates | **862,660** | (154,559,412) | (170,991,997) |
| Other noncurrent assets | **542,204,050** | (2,468,222) | (85,692,111) |
| Acquisitions of: | | | |
| Property and equipment (Note 13) | **(62,844,151)** | (97,397,024) | (137,796,827) |
| AFS investments (Note 11) | **–** | (394,600) | – |
| Payments of development costs for the construction of the: | | | |
| Island Club | **(240,647,246)** | (2,016,770,073) | (618,433,654) |
| City Club | **(644,374,419)** | (50,854,498) | (106,222,832) |
| Marina Club | **(98,597,177)** | (6,134,089) | – |
| Acquisition of a subsidiary, net of cash acquired (Notes 1 and 4) | **750,000** | 6,000,000 | – |
| Proceeds from sale of an investment (Note 5) | **–** | – | 124,157,782 |
| Cash of subsidiaries disposed, net of proceeds from sale | **–** | – | (14,142,500) |
| Net cash flows used in investing activities | **(141,234,066)** | (3,477,425,501) | (1,621,864,032) |

(Forward)

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2013** | 2012 (As restated - Note 2) | 2011 (As restated - Note 2) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from availments of: | | | |
| Long-term debt (Note 17) | **₱1,278,000,000** | ₱2,689,501,200 | ₱1,568,297,885 |
| Loans payable (Note 16) | **–** | 2,000,000,000 | – |
| Payments of: | | | |
| Interest and other finance charges | **(140,576,104)** | (298,055,305) | (99,611,636) |
| Long-term debt (Note 17) | **(357,576,621)** | (1,351,839,652) | (137,499,100) |
| Finance lease (Note 20) | **(1,287,172)** | (1,142,232) | (1,016,537) |
| Loans payable | **–** | – | (128,000,000) |
| Net changes in accounts with related parties | **(914,263,864)** | (141,094,625) | (62,029,248) |
| Movement in other noncurrent liabilities | **704,817,837** | 18,699,932 | 76,622,048 |
| Deposits intended for equity conversion (Note 19) | **1,500,000,000** | – | – |
| Deposits for future stock subscriptions (Note 18) | **–** | – | 1,933,683,224 |
| Subscription of capital stock (Note 18) | **–** | – | 1,000,000 |
| Net cash flows provided by financing activities | **2,069,114,076** | 2,916,069,318 | 3,151,446,636 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | **(33,919)** | (228,945) | 53,223 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **(157,430,638)** | (530,362,561) | 494,232,574 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | | |
| Cash and cash equivalents | **408,028,599** | 975,049,793 | 566,642,921 |
| Restricted cash | **127,046,835** | 90,388,202 | 4,562,500 |
| | **535,075,434** | 1,065,437,995 | 571,205,421 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | | |
| Cash and cash equivalents (Note 6) | **173,775,856** | 408,028,599 | 975,049,793 |
| Restricted cash (Note 9) | **203,868,940** | 127,046,835 | 90,388,202 |
| | **₱377,644,796** | ₱535,075,434 | ₱1,065,437,995 |

*See accompanying Notes to Consolidated Financial Statements.*

## ALPHALAND CORPORATION AND SUBSIDIARIES
## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Organization, Business and Status of Operations**

Corporate Information of the Parent Company
Alphaland Corporation (ALPHA or Parent Company) is a holding company incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 19, 1990. The principal business of ALPHA and its subsidiaries (collectively referred to as the "Group") is real property development. The registered office address of ALPHA is 9th Floor, Alphaland Southgate Tower, 2258 Chino Roces Avenue corner EDSA, Makati City.

The accompanying consolidated financial statements were approved and authorized for issue by the Executive Committee of the Board of Directors (BOD) on June 18, 2014.

Status of Operations

a. Agreement between two major stockholders

In January 2014, litigation (both in the Philippines and abroad) ensued between the two major shareholder groups of ALPHA, namely: the group affiliated with Alphaland Holdings (Singapore) Pte. Limited (the "AH Group") and the group affiliated with Mr. Roberto V. Ongpin (the "RVO Group"). In April 2014, the AH Group and the RVO Group signed detailed terms of reference leading to an amicable settlement (subject to the execution of definitive agreements). On June 5, 2014, a definitive agreement was signed between the AH Group and the RVO Group as well as ALPHA. Under that agreement:

1. In exchange for the sale by ALPHA of certain assets and liabilities discussed below, AH and Masrickstar Corporation ("MC"), a shareholder, agree to sell, and ALPHA agrees to acquire all of the shares of stock of ALPHA owned by AH and MC (the "Alphaland Shares"). In addition to the Alphaland Shares, AH and MC also agree to pay ALPHA ₱2.5 billion in cash in two tranches.

2. ALPHA agrees to cause the sale of the following assets and their corresponding liabilities (currently owned by ALPHA's subsidiaries and affiliates) to a newly incorporated company owned by AH and MC:

   a. 100% of Alphaland Makati Tower, Inc. (AMTI), which owns The Alphaland Tower along Ayala Avenue, Makati City;

   b. 100% of each of Alphaland Marina Club, Inc. (AMCI) and of Alphaland Marina Corporation (AMC), which is currently developing the Alphaland Marina & Country Club project in the Manila Bay reclamation area in Parañaque City;

   c. 50% ownership of the Alphaland Group in Alphaland Bay City Corporation (ABCC), the joint venture company formed by the Alphaland Group and the Wenceslao Group to develop the 32-hectare Alphaland Bay City project at the Aseana Business Park, Parañaque City; and

   d. 60% interest by the Group on the Boracay Gateway project, the unincorporated joint venture between the Group and Akean Resorts Corporation to develop the latter's approximately 500 hectares of land in Caticlan (Malay) and Nabas, Aklan.

As of December 31, 2013, the carrying values of the assets and liabilities related to the above sale are as follows:

| Account | Balance as of December 31, 2013 Assets (Liabilities) |
|---|---|
| Current assets | ₱843,499,950 |
| Investment properties (see Note12) | 5,928,791,776 |
| Investment in a joint venture (see Note 4) | 13,344,395,606 |
| AFS investments (see Note 11) | 1,909,364,390 |
| Other noncurrent assets | 152,321,010 |
| Current liabilities | (1,681,143,355) |
| Long-term debt (see Note 17) | (2,354,046,392) |
| Deferred tax liabilities | (763,800,323) |
| Other noncurrent liabilities | (670,677,406) |

As of June 18, 2014, ALPHA is already in the process of preparing the necessary documents to implement the definitive agreement.

After the implementation of these transactions, the AH Group will no longer be a shareholder of ALPHA. ALPHA will remain majority-owned and controlled by the RVO Group. Among the assets that will remain with the Group are:

1. Alphaland Southgate Tower
2. Alphaland Makati Place (including the investment in "The City Club")
3. Alphaland Balesin Island Club
4. Alphaland Baguio Mountain Lodge Homes

b. Delisting procedures initiated by the Philippine Stock Exchange (PSE)

On April 2, 2014, the PSE initiated delisting procedures against ALPHA for alleged disclosure violations, which have been substantively admitted by ALPHA. However, the delay in the disclosure was brought about by a good faith effort to arrive at an amicable settlement with the AH Group. The delisting procedure is currently undergoing the hearing stage at the PSE. During the hearing conducted in May 2014, the PSE hearing panel directed ALPHA to inform the PSE as soon as a definitive settlement agreement is reached between the AH Group and the RVO Group. On June 17, 2014, another hearing was conducted by the PSE where ALPHA formally informed the PSE of the settlement between ALPHA and the AH Group and that both parties support a voluntary delisting. The PSE hearing panel then informed ALPHA that it will deliberate to determine its recommendation to the PSE Board of Directors or if there would be a need for another hearing. As of June 18, 2014, the PSE has not yet made a decision on the matter. However, with the signing of that definitive agreement (which contains, among others, both parties' commitment to pursue voluntary delisting), management expects that the PSE will eventually grant ALPHA's application for voluntary delisting.

c. Disputes with joint venture (JV) partner

For the Alphaland Bay City Project, the Group has a joint venture with a group led by D.M. Wenceslao & Associates, Inc. (DMWAI) (the "Wenceslao Group"). In 2013, litigation ensued between the Group and the Wenceslao Group because of the Wenceslao Group's attempts to delay the construction and development of the Group's Marina Club project. The settlement

of this dispute is also among the matters covered by the definitive agreement signed on June 5, 2014 by the RVO Group and AH Group. Dealing with the Wenceslao Group (in order to, among others, settle the dispute between the Wenceslao Group and the Group) will be the sole responsibility of the AH Group as provided for in the settlement agreement.

Alphaland Southgate Tower continues to provide recurring cash flows; the Group has substantially completed its major Club projects, namely, Alphaland Balesin Island Club and The City Club at Alphaland Makati Place. On April 30, 2014, the Group has sold its 20% investment in the Shangri-la at the Fort project for ₱1.7 billion (see Note 10). Currently, the Group is negotiating with a bank for an additional loan of at least ₱1.0 billion to finance the completion of the Alphaland Makati Place project. These funds (together with the proceeds from the settlement with AH Group) will allow the Group to continue its current and future projects. After the implementation of the definitive agreement, the Group will focus on the development and completion of its Alphaland Makati Place project and Alphaland Baguio Mountain Lodges project and the operation of its completed projects.

ALPHA's Significant Legal Subsidiaries as of December 31, 2013 and 2012

a. *Alphaland Balesin Island Resort Corporation (ABIRC), 100%-owned by ALPHA,* was incorporated in the Philippines and registered with the Philippine SEC on May 26, 2010. ABIRC's primary purpose is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, and exchange or otherwise dispose, as may be permitted by law, of real and personal property of every kind and description.

   ABIRC has investment in preferred shares of Alphaland Balesin Island Club, Inc. (ABICI).

b. *Alphaland Development, Inc. (ADI), 100%-owned by ALPHA*, was incorporated and registered with the Philippine SEC on May 29, 2007. ADI's primary purpose is to engage in real property acquisition and development. ADI's acquired property pertains to a 20-storey office tower building with a 6-storey podium shopping mall known as Alphaland Southgate Tower (see Note 12).

c. *Alphaland Makati Place, Inc. (AMPI), 100%-owned by ADI*, was incorporated and registered with the Philippine SEC on March 6, 1991 as Silvertown Property Development Corporation. On February 26, 2010, the Philippine SEC approved the change in corporate name from "Silvertown Property Development Corporation" to "Alphaland Makati Place, Inc.".

   AMPI's primary purpose is to sell, lease and sublease the Malugay Property, a premium one hectare property. AMPI entered into a joint venture with BSP to develop the Malugay Property into a first class commercial development to be known as Alphaland Makati Place (see Note 4). It is a mixed-use property development consisting of high end residential towers atop an upscale six-storey podium with a shopping center and a City Club, including a Boy Scout Convention Center.

   AMPI has investment in preferred shares of The City Club at Alphaland Makati Place, Inc. (TCCAMPI).

d. *AMTI, 100%-owned by ADI,* was incorporated and registered with the Philippine SEC on July 28, 2010, with the primary purpose of developing, leasing and subleasing a property situated along Ayala Avenue, which is the center of the Makati Central District. The property measuring 2,400 square meters, more or less, was acquired by ADI from Sta. Lucia Land, Inc.

in June 2008. This was conveyed by ADI to AMTI in exchange for shares of stock of AMTI in 2011. The project of AMTI is a 34-storey premier high-end corporate office, known as "The Alphaland Tower," located along Ayala Avenue in Makati City. As of December 31, 2013, the building is substantially completed.

e. *AMC, 100%-owned by ADI,* was incorporated and registered with the Philippine SEC on December 2, 2010, with the primary purpose of dealing and engaging in the real estate business. AMC's plan is to develop (together with the Group) an ultra-modern marina and yacht club that will have various dining, sports, recreation, boating, yachting, sailing and other similar amenities exclusively to its members and their guests and dependents (the "Marina Club"). The Marina Club will be the centerpiece of the Alphaland Bay City, a joint venture project of the Group and DMWAI and Wendel Holdings Co., Inc. (Wendel) (DMWAI and Wendel collectively referred to as "Wenceslao"), to be located in a 32-hectare, more or less, of reclaimed land at Aseana Business Park in Parañaque City. On December 10, 2010, AMC's BOD authorized the application for incorporation of AMCI to own and operate the Marina Club.

AMC has investment in preferred shares of AMCI.

f. *Alphaland Reclamation Corporation (ARC), 100%-owned by ALPHA,* was incorporated and registered with the Philippine SEC on April 5, 2011, and primarily engaged in the construction of reclamation projects and to contract for and perform reclamation works.

g. *Aklan Boracay Properties Inc. (ABPI), 100%-owned by ALPHA,* was incorporated in the Philippines and registered with the SEC on May 19, 2010, and primarily engaged to invest in, purchase or otherwise acquire and own, hold use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose, as may be permitted by law, of real and personal property of every kind and description. ABPI is the Group's project company for the Alphaland Boracay Gateway venture with Akean Resorts Corporation (see Note 12).

h. *Alphaland Aviation, Inc. (AAI), 100%-owned by ALPHA,* was incorporated and registered with the Philippine SEC on July 31, 2012 and is primarily engaged in the aviation industry and its related businesses, including but not limited to, the provision of hangarage and moorage, parking and landing operations, aircraft maintenance, supply of parts, oils, and lubricants and other related businesses.

i. *Alphaland Holdings Company, Inc. (AHCI), 100%-owned by ALPHA,* was incorporated and registered with the Philippine SEC on January 17, 2013 and its primary purpose is to purchase, own and hold the stock of other corporations, and to do every act and thing covered generally by the denomination of "holding corporation", especially to direct the operations of other corporations through the ownership of stock therein.

j. *2258 Blue Holdings, Inc. (Blue Holdings), 100%-owned by ADI,* was incorporated and registered with the Philippine SEC on November 17, 2012 and its primary purpose is to purchase, own and hold the stock of other corporations, and to do every act and thing covered generally by the denomination of "holding corporation", especially to direct the operations of other corporations through the ownership of stock therein.

k. *Alphaland Southgate Restaurants, Inc. (ASRI), 100%-owned by ADI*, was incorporated and registered with the Philippine SEC on March 28, 2011 as Alphaland Ukiyo, Inc. It was renamed as ASRI on June 27, 2013. Its primary purpose is to establish, maintain and operate restaurants, coffee shops, refreshment parlors and cocktail lounge. ADI initially subscribed to

4,999,998 common shares of ASRI representing 50% of its outstanding shares in March 2011, which was then accounted for as an associate. In September 2013, ADI purchased the other 50% from an existing shareholder for ₱3.3 million. Consequently, ASRI became a 100%-owned subsidiary effective September 2013 (see Note 10).

l. *Choice Insurance Brokerage, Inc. (CIBI), 70%-owned by Blue Holdings,* was incorporated in the Philippines and registered with the SEC on November 6, 2012, and is primarily engaged to, conduct, carry on and maintain insurance business, to act as a broker, and to do other related activities. In 2012, Blue Holdings subscribed to 70% of CIBI's shares of stock for a cash consideration of ₱14.0 million. In 2013, CIBI issued additional 2,500,000 shares of stock to its shareholders at par value to maintain the required capitalization needed for its application as an insurance broker.

## 2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements have been prepared under the historical cost basis, except for Available-for-sale (AFS) investments and investment properties which are carried at fair value. The consolidated financial statements are presented in Philippine peso, the Parent Company's functional currency and presentation currency, and all values are rounded off to the nearest peso, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional consolidated balance sheet at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the consolidated financial statements. An additional consolidated balance sheet as at January 1, 2012 is presented in the consolidated financial statements due to retrospective application of certain accounting policies.

On April 7, 2010, ALPHA completed the legal acquisition of ADI and its subsidiary through the share-for-share swap. ADI was deemed to be the accounting acquirer for accounting purposes under the principles of Philippine Financial Reporting Standards (PFRS) 3, *Business Combinations*. Therefore, the share-for-share swap transaction was accounted for as a reverse acquisition under PFRS 3. Accordingly, the consolidated financial statements of ALPHA have been prepared as a continuation of the consolidated financial statements of ADI. ADI has accounted for the acquisition of ALPHA from April 7, 2010.

The equity structure appearing in the consolidated financial statements (i.e., the number and type of capital stock issued) reflects the equity structure of ALPHA, the legal parent.

Reverse acquisition applies only to the consolidated financial statements. The parent company financial statements continue to represent ALPHA as a stand-alone entity.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with PFRS. PFRS also includes Philippine Accounting Standards (PAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PAS, PFRS and Philippine Interpretations effective January 1, 2013. Except as otherwise indicated, adoption of the new and amended PAS, PFRS and Philippine Interpretations has no impact on the Group's consolidated financial statements.

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)

  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information.

  This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

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

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

- PFRS 10, *Consolidated Financial Statements*

  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also includes the issues raised in Standing Interpretations Committee (SIC) 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. Based on the reassessment of control following the provisions of PFRS 10, the Group determined that there is no change in the control of any of its subsidiaries.

- PFRS 11, *Joint Arrangements*

  PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The application of PFRS 11 has an impact to the Group's accounting for its interest in ABCC, a joint venture. Prior to the transition to PFRS 11, ABCC was classified as a jointly controlled entity and the Group's share of the assets, liabilities, revenue and expenses was proportionately consolidated in the consolidated financial statements. Upon adoption of PFRS 11, the Group has determined that its interest in ABCC is classified as a joint venture to be accounted for using the equity method. The transition was applied retrospectively as required by PFRS 11 and the 2012 and 2011 comparative information were restated. The impact of applying PFRS 11 on the Group's consolidated financial statements is as follows:

| | Increase (Decrease) | |
|---|---|---|
| | December 31, 2012 | January 1, 2012 |
| **Consolidated Balance Sheets** | | |
| Cash and other current assets | (₱7,125) | (₱7,025) |
| Investment in a joint venture | 10,175,195,481 | 9,415,491,718 |
| Investment properties | (10,825,223,134) | (9,751,385,000) |
| Trade and other payables | (44,055,852) | (43,358,757) |
| Other noncurrent liabilities | (605,978,925) | (292,541,550) |
| Equity | – | – |

| | Increase (Decrease) | |
|---|---|---|
| | Years Ended December 31 | |
| | 2012 | 2011 |
| **Consolidated Statements of Comprehensive Income** | | |
| Gain on fair value change of investment properties | (₱1,044,791,250) | (₱975,138,500) |
| Costs and expenses | (696,995) | (8,529,577) |
| Equity in net income of a joint venture and associates | 730,656,880 | 674,067,373 |
| Income before income tax | (313,437,375) | (292,541,550) |
| Provision for income tax | (313,437,375) | (292,541,550) |
| Net income | ₱– | ₱– |

| | Increase (Decrease) | |
|---|---|---|
| | Years Ended December 31 | |
| | 2012 | 2011 |
| **Consolidated Statements of Cash Flows** | | |
| Operating activities | (₱5,325) | (₱5,225) |
| Investing activities | – | – |
| Financing activities | – | – |
| Net increase in cash and cash equivalents | (₱5,325) | (₱5,225) |

The adoption of the standard has no impact on the other comprehensive income and basic or diluted earnings per share computation.

- PFRS 12, *Disclosure of Interests in Other Entities*

  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The Group has no subsidiaries with material noncontrolling interests and unconsolidated structured entities. PFRS 12 disclosures are provided in Notes 4 and 10.

- PFRS 13, *Fair Value Measurement*

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

  As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures are provided in Notes 11, 12 and 25.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)

  The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments affected the presentation only and had no impact on the Group's financial position and performance. The amendments were applied retrospectively and resulted to the modification of the presentation of items of OCI.

- PAS 19, *Employee Benefits* (Revised)

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

  Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the Revised PAS 19, the Group changed its accounting policy to recognize all remeasurements in OCI, which will not be reclassified to profit or loss in subsequent periods, and all past service costs in profit or loss in the period they occur. Moving forward, the Group's remeasurements will be recognized in OCI and subsequently transferred to retained earnings.

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

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

The Group reviewed its existing employee benefits and determined that the amended standard has impact on its accounting for retirement benefits. The Group obtained the services of an external actuary to compute the impact to the consolidated financial statements upon adoption of the standard.

Based on management's assessment of retirement and other employee benefits, the summary of the effects of the adoption of Revised PAS 19 which became effective on January 1, 2013 and retroactively adopted in the accompanying consolidated financial statements is shown below. For the accompanying financial statements, there were no transition adjustments as of January 1, 2011. OCI has been closed to retained earnings.

| | Increase (Decrease) | |
|---|---|---|
| | **December 31, 2013** | December 31, 2012 |
| **Consolidated Statements of Financial Position** | | |
| Retirement benefits obligation | **(₱15,336,584)** | (₱2,965,789) |
| Retained earnings | **15,336,584** | 2,965,789 |

| | Increase (Decrease) | |
|---|---|---|
| | Years Ended December 31 | |
| | **2013** | 2012 |
| **Consolidated Statements of Comprehensive Income** | | |
| Net income | **₱–** | ₱– |
| Other comprehensive income - Remeasurement gain on defined benefit plan | **12,370,795** | 2,965,789 |
| Total comprehensive income for the year | **₱12,370,795** | ₱2,965,789 |

The adoption has no significant impact on the consolidated statements of cash flows and on the basic or diluted earnings per share computation.

- PAS 27, *Separate Financial Statements* (as revised in 2011)

  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the entities in the Group.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)

  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. Upon adoption of this standard, the Group changed the accounting for its investment in a joint venture from proportionate consolidation to equity method. The impact of the applying PAS 28 is discussed under PFRS 11.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*

  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Group's operations.

- PFRS 1, *First-time Adoption of International Financial Reporting Standards - Government Loans* (Amendments)

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

- Annual Improvements to PFRSs (2009-2011 cycle)

  The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year.

  - PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*

    The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*

  These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*

  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment does not have any significant impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*

  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment does not have any significant impact on the Group's financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*

  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's consolidated financial position or performance.

Future Changes in Accounting Policies

The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on its financial statements.

- *PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)

  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable

amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- Amendments to PFRS 10, PFRS 12 and PAS 27, *Investment Entities*

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

- Philippine Interpretation IFRIC 21, *Levies*

  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact on its future financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)

  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group has not novated any derivatives during the current period. However, these amendments would be considered for future novations.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)

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

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)

  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

- Annual Improvements to PFRSs (2010-2012 cycle)

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

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

    The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.

  - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*

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

  - PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

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

  - PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*

    The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

  - PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*

The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

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

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

- PAS 24, *Related Party Disclosures - Key Management Personnel*

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

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*

The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

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

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

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

- PFRS Annual Improvements to PFRSs (2011-2013 cycle)

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

  - PFRS 1*, First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*

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

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

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

  - PFRS 13, *Fair Value Measurement - Portfolio Exception*

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

  - PAS 40, *Investment Property*

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

- PFRS 9, *Financial Instruments*

  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still

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

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

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation will result in the change in the Group's revenue and cost recognition from percentage of completion method to completed contract method.

The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations effective subsequent to December 31, 2013 on its consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the Group's consolidated financial statements when these amendments are adopted.

Basis of Consolidation and Non-controlling Interests

Following is a list of the legal subsidiaries as of December 31, 2013, 2012 and 2011:

| | | Percentage of Effective Ownership | | |
|---|---|---|---|---|
| Company | Nature of Business | **2013** | 2012 | 2011 |
| ADI | Real property development | **100** | 100 | 100 |
| ABIRC | Real property development | **100** | 100 | 100 |
| AMPI [(a)] | Real property development | **100** | 100 | 100 |
| AMTI [(a)] | Real property development | **100** | 100 | 100 |
| AMC [(a)] | Real property development | **100** | 100 | 100 |
| ARC | Real property development | **100** | 100 | 100 |
| ABPI | Real property development | **100** | 100 | – |
| Blue Holdings [(a) (b)] | Holding company | **100** | 100 | – |
| AAI[(b)] | Aviation | **100** | 100 | – |
| AHCI [(c)] | Holding company | **100** | – | |
| ASRI [(a) (d)] | Restaurant operations | **100** | – | – |
| CIBI [(b) (e)] | Insurance brokerage | **70** | 70 | – |

[(a)] *Through ADI*
[(b)] *Incorporated in 2012*
[(c)] *Incorporated in 2013*
[(d)] *Associate in 2012 and 2011*
[(e)] *Through Blue Holdings*

All subsidiaries are incorporated in the Philippines.

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 those returns 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
- 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 in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represent the portion of net results and net assets not held by the Group. They are presented in the consolidated balance sheet within equity, apart from equity attributable to equity holders of the parent and are separately disclosed in the consolidated statement of comprehensive income. This includes the equity interest in CIBI in 2013 and 2012.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are recognized as expense and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as

equity, it should not be remeasured. Subsequent settlement is accounted for within equity. In instance where the contingent consideration does not fall within the scope of PAS 39, it is measured in accordance with the appropriate PFRS.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts the combination using provisional values. Adjustments to these provisional values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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 original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

Fair Value Measurement

The Group measures financial instruments and investment properties at fair value at each balance sheet date.

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 by the Group.

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the 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.

Management has appointed Intech Property Appraisal, Inc. ("Intech") as the external valuer of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. In addition, the Group has built a trust relationship with Intech based on successful engagements in the past. Intech receives support from the Group's project management teams with regards to data collection (e.g., plans and specifications).

The Chief Finance Officer decides, after discussions with the Group's external valuers:

- Whether a property's fair value can be reliably determined (this particularly important for investment properties under construction, which are valued at cost until such time as fair value becomes reliably determinable)
- Which valuation method should be applied for each property
- The assumptions made for the unobservable inputs that are used in valuation methods (the major unobservable inputs are estimated discount rate, lease growth per annum, long-term growth rate and cost of sales margin)

Valuations are generally performed on a quarterly basis at each interim reporting date. Valuations for interim reporting purposes are performed internally by the Group's financial analyst team. Internal methods are aligned with those used by the external valuers. At each year-end, all properties are valued by the external valuers.

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

Financial Instruments

*Date of Recognition.* The Group recognizes a financial instrument in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Initial Recognition of Financial Instruments.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). Transaction costs are included in the initial measurement of all financial instruments, except for financial instruments measured at fair value through profit or loss (FVPL).

*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 observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 difference) in profit or loss unless it qualifies for recognition as some other type of asset or liability. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in profit and loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the Day 1 difference amount.

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

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

Financial Assets

The Group's financial assets consist of loans and receivables and AFS investments.

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

The Group's loans and receivables consist of cash and cash equivalents, trade and other receivables, noncurrent portion of trade receivables from sale of club shares and real estate advances to associates and related parties, restricted cash and refundable deposits (see Notes 6, 7, 9, 10, 11, 14 and 19).

*AFS Financial Assets.* AFS financial assets are nonderivative financial assets that are designated as AFS or are not classified as HTM investments, financial assets at FVPL or loans and receivables. They are purchased indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial recognition, AFS financial assets that are quoted in an active market are carried at fair value. AFS financial assets that are unquoted are carried at cost less any impairment in value. The unrealized gains and losses arising from the change in fair value of AFS financial assets are reported under other comprehensive income.

AFS financial assets are included in current assets if management intends to sell these financial assets within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

Classified under this category is ALPHA's investment in shares of stock of Wack Wack Golf and Country Club, Inc. (Wack Wack) and preferred shares of TCCAMPI, ABICI and AMCI (see Note 11).

Financial Liabilities

The Group's financial liabilities consist of other financial liabilities.

*Other Financial Liabilities.* Financial liabilities are classified in this category if they are not held for trading or not designated as at FVPL upon the inception of the liability.

Other financial liabilities which include loans and borrowings are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains or losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

Other financial liabilities are included in current liabilities if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent liabilities.

The Group's other financial liabilities consist of trade and other payables, loans payable, long-term debt, customers' deposits, advances from related parties and deposits intended for equity subscription (see Notes 15, 16, 17, and 19).

Impairment of Financial Assets

The Group assesses, at each balance sheet date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event 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 debtors or a group of debtors 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 when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in profit or loss.

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

*AFS Investments.* In the case of equity investments, evidence of impairment would include a significant or prolonged decline in fair value of investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized, is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

Derecognition of Financial Assets and Liabilities

*Financial Assets.* A financial asset is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or

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

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

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Classification of Financial Instruments Between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet 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.

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

Cost includes:

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

Land is stated at the lower of cost and NRV. Expenditures for development are capitalized as part of the cost of the land. Borrowing costs are capitalized while development is in progress. NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated specifically identifiable costs of completion and the estimated costs of sale.

Other Current Assets

*Input Value-added Taxes (VAT).* Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. The portion of excess input VAT that will be used to offset the Group's output VAT is recognized under the "Other current assets" account in the consolidated balance sheet.

The portion of input VAT which represents VAT imposed on the Group for the acquisition of depreciable assets with an estimated useful life of at least one year is required to be amortized over the life of the related asset or a maximum period of 60 months. This is recognized under "Other noncurrent assets" account in the consolidated balance sheet.

Input VAT is stated at its estimated NRV.

*Advances to Contractors and Suppliers.* Advances to contractors and suppliers represent advance payments on services to be incurred in connection with the Group's operations. These are charged to expense or capitalized to projects in the consolidated balance sheet, upon actual receipt of services or supplies, which is normally within 12 months or within the normal operating cycle. These are considered as nonfinancial instruments as these will be applied against future billings from contractors and suppliers normally within one year. Advance payments to contractors and suppliers, relating to the portion of the project that is classified as investment property and to advance payments that will be applied against future billings beyond 12 months from the reporting date, are presented as part of "Other noncurrent assets" account in the consolidated balance sheet.

*Restricted Cash.* Restricted cash includes cash in banks under trust and to be used for interest and principal loan payments and escrow funds to be used for the sale of preferred shares and condominium units and development of the clubs. This is classified under current assets if the expected release is within 12 months from the balance sheet date. Otherwise, this is classified as a noncurrent asset.

*Creditable Withholding Taxes (CWT).* CWT represents the amount withheld by the Group's customers in relation to its rent income. These are recognized upon collection of the related billings and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations.

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

Assets Held for Sale

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate

sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of comprehensive income of the current reporting period, and of the comparable period of the previous year, income and expenses associated with assets held for sale are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the consolidated statement of comprehensive income.

Interests in Joint Venture and Joint Operations

The Group has joint arrangements classified as joint venture and joint operations.

*Joint Venture*. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in a joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share in net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the joint venture. Any change in the OCI of the joint venture is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown in the face of the consolidated statement of comprehensive income outside operating profit and represents share in income or loss after tax and noncontrolling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. Adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the former joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss. When the remaining investment in a joint venture constitutes significant influence, it is accounted for as an investment in an associate.

*Joint Operations*. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement.

The Group recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

Investments in Associates

The Group's investments in its associates are accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, investments in associate are carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the share of the results of operations of the associates. Where there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The share in net income of the associates is shown as "Equity in net income of associates" account in the consolidated statement of comprehensive income. This is the income attributable to equity holders of the associates and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associates are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over an associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

Investment Properties

Investment properties comprise completed property and property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment properties at the time that cost is incurred and if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment properties. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains and losses arising from changes in the fair values of investment properties are recognized in profit or loss under "Gain on fair value change of investment properties" account in the year in which they arise.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment properties to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy on property and equipment up to the date of change in use.

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

Property and Equipment

Property and equipment, except for land, is stated at cost less accumulated depreciation, amortization and impairment in value, if any. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, nonrefundable taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Each part of the property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation and amortization is computed using the straight-line basis over the following estimated useful lives of the assets, except for land and leasehold improvements, which are amortized over the term of the lease or their estimated useful lives, whichever is shorter:

| Category | Number of Years |
|---|---:|
| Leasehold improvements | 2–10 |
| Buildings and structures | 20–35 |
| Machinery, equipment and tools | 2–15 |
| Transportation equipment | 2–5 |
| Office furniture and equipment | 2–5 |

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

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

Fully depreciated items are retained as property and equipment until these are no longer in use.

Intangible Assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any impairment loss. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. The amortization period and method are reviewed periodically to ensure that these are consistent with expected pattern of economic benefits from the intangible assets.

Intangible assets are acquired computer software licenses which have been capitalized on the basis of the costs to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over five years starting from the date of its operation. Intangible asset, net of amortization, is included under "Other noncurrent assets" account in the consolidated balance sheet.

Impairment of Nonfinancial Assets

The Group assesses at each balance sheet date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses from continuing operations are recognized in profit or loss.

For nonfinancial assets excluding goodwill, an assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

*Goodwill.* The Group assesses whether there are any indicators that goodwill is impaired at each balance sheet date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs impairment test of goodwill annually or when an impairment indicator exists.

*Investments in Joint Venture and Associates.* After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its joint venture and associates. The Group determines at each balance sheet date whether there is any objective evidence that the investments in joint venture and associates are

impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and their carrying values and recognizes the amount in profit or loss under the "Equity in net income of joint venture and associates" account

Deposits Intended for Equity Subscription
Deposits intended for equity subscription represent cash received from investors of the Group intended for the subscription of common shares but with no fixed number of shares yet. These will be presented as capital stock upon finalization of the Subscription Agreements.

Capital Stock and Additional Paid-in Capital
The Group has issued capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction, net of tax, from the proceeds. Additional paid-in capital represents the excess of the investors' total contribution over the stated par value of shares.

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

Treasury Shares
Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in share premium. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

Revenue and Cost Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the enterprise and the revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria 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. The following specific recognition criteria must also be met before revenue is recognized:

*Real Estate Sales*. Revenue and costs from sales of completed projects is accounted for using the full accrual method. The percentage of completion method will be used to recognize income from sales of projects where the Group has material obligations under the sales contracts to complete the project after the property is sold. Under this method, sales is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical portion of the contract work. Costs that relate to the acquisition, development, improvement and construction of the real estate projects are capitalized and are charged to operations when the related revenues are recognized.

The Group accounts for any cash received from buyers as deposits from sale of condominium units when the construction is not beyond a preliminary stage. Construction is not beyond a preliminary stage if engineering and design work, execution of construction contracts, site clearance and preparation, excavation, and completion of the building foundation are incomplete. Proceeds shall be accounted for as deposits until the criteria for percentage of completion method

are met. Excess of collections over the recognized receivables are included in the "Trade and other payables" account in the consolidated balance sheet, if expected to be applied within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent liability under "Other noncurrent liabilities" account in the consolidated balance sheet.

For sale of condominium units and preferred shares under a single contract to sell, the selling price is allocated to each component using the residual method. Collections received are initially applied to the selling price of the preferred share and the remainder to the selling price of the condominium unit.

Revenue on the sale of parking lots is recognized using the full accrual method.

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the project is determined based on actual costs and project estimates of building contractors and technical staff.

Contract costs include all direct materials and labor costs and those direct costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

*Rent.* Rent income from operating leases less the Group's initial direct costs of entering into the leases, is recognized on a straight-line basis over the term of the lease; except for contingent rent income which is recognized when it arises. This also includes common utilities, services and maintenance charges, as well as other incidental income in providing the service. Revenue is recognized when services are rendered.

The Group accounts for any cash received from customers for advance rent payments as stated in the lease contract. This advance rent payments are applied as payment to rents of the last months prior to the expiration of the contract. This is classified as "Unearned income" under "Trade and other payables" and "Other noncurrent liabilities" accounts in the consolidated balance sheet for current and noncurrent portion, respectively.

*Gain on Sale of AFS Investments.* Revenue is recognized upon transfer of risks and rewards to the buyer.

*Interest Income.* Interest income comprises interest from bank deposits and from accretion of trade receivables (using the effective interest, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset). Revenue is recognized as it accrues using EIR method.

*Other Revenue.* This includes revenue from restaurant operations. Revenue is recognized when services are rendered.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized when the services are used or the expenses arise while interest expense is accrued in the appropriate period.

Retirement Benefit Costs

Retirement benefit costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The defined retirement benefits obligation is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as part of costs and expenses in profit or loss. 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 obligation or asset is the change during the period in the net defined benefit obligation 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 obligation or asset is recognized as expenses or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit obligation) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. These are closed to retained earnings every reporting period.

Income Taxes

*Current Income Tax.* Current income tax assets and liabilities for the current and prior year periods are measured at the amount expected to be recovered or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the balance sheet date.

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

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

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

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

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

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

Foreign Currency Transactions

Foreign currency-denominated monetary assets and liabilities of the Group are translated to Philippine peso based on the Philippine Dealing Exchange System (PDEx) closing rate prevailing at end of the year and foreign currency-denominated income and expenses, at the PDEx weighted average rate for the year. Foreign exchange differences arising from revaluation and translation of foreign currency-denominated assets and liabilities are credited to or charged against operations in the year in which the rates change.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Leases

*Group as a Lessee.* Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to current operations. Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets or the respective lease terms.

*Group as a Lessor.* Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rent income. Contingent rents are recognized as revenue in the period in which they are earned.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its estimated recoverable amount, an impairment loss is recorded. All other borrowing costs are expensed in the period they occur.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are made 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 an interest expense.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement.

Contingencies

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

Events After Reporting Date

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

Earnings Per Share

The Group presents basic and diluted earnings per share data for its ordinary shares.

Basic earnings per share is calculated by dividing the net income attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares issued and outstanding during the year.

Diluted earnings per share amounts are computed in the same manner, adjusted for the dilutive effect of any potential common shares.

Segment Reporting
The Group's operating businesses are organized and managed separately into two business activities in 2011. In 2013 and 2012, for purposes of segment reporting, the Group does not have other reportable segments other than real property development. Such business segments are the bases upon which the Group reports its operating segment information. The Group operates in one geographical area where it derives its revenue. Financial information on segment reporting is presented in Note 27.

## 3. Summary of Accounting Judgments, Estimates and Assumptions

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

Judgments, estimates and assumptions 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

*Revenue Recognition*. The Group's revenue 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 from sale of real estate is recognized using the percentage-of-completion method. The transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development. The buyers' commitment is evaluated based on collections and credit standing of the buyers. Completion of development is determined based on engineer's judgment and estimates on the physical portion of contract work done and that the development is beyond the preliminary stage.

In 2013, the Group recognized revenue and cost from sale of condominium units amounting to ₱97.4 million and ₱89.3 million, respectively. In 2012 and 2011, no revenue was recognized on the sale of real estate because the development is not yet beyond the preliminary stage.

*Determination of Functional Currency.* The Parent Company determined that its functional currency is Philippine peso. The determination of functional currency was based on the currency that mainly influences the Parent Company's estimated revenue and cost of rendering services.

*Operating Leases.* The Group entered into a number of operating lease agreements as a lessor. As a lessor, the Group has determined that it retains substantially all the risks and rewards of ownership of the assets being leased out under operating lease agreements. As a lessee, the Group has determined that it does not obtain the significant risks and rewards of ownership of these properties which are being leased out under operating lease arrangements.

*Finance Leases.* The Group entered into finance lease agreements as a lessee covering transportation equipment. As a lessee, the Group has determined that it bears substantially all the risks and benefits incidental to ownership of the said property which is on a finance lease agreement.

The carrying value of the transportation equipment under finance lease agreements amounted to ₱2.5 million and ₱4.0 million as of December 31, 2013 and 2012, respectively (see Notes 13 and 20). Obligation under finance lease amounted to ₱2.5 million and ₱3.8 million as of December 31, 2013 and 2012, respectively (see Note 20).

*Classification of Financial Instruments.* The Group exercises judgments in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet.

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

AFS investments classified as current assets amounted to ₱785.6 million and ₱1,166.3 million as of December 31, 2013 and 2012, respectively. AFS investments classified as noncurrent assets amounted to ₱29,316.5 million and ₱23,416.0 million as of December 31, 2013 and 2012, respectively (see Note 11).

*Determination of Control or Joint Control over an Investee Company.* Control is presumed to exist when an investor has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is presumed to exist when the investors contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group has assessed it has control over its subsidiaries and joint control in all joint arrangements.

*Classification of Joint Arrangements.* The Group's investment in ABCC is accounted for as an investment in a joint venture since it has the rights to the net assets of the joint arrangement. The joint venture agreements with BSP and Akean Resorts Corporation are accounted for as joint operations since the parties that have joint control of the arrangements have rights to the assets, and obligations for the liabilities, relating to the arrangements (see Note 4).

*Determination of BSP Share.* Based on the current planned allocation in determining the 15% share of BSP on the Project, BSP's share consists of the BSP convention center located at the third floor of the Podium and a portion of Tower Three and parking spaces. Prior to 2013, BSP's share consists of the BSP convention center and a portion of Tower One and Two.

*Investments in Associates.* The Group has a 50% interest in Alphaland Heavy Equipment Corporation (AHEC) and ASRI (2012 only). The Group accounts for these investments as associates since management has assessed that there is no joint control between the parties.

*Transfers of Investment Properties.* The Group transfers to investment properties after determining that there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are also made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. These transfers are recorded using the carrying amount of the investment properties at the date of change in use.

Transfers from investment properties amounted to ₱322.8 million and ₱480.8 million in 2013 and 2012, respectively (see Note 12).

Estimates and Assumptions

*Revenue Recognition*. Revenue from sale of condominium units and preferred shares under a single contract to sell is allocated to each component using the residual method. The fair value of the preferred share is measured at its current cash selling price to third parties on a stand-alone basis and the fair value of the condominium unit is the residual amount of the transaction price.

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

The fair value of the Group's financial assets and liabilities are disclosed in Note 25.

*Estimating Impairment Losses of Receivables and Advances to Associates and Related Parties.* The Group estimates the allowance for impairment losses related to receivables and advances to associates and related parties based on specific evaluation of significant accounts and collectively for receivables that are not individually significant, and where the Group has information that certain customers are unable to meet their financial obligations. In these cases, the use of estimate is based on the best available facts and circumstances, including but not limited to, the length of relationship with the debtors and known market factors, to record specific reserves against amounts due from debtors to reduce the receivable amount to its collectible amount.

Provision for impairment loss on receivables and advances amounted to nil, ₱1.1 million and nil in 2013, 2012 and 2011, respectively. As of December 31, 2013 and 2012, the aggregate carrying amount of trade and other receivables (including noncurrent portion), net of allowance for impairment losses and advances to associates and related parties, amounted to ₱1,846.7 million and ₱466.6 million, respectively (see Notes 7, 10, 14 and 19).

*Net Realizable Value of Land and Development Costs and Parking Lots for Sale*. The Group writes down the carrying value of land and development costs and parking lots for sale whenever the net realizable value becomes lower than cost due to changes in market prices or other causes. The carrying value is reviewed regularly for any decline in value.

The carrying value of land and developments costs amounted to ₱2,286.8 million and ₱1,171.4 million as at December 31, 2013 and 2012, respectively. Parking lots for sale amounted to ₱236.3 million as at December 31, 2013 (see Note 8).

*Fair Value of Investments in Clubs' Preferred Shares.* The Group establishes fair value by using recent arm's length market transactions between knowledgeable, willing parties. The fair value of investments in preferred shares of the Clubs is determined based on the current cash selling price to third parties.

The fair value of investments in preferred shares amounted to ₱30,084.5 million and ₱24,564.4 million as of December 31, 2013 and 2012, respectively (see Note 11).

*Impairment of AFS Investments.* The Group treats AFS investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or whether other objective evidence of impairment exists. The determination of what is significant or prolonged requires judgment. The Group treats significant generally as 20% or more of the original cost of investment, and prolonged as period more than 12 months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and future cash flows and the discount factors for unquoted equities.

The Group's AFS investments amounted to ₱30,102.0 million and ₱24,582.4 million as of December 31, 2013 and 2012, respectively (see Note 11).

*Estimating Useful Lives of Property and Equipment and Software Costs.* The Group estimates the useful lives of the property and equipment and software costs based on the period over which these assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of these assets. In addition, estimation of the useful life is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. There was no change in the estimated useful lives of property and equipment and software costs.

There was no change in the estimated useful lives of property and equipment and software cost. Depreciation and amortization (including capitalized depreciation expense) amounted to ₱89.4 million, ₱90.1 million and ₱46.3 million in 2013, 2012 and 2011, respectively. As of December 31, 2013 and 2012, the aggregate net book values of property and equipment and software costs amounted to ₱273.2 million and ₱299.7 million, respectively (see Notes 13 and 14).

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

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

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

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

The carrying values of nonfinancial assets that are subjected to impairment testing when there are impairment indicators are as follows:

| | **2013** | 2012 |
|---|---|---|
| Other current assets (see Note 9) | **₱1,523,955,246** | ₱1,032,582,792 |
| Investment in a joint venture (see Note 4) | **13,344,395,606** | 10,175,195,481 |
| Investments in associates (see Note 10) | **81,877,738** | 86,464,679 |
| Advances intended for future stock subscription (see Note 10) | **979,500,000** | 979,500,000 |
| Property and equipment (see Note 13) | **272,376,854** | 296,881,321 |
| Other noncurrent assets (see Note 14) | **525,432,287** | 609,226,283 |

No impairment loss was recognized in 2013, 2012 and 2011.

*Revaluation of Investment Properties.* The Group engaged an independent appraiser to determine the fair value of its investment properties. In 2013, 2012 and 2011, fair values of investment properties were based on the valuation performed in November and December 2013, November 2012, and November and December 2011, respectively. Management evaluated that the fair values of investment properties determined in November 2013 and 2012, and August and October 2010 approximate the fair values as of reporting date since there were no significant changes in the condition of these properties and economic environment between those dates. The fair values of investment properties were determined using the Market Data Approach for the land and Cost Approach for the improvements. Market Data Approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element. Cost Approach involves the estimate of the reproduction cost of the improvements based on prevailing cost of labor, materials, contractor's fee and other costs necessary to build the improvements. Depreciation brought about by physical wear and tear, functional obsolescence and economic obsolescence are deducted to arrive at the market value of improvements. The fair value of properties held for lease, was determined using the Income Approach which involves estimating the present value of the expected future cash flows based on current market conditions in rentals occupancy rates and expected growth rate of the Group.

Fair value change in 2013, 2012 and 2011, which was recognized in the consolidated statements of comprehensive income, amounted to ₱3,586.3 million, ₱1,409.5 million and ₱1,381.7 million, respectively. Carrying values of investment properties amounted to ₱14,590.1 million and ₱10,958.0 million as of December 31, 2013 and 2012, respectively (see Note 12).

*Determining Liability Related to Acquisition of AFS Investments*. Management has assessed that the Group has the primary obligation to develop and construct the City Club, Island Club and Marina Club facilities in exchange for these AFS investments. The liability related to acquisition of AFS investments has been developed in consultation with the Group's executives and project managers.

As of December 31, 2013 and 2012, the liability related to acquisition of AFS investments amounted to ₱2,132.7 million and ₱3,158.8 million, respectively (see Notes 11 and 15).

*Determination of Retirement Benefits.* The determination of the Group's obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 22 to the consolidated financial statements.

Retirement benefit cost amounted to ₱12.8 million, ₱11.7 million and ₱5.1 million in 2013, 2012 and 2011, respectively. Retirement benefits obligation amounted to ₱19.2 million and ₱18.8 million as of December 31, 2013 and 2012, respectively (see Note 22).

*Assessing Realizability of Deferred Tax Assets.* The Group reviews its deferred tax assets at each balance sheet date and reduces their carrying amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment of the recognition of deferred tax assets is based on the projected taxable income in the following periods. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Unrecognized deferred tax assets amounted to ₱113.7 million and ₱148.1 million as of December 31, 2013 and 2012, respectively (see Note 23). Management believes that it is not probable that sufficient taxable income will be available to allow all of the deferred tax assets to be utilized.

## 4. Deconsolidation and Joint Arrangements

a. Deconsolidation of TCCAMPI, ABICI and AMCI (collectively referred to as the "Clubs")

On March 30, 2011, AMPI, ABIRC and AMC assigned their voting rights in the common shares of the Clubs which appointed their proxies to represent and vote all of its shares of stock standing in their name and that of their nominees in any and all meetings of the stockholders of the Clubs, and any adjournments or postponements thereof, as fully and for all intents and purposes as if they were present and acting thereat. Thereafter, in relation to the said assignment of voting rights, AMPI, ABIRC and AMC entered into a Deed of Assignment on August 12, 2011 with Alphaland Property Management Corporation (APMC), a commonly-controlled entity, for the assignment of all of their respective shareholdings in the common shares of the Clubs totaling ₱2.2 million. The Deed of Assignment likewise included a waiver of their economic rights over the Club's common shares effective March 31, 2011. By virtue of the assignment of voting rights and the Deed of Assignment, AMPI, ABIRC and AMC has lost control over the Clubs effective March 31, 2011, thus, were deconsolidated effective that date. AMPI, ABIRC and AMC, however, retained its preferred shares in the Clubs (see Note 11).

The difference between the selling price of the common shares and the Group's carrying value of its common shares amounting to ₱6.3 million is recognized as a gain on loss of control in the 2011 consolidated statement of comprehensive income. Further, the gain on sale of preferred shares amounting to ₱2.6 million in 2010, which was recognized in equity, was credited to profit or loss as part of gain on loss of control in the 2011 consolidated statement of comprehensive income. The Group's residual interest in the preferred shares of the Club was then carried at fair value. The increase in the fair value amounting to ₱1,354.1 million was credited to "Unrealized valuation gains on AFS investments" account in the equity section of the 2011 consolidated balance sheet. Such increase in the fair value represents unrealized valuation gains prior to the deconsolidation of TCCAMPI. There was no unrealized valuation gains for ABICI and AMCI as there were no available market price yet for these preferred shares as at the date of deconsolidation. These were carried at cost less allowance for impairment losses, if any, because fair value cannot be measured reliably then due to lack of reliable estimates of fair value.

b. Joint Arrangements

i. ABCC (Joint Venture)

ABCC was incorporated and registered with the Philippine SEC on July 11, 2007, with purpose of owning, using, improving, developing, subdividing, leasing, and holding of investments or otherwise, real estate of all kinds, including buildings, houses, apartments, and structures.

On July 14, 2010, ADI, Wenceslao and ABCC entered into an Investment Agreement for the transfer of a total of 32 hectares of land respectively owned by Wenceslao and ADI to ABCC in exchange for the latter's shares of stock. ABCC will develop the property into a high-end, mixed-use property project to be known as Alphaland Bay City

On the same date, ABCC's Board of Directors and stockholders approved the amendment of ABCC's articles of incorporation for the following:

a) Change in corporate name from "A.A. Land Properties Developers Corporation" to "Alphaland Bay City Corporation";
b) Change in the number of Board of Directors from five to six; and,
c) Increase in the authorized capital stock from ₱10,000 divided into 10,000 shares, with ₱1 par value per share, to ₱120.0 million divided into 120,000,000 shares, with ₱1 par value per share.

On December 23, 2010, ABCC, Wenceslao and ADI executed a Deed of Assignment and Memorandum of Agreement to form ABCC as a joint venture company, that is, 50-50 owned by Wenceslao and ADI. By virtue of these agreements, ABCC is in substance, a 50-50 owned entity of Wenceslao and ADI as of December 31, 2013 and 2012.

Through various Deeds of Exchange and Memorandum of Agreement dated October 14, 2010, Wenceslao and ADI conveyed a total of 28 hectares of land in Aseana Business Park to ABCC in exchange for the latter's shares of stock. Wenceslao and ADI have filed with the Bureau of Internal Revenue (BIR) a request for a confirmation that the mentioned transfer is tax-free. On April 13, 2012, the SEC approved ABCC's amendment of the Articles of Incorporation and increase in its authorized capital stock and corresponding issuance of shares to Wenceslao and ADI. As of June 18, 2014, the confirmatory ruling has not yet been issued by the BIR and Wenceslao still has to transfer a portion of the said ABCC shares to ADI to effect the economic ownership interest stipulated in their Agreements.

The Group's total initial investment cost in the Joint Venture Company of ₱7,979.5 million represents 10 hectares of land, more or less, with fair value of ₱6,456.0 million, cash of ₱1,000.0 million and subscription payable of ₱523.5 million.

| | 2013 | 2012 (As restated - see Note 2) |
|---|---|---|
| Acquisition cost - | | |
| Balance at beginning and end of year | **₱7,485,034,883** | ₱7,485,034,883 |
| Accumulated equity in net income: | | |
| Balance at beginning of year | **2,690,160,598** | 1,959,503,718 |
| Equity in net income during the year | **3,169,200,125** | 730,656,880 |
| Balance at end of year | **5,859,360,723** | 2,690,160,598 |
| | **₱13,344,395,606** | ₱10,175,195,481 |

The Group's accounting policy on investment properties is different from that of the joint venture. An adjustment was made to bring the accounting policy in line with that of the Group.

The Group has not incurred any contingent liabilities in relation to its interest in the joint ventures, nor do the joint ventures themselves have any contingent liabilities for which the Group is contingently liable as of December 31, 2013 and 2012.

The Group has not entered into any capital commitments in relation to its interest in the joint ventures and did not receive any dividends from the joint ventures as of December 31, 2013 and 2012.

The summarized financial information of the joint venture, aligned with the accounting policies of the Group, is as follows:

| | 2013 | 2012 |
|---|---|---|
| Current assets (including cash of ₱10,650) | **₱198,488** | ₱14,250 |
| Noncurrent assets | **30,647,210,000** | 21,592,352,500 |
| Current liabilities | **(30,202,176)** | (30,017,938) |
| Noncurrent liabilities | **(3,928,415,100)** | (1,211,957,850) |
| Net equity | **₱26,688,791,212** | ₱20,350,390,962 |

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Income | **₱9,054,857,500** | ₱2,089,582,500 | ₱1,950,277,000 |
| Costs and expenses | **–** | (1,393,990) | (17,059,154) |
| Income tax | **(2,716,457,250)** | (626,874,750) | (585,083,100) |
| Net income | **₱6,338,400,250** | ₱1,461,313,760 | ₱1,348,134,746 |

Below is the reconciliation of the summarized financial information of the joint venture to the carrying amount of the Group's investments therein:

| | 2013 | 2012 |
|---|---|---|
| Net assets of ABCC | **₱26,688,791,212** | ₱20,350,390,962 |
| Interest of the Group in the net assets of ABCC | **50%** | 50% |
| Carrying amount of investment in a joint venture | **₱13,344,395,606** | ₱10,175,195,481 |

In 2013, litigation ensued between the Alphaland Group and the Wenceslao Group because of the Wenceslao Group's attempts to delay the construction and development of the Alphaland Group's Marina Club project (see Note 28).

The definitive agreement signed by the major shareholders of ALPHA discussed in Note 1 includes the transfer of the Group's interest in ABCC and the settlement of the dispute with the Wenceslao Group. Thus, the Group's investment in ABCC is recoverable.

ii. AMPI and BSP (Joint Operation)

On June 30, 2008, AMPI and BSP entered into a Joint Venture Agreement to develop the Malugay Property into a first class commercial development to be known as Alphaland Makati Place (the "Project") whereby BSP shall contribute the Malugay Property while AMPI shall contribute the improvements (the "development costs") and its exclusive rights (the "leasehold rights") over the Malugay Property, as well as to provide all necessary funds, equipment, materials, construction works, expertise and related undertakings for the development of the Project.

The Project consists of three high-end residential towers atop an upscale six-storey podium, the bottom half of which is a shopping center and the top half a City Club for urban sports and leisure. The Project also includes a Boy Scout Convention Center as provided in the Joint Venture Agreement.

AMPI and BSP agreed to share at 85% and 15%, respectively, of the total gross floor area of completed and disposable units in the Project. The 85% share of AMPI shall include the City Club and the 15% share of BSP shall include the Boy Scout Convention Center. As provided in the Joint Venture Agreement, AMPI shall submit progress reports of the development works in the Project on a regular basis to BSP.

On June 2, 2011, BSP sold the Malugay Property to AMPI for a total consideration of ₱600.0 million. The amount of consideration paid to BSP was then contributed by BSP to the Project which is being held by AMPI in trust for the development of the Project. The leasehold right was effectively terminated when AMPI acquired the land from BSP in June 2011.

Pursuant to the Joint Venture Agreement, ALPHA has issued a corporate guaranty in favor of BSP whereby, in the event AMPI is unable to complete the Project (for reasons attributable to the fault of AMPI), ALPHA shall pay BSP the amount of ₱600.0 million in exchange for BSP's 15% share in the sharing scheme as defined in the Joint Venture Agreement.

The Group accounts for the joint venture agreement as a joint operation. As of December 31, 2013 and 2012, the Group recognized its share in the development costs of the Project (excluding the costs related to the City Club - see Note 11) in the following accounts:

| | **2013** | 2012 |
|---|---|---|
| Land and development costs (see Note 8) | **₱1,786,169,791** | ₱913,880,042 |
| Investment properties (see Note 12) | **1,673,143,182** | 2,332,536,420 |
| | **₱3,459,312,973** | ₱3,246,416,462 |

iii. ADI and Akean Resorts Corporation (Caticlan Property) (Joint Operation - see Notes 1 and 12)

## 5. Assets Held for Sale and Discontinued Operations

ALPHA spun-off the operation and maintenance of its plastic manufacturing business to Macondray Plastics Products, Inc. (MPPI), a former subsidiary. On October 28, 2011, ALPHA entered into a Deed of Absolute Sale with Macondray Philippines Co., Inc. for the sale of MPPI for a consideration of ₱254.0 million which resulted to a loss on sale of an investment of ₱1.3 million.

The results of operations attributable to the manufacturing plastics business in 2011 are as follows:

| | 2011 (Nine Months) |
|---|---|
| Net sales | ₱461,523,368 |
| Costs of sales | (374,344,011) |
| General and administrative expenses | (60,482,159) |
| Other expenses | (8,287,473) |
| | (443,113,643) |
| Income from discontinued operations | 18,409,725 |
| Provision for income tax (see Note 23) | 5,502,653 |
| Net income from discontinued operations | ₱12,907,072 |

The net cash flows attributable to discontinued operations in 2011 are as follows:

| | 2011 (Nine Months) |
|---|---|
| Cash flows provided by (used in): | |
| Operating activities | ₱29,191,528 |
| Investing activities | (22,012,760) |
| Financing activities | 6,700,000 |
| Net increase in cash | ₱13,878,768 |

The basic/diluted earnings per share of income from discontinued operations attributable to equity holders of the parent amounted to ₱0.007 in 2011 (see Note 24).

## 6. Cash and Cash Equivalents

| | **2013** | 2012 |
|---|---|---|
| Cash on hand and in banks (see Note 19) | **₱173,775,856** | ₱310,837,154 |
| Short-term placements (see Note 19) | – | 97,191,445 |
| | **₱173,775,856** | ₱408,028,599 |

Cash in banks earn interest at the respective bank deposit rates. Cash in bank amounting to ₱71.8 million and ₱183.0 million as of December 31, 2013 and 2012, respectively, is deposited with Philippine Bank of Communications (PBCom), a related party (see Note 19).

Short-term placements are made for varying periods of up to three months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term placement rates.

Interest income earned related to cash and cash equivalents amounted to ₱3.0 million, ₱17.2 million and ₱39.3 million in 2013, 2012 and 2011, respectively.

## 7. Trade and Other Receivables

| | **2013** | 2012 |
|---|---|---|
| Trade receivables from: | | |
| Tenants (see Note 19) | **₱46,324,322** | ₱52,467,075 |
| Sale of real estate | **8,098,085** | – |
| Sale of club shares - net of noncurrent portion (see Note 14) | **225,445,233** | 124,375,164 |
| Officers and employees (see Note 19) | **17,710,503** | 43,640,972 |
| Others | **7,337,948** | 2,345,830 |
| | **304,916,091** | 222,829,041 |
| Less allowance for impairment losses | **5,852,085** | 5,852,085 |
| | **₱299,064,006** | ₱216,976,956 |

Receivables from tenants are noninterest-bearing and are generally on a 30 to 90 day term.

Receivables from sale of club shares and real estate have terms ranging from one to three years. Noncurrent portion of trade receivables from sale of club shares is presented under "Other noncurrent assets" account in the consolidated balance sheets (see Note 14). Amortization of interest on these receivables amounting to ₱37.0 million, ₱7.7 million and nil in 2013, 2012 and 2011, respectively, was recorded as part of "Interest income" account in the consolidated statements of comprehensive income.

Receivables from officers and employees and other receivables arise from the Group's operations and are noninterest-bearing. Receivables from officers and employees are subject to liquidation and other receivables will be settled within one year.

The movement of the allowance for impairment losses on trade receivables is shown below:

| | **2013** | 2012 |
|---|---|---|
| Balance at beginning of year | **₱5,852,085** | ₱4,705,015 |
| Provision during the year (see Note 21) | **–** | 1,147,070 |
| Balance at end of year | **₱5,852,085** | ₱5,852,085 |

Provision for impairment losses pertains to receivables from several lessees of ADI that are 90 days past due.

## 8. Land and Development Costs and Parking Lots for Sale

a. Land and Development Costs

Movements in land and development costs are as follows:

| | **2013** | 2012 |
|---|---|---|
| Balance at beginning of year | **₱1,171,426,541** | ₱685,887,592 |
| Additions: | | |
| Development costs | **846,094,334** | 467,520,706 |
| Capitalized borrowing costs (see Note 17) | **61,150,885** | 18,018,243 |
| Effect of revised allocation | **297,448,552** | – |
| Cost of real estate sold (see Note 21) | **(89,313,748)** | – |
| Balance at end of year | **₱2,286,806,564** | ₱1,171,426,541 |

The details of the account are as follows:

| Project | **2013** | 2012 |
|---|---|---|
| Alphaland Makati Place (see Notes 4, 12 and 17) | **₱1,786,169,791** | ₱913,880,042 |
| Alphaland Tower (see Notes 12 and 17) | **500,636,773** | 257,546,499 |
| | **₱2,286,806,564** | ₱1,171,426,541 |

Alphaland Makati Place

The Group's project, named Alphaland Makati Place, which is a joint venture with BSP (see Note 4), is located on a one-hectare premium property along Ayala Avenue Extension corner Malugay Street, Makati City. Alphaland Makati Place consists of three high-end residential towers atop an upscale six-storey podium, the bottom half of which is a shopping center and the top half, a City Club for urban sports and leisure (see Note 11). As of December 31, 2013, the project is 43% completed.

Project cost classified as land and development costs pertains to the Group's proportionate interest in Towers One and Two of Alphaland Makati Place which are intended for sale.

In October 2011, the Group started the pre-selling of condominium units in Tower One of Alphaland Makati Place. The terms and conditions of the Contract to Sell (CTS) involve the sale of one condominium unit and one City Club share, i.e., a preferred share of TCCAMPI, in which ownership of the unit and the City Club share are inseparable. Under the CTS, the components are sold under a single selling price with downpayment payable upon signing of the CTS and the unpaid balance payable in monthly installments for a period of three years from date of CTS. Ownership of the City Club share will allow the buyer to enjoy the amenities and facilities of the City Club.

On December 5, 2011, the Housing and Land Use Regulatory Board (HLURB) issued a temporary License to Sell (LTS) to AMPI for the sale of condominium units in Tower One of Alphaland Makati Place. The permanent LTS was issued on October 9, 2012.

On November 4, 2013, the HULRB issued a LTS to AMPI for the sale of condominium units in Tower Two of the Project. In 2013, the Company designated PBCom (see Note 15) as escrow agent in compliance with Presidential Decree No. 957, as amended, in connection with AMPI's application for a Certificate of Registration and a LTS with the HLURB. As of December 31, 2013, AMPI is still in the process of transferring the cash to the escrow fund.

In 2013, based on current plans, AMPI revised the planned allocation in determining the 15% share of BSP on the Project. BSP's share now consists of the BSP convention center located at the third floor of the Podium and a portion of Tower Three and parking spaces. Prior to 2013, BSP's share consists of the BSP convention center and a portion of Tower One and Two.

Total estimated cost to complete this portion of the project amounted to ₱3,024.1 million and ₱2,390.6 million as of December 31, 2013 and 2012, respectively. The condominium units are expected to be turned over to the buyers by 2015.

As of December 31, 2013 and 2012, interests and amortization of deferred financing costs of the loan amounting to ₱43.9 million and ₱11.1 million were capitalized as part of land and development costs (see Note 17).

AMPI received deposits from the sale of condominium units. As of December 31, 2013 and 2012, the current portions amounting to ₱378.7 million and ₱75.3 million, respectively, were presented under "Trade and other payables" account and the noncurrent portions amounting to ₱0.8 million and ₱44.7 million, as of December 31, 2013 and 2012, respectively, were presented under "Other noncurrent liabilities" account in the consolidated balance sheets, respectively (see Note 15).

Alphaland Tower

Alphaland Tower is a 34-storey building and with gross floor area of 67,909 square meters. This is located along Ayala Avenue and will be a premier high-end corporate office, known as "The Alphaland Tower". About 86% of the net saleable area (36,270 square meters) is intended for lease; while the remaining 14% (6,014 square meters) is intended for sale. As of December 31, 2013, the building is substantially completed.

Total estimated cost to complete the project amounted to ₱14.3 million and ₱38.9 million as of December 31, 2013 and 2012, respectively.

As of December 31, 2013 and 2012, the interests and amortization of deferred financing costs of the loan amounting to ₱17.2 million and ₱7.5 million were capitalized as part of land and development costs (see Note 17).

As discussed in Note 1, the Alphaland Tower will be sold pursuant to the definitive agreement signed by the major shareholder groups on June 5, 2014.

b. Parking Lots for Sale

In 2013, movements in parking lots for sale of the Alphaland Makati Place Project are as follows:

| | |
|---|---|
| Balance at beginning of year | ₱– |
| Transfer from investment properties (see Note 12) | 322,785,282 |
| Cost of real estate sold (see Note 21) | (86,484,664) |
| Balance at end of year | ₱236,300,618 |

These parking lots were fully completed as of December 31, 2013.

## 9. Other Current Assets

| | 2013 | 2012 |
|---|---|---|
| Input VAT - net (see Note 14) | **₱1,093,699,226** | ₱780,711,163 |
| Advances to contractors and suppliers (see Notes 14 and 28) | **261,818,688** | 112,863,758 |
| Restricted cash - net of noncurrent portion | **205,067,951** | 630,927,266 |
| CWT | **52,334,726** | 34,312,363 |
| Deferred rent (see Note 20) | **50,718,983** | 55,801,505 |
| Prepayments | **43,769,898** | 33,969,939 |
| Others | **21,613,725** | 14,924,064 |
| | **₱1,729,023,197** | ₱1,663,510,058 |

Input VAT

Input VAT arises from the acquisition of land and payments to suppliers and contractors for the acquisition of goods and development of the Group's projects. This can be claimed as credit against the Group's output VAT payable. The portion of input VAT which is required to be amortized over the life of the related asset or a maximum period of 60 months is recognized as part of "Other noncurrent assets" account (see Note 14).

Advances to Contractors and Suppliers

Advances to contractors and suppliers are considered as nonfinancial instruments as these will be applied against future billings from contractors normally within one year. Advances to contractors and suppliers, relating to the portion of the project that is classified as investment property and to advance payments that will be applied against future billings beyond 12 months from the reporting date, amounting to ₱475.9 million and ₱552.6 million as of December 31, 2013 and 2012, respectively, are presented under "Other noncurrent assets" account in the consolidated balance sheets (see Note 14).

Restricted Cash

*Escrow Funds - Preferred Shares (2013: nil; 2012: ₱502.7 million).* These represent funds with an escrow agent, PBCom, a related party (see Note 19), in compliance with Section 8E of Rule 12.1 of the Amended Implementing Rules and Regulations of the Securities Regulation Code (SRC) and in connection with AMPI and ABIRC's public offering of the preferred shares, classified under "AFS investments" account in the consolidated balance sheets. The proceeds from the sale of preferred shares shall only be disbursed in portions upon written instructions of AMPI and ABIRC for the purpose of paying direct costs incurred to sell the preferred shares. The release shall be in accordance with the percentage of completion of the City Club and Island Club. The escrow account shall be closed upon completion of the construction of the City Club and Island Club by AMPI and ABIRC, respectively (see Note 14). The funds were released from the escrow account in 2013.

*Debt Service Reserve Account (DSRA) (2013: ₱203.9 million; 2012: ₱127.0 million).* Under the Omnibus Loan and Security Agreement (OLSA), ADI, AMPI and AMTI (collectively, the Borrowers) are required to maintain a DSRA for the security of interest and/or principal repayments to the lenders. The Borrowers are required to deposit cash to the DSRA equivalent to the upcoming interest and/or principal repayment (see Note 17).

*Escrow Funds - Environmental Funds (2013: ₱1.2 million; 2012: ₱1.2 million).* These represent environmental funds deposited with PBCom, a related party (see Note 19), in compliance with the Environmental Compliance Certificate issued to ABIRC relating to the rehabilitation of the Project-affected area throughout the construction and maintenance of the Island Club. The funds shall be replenished annually.

Interest income earned from restricted cash amounted to ₱5.5 million, ₱6.6 million and ₱1.6 million in 2013, 2012 and 2011, respectively.

Prepayments
Prepayments include prepaid rent, insurance and commissioning fees.

## 10. Investments in and Advances to Associates

| | **2013** | 2012 |
|---|---|---|
| Investments in associates | **₱81,877,738** | ₱86,464,679 |
| Advances to associates (see Note 19) | **985,497,483** | 988,266,216 |
| | **₱1,067,375,221** | ₱1,074,730,895 |

Details of investments in associates are as follows:

| | **2013** | 2012 |
|---|---|---|
| Acquisition costs: | | |
| Balance at beginning of year | **₱60,533,730** | ₱60,533,730 |
| Additions | **4,000,000** | – |
| Reclassification (see Note 1) | **(2,093,927)** | – |
| Balance at end of year | **62,439,803** | 60,533,730 |
| Accumulated equity in net income: | | |
| Balance at beginning of year | **25,930,949** | 34,270,896 |
| Equity in net losses during the year | **(6,493,014)** | (8,339,947) |
| Balance at end of year | **19,437,935** | 25,930,949 |
| | **₱81,877,738** | ₱86,464,679 |

Details of investments in and advances to associates are as follows:

| | **2013** | | 2012 | |
|---|---|---|---|---|
| | **Investments** | **Advances** | Investments | Advances |
| Shang Global City Properties, Inc. (SGCPI)* | **₱34,756,025** | **494,121,776** | ₱35,243,639 | ₱494,121,776 |
| Fort Bonifacio Shangri-la Hotel, Inc. (FBSHI)* | **3,748,531** | **485,378,224** | 3,978,377 | 485,378,224 |
| AHEC | **35,167,495** | **5,052,902** | 40,213,373 | 8,693,569 |
| Alphaforce Security Agency, Inc. (ASAI) | **8,205,687** | **944,581** | 3,783,294 | 28,157 |
| ASRI | – | – | 3,245,996 | 44,490 |
| | **₱81,877,738** | **₱985,497,483** | ₱86,464,679 | ₱988,266,216 |

**Advances are intended for future stock subscription.*

The following are the associates of the Group as of December 31, 2013 and 2012:

| Company | Principal Activities | Percentage of Ownership | |
|---|---|---|---|
| | | **2013** | 2012 |
| SGCPI | Real property development | **20%** | 20% |
| FBSHI | Real property development | **20%** | 20% |
| AHEC | Sale and lease of heavy equipment | **50%** | 50% |
| ASAI | Security agency | **40%** | 40% |
| ASRI* | Restaurant operations | **–** | 50% |

**ASRI became a subsidiary in 2013 (see Note 1).*

All associates are incorporated in the Philippines.

SGCPI

SGCPI, 20%-owned by ADI, was incorporated and registered with the Philippine SEC on December 13, 2007, primarily to acquire by purchase and to own, use, improve, sell, mortgage, exchange, lease and hold for investment or otherwise, real estate of all kinds, whether to improve, manage, or otherwise dispose of said properties together with their appurtenances.

FBSHI

FBSHI, 20%-owned by ADI, was incorporated and registered with the Philippine SEC on February 15, 2008, primarily to own, carry, operate conduct and engage in hotel business, high and low residential condominium/apartment development and related business and, for this purpose, to purchase or own any interest in real property (except land) and personal property of all kinds.

SGCPI and FBSHI entered into an unincorporated joint venture agreement for the construction of a six-star hotel and high-end development at SGCPI's land property in Bonifacio Global City, Taguig, Metro Manila, to be known as Shangri-La at the Fort. It will be a mixed-use business, hospitality, residential and retail tower, envisioned as the new flagship luxury development in the Shangri-La portfolio. Shangri-La at the Fort is planned to commence operations by year 2014.

In connection with the construction of the hotel's facilities, FBSHI has entered into agreements with various suppliers and contractors. Major agreements entered into as of December 31, 2013 and 2012 include those for supply of materials, tools equipment, and supply and delivery of furniture and fixtures at guestrooms, among others. Total purchase commitments already entered into by FBSHI as of December 31, 2013 and 2012 amounted to ₱8,902.3 million and ₱8,524.0 million, respectively.

On April 21, 2014, the BOD approved the disposition of the Group's 20% stake in SGCPI and FBSHI. On April 30, 2014, the Group sold the 20% stake for ₱1.7 billion (see Note 1).

AHEC

In January 2010, ADI subscribed to 125,000 common shares of AHEC representing 50% of the outstanding shares of AHEC. AHEC is 50% owned by ADI and 50% owned by Fabricom-XCMG Phils., Inc. Its purpose is to purchase, import, or otherwise acquire, as well as to lease (except financial leasing), sell, distribute, market, convey, or otherwise dispose heavy equipment, machinery and related implements. AHEC's target markets are the local government units and private entities, among them are ADI and ABIRC, with big infrastructure projects and construction requirements. In 2013 and 2012, AHEC sold several units of heavy equipment to ADI and ABIRC for their development projects in Caticlan and Balesin, respectively (see Note 19).

On April 5, 2013, the BOD of AHEC approved a resolution to shorten the corporate life of AHEC to four years. As of June 18, 2014, AHEC's liquidation is still in progress. The remaining carrying value represents the Group's share in the residual net assets of AHEC.

ASAI

ASAI is 40%-owned by ALPHA and was incorporated and registered with the Philippine SEC on March 18, 2011 primarily engaged in the business of providing security and investigation services to private institutions and government organizations for the purpose of protecting lives and properties.

Condensed financial information of the associates follows:

| | **2013** | 2012 |
|---|---|---|
| Current assets | **₱270,696,921** | ₱405,378,048 |
| Noncurrent assets | **8,556,447,550** | 6,427,275,214 |
| Current liabilities | **194,542,563** | 79,117,126 |
| Noncurrent liabilities | **8,329,648,713** | 6,441,467,879 |
| Net equity | **₱302,953,195** | ₱312,068,257 |

| | **2013** | 2012 | 2011 |
|---|---|---|---|
| Revenue | **₱49,197,143** | ₱166,106,584 | ₱6,811,342 |
| Costs and expenses | **59,856,025** | 156,032,035 | 7,339,186 |
| Net income (loss) | **(₱10,658,882)** | ₱10,074,549 | (₱527,844) |

Below is the reconciliation of the summarized financial information of the significant associates to the carrying amount of the Group's investments therein:

| | **2013** | 2012 |
|---|---|---|
| Net assets of significant associates | **₱192,522,780** | ₱196,110,080 |
| Interest of the Group in the net assets of significant associates | **20%** | 20% |
| Carrying amount of investment in significant associates | **₱38,504,556** | ₱39,222,016 |

The Group has not incurred any contingent liabilities in relation to its investment in associates nor do the associates themselves have any contingent liabilities for which the Group is contingently liable as of December 31, 2013 and 2012.

The Group has not entered into any capital commitments in relation to its investment in associates and did not receive any dividends from the associates as of December 31, 2013 and 2012.

## 11. AFS Investments

| | 2013 | 2012 |
|---|---|---|
| Unquoted Clubs' preferred shares: | | |
| ABICI | **₱22,839,969,525** | ₱18,534,000,000 |
| TCCAMPI | **5,335,200,000** | 4,121,000,000 |
| AMCI | **1,909,364,390** | 1,909,364,390 |
| Quoted - | | |
| Wack Wack | **17,500,000** | 18,000,000 |
| | **₱30,102,033,915** | ₱24,582,364,390 |

The rollforward analysis of the account as of December 31 is as follows:

| | 2013 | 2012 |
|---|---|---|
| Balance at beginning of year | **₱24,582,364,390** | ₱10,747,425,000 |
| Fair value adjustments | **6,435,465,048** | 10,505,234,671 |
| Additional subscriptions | **–** | 3,776,767,542 |
| Sale of AFS investments | **(915,795,523)** | (447,062,823) |
| Balance at end of year | **₱30,102,033,915** | ₱24,582,364,390 |

| | 2013 | 2012 |
|---|---|---|
| Current | **₱785,555,507** | ₱1,166,318,831 |
| Noncurrent | **29,316,478,408** | 23,416,045,559 |
| | **₱30,102,033,915** | ₱24,582,364,390 |

The preferred shares held by the Group are not required to gain control of the Clubs and are intended to be disposed of over time to third parties, the proceeds of which will be used to raise funding for the construction of the club facilities which AMPI, ABIRC and AMC committed to deliver to TCCAMPI, ABICI and AMCI, respectively. The preferred shareholders are entitled to name one nominee per share to become a member and avail of the amenities and facilities of the Clubs. They are not entitled to vote and be voted for in all meetings of the shareholders of the Clubs. The preferred shares have preference over the issuer's common shares in the distribution of assets in case of dissolution and liquidation.

Liability Related to Acquisition of AFS Investments

The cost of the Group's investments in the preferred shares of TCCAMPI, ABICI and AMCI includes the cash consideration and the cost of the obligation to deliver as incurred and to complete the Clubs' facilities (see Note 3).

a. ABICI

On February 10, 2011, ALPHA, ABIRC and ABICI entered into a Development Agreement (DA) for the development and construction of a resort club (the "Island Club"). It is agreed that ABIRC will develop and construct the Island Club with ALPHA extending any financing required for the completion of the Island Club and its amenities in exchange for the ABICI shares.

It was clarified that, in consideration for the Island Club's construction, ABICI agrees that the excess of the construction costs over the par value of the shares issued by ABICI shall be treated as additional paid-in capital as cost is incurred. Furthermore, it was clarified that the ownership of the Island Club, its facilities and amenities will be transferred to ABICI as cost is incurred.

On February 24, 2011, the Philippine SEC approved ABICI's Registration Statement on the Island Club Offer Shares for the primary offering of 391 of its Class "B" preferred shares and secondary offering of its Class "B" preferred shares (Offer Shares or Tranche 1). In 2013, the SEC approved ABICI's Amended Registration Statement to increase its offer price to ₱3,000,000. ABICI has filed in 2013 a Second Amended Registration Statement to further increase its offer price to ₱5,000,000, which is still subject for approval by the SEC as of June 18, 2014.

In 2012, ABIRC has subscribed to additional Class "B" preferred shares of ABICI totaling 3,090 shares. As a consideration for the additional acquisitions of ABICI preferred shares, ABIRC entered into a Supplemental DA with ABICI in June 2012 increasing its obligation to complete the Island Club's facilities. By virtue of these additional subscriptions, ABIRC transferred investment properties to ABICI amounting to ₱453.3 million and the liability related to the acquisition of ABICI shares increased by ₱1,414.0 million (see Notes 12 and 29). As of December 31, 2012, the original 180 villas as committed in the Registration Statement were then completed and were operational. Expansion projects to increase the number of villas were substantially completed in December 2013.

On November 12, 2012, the shareholders of ABICI approved an amendment to the ABICI's shareholder structure whereby the additional 3,090 shares with par value of ₱100 were split into 6,180 shares (Tranche 2) with a par value of ₱50 per share. As a result, ABIRC's subscription to the above 3,090 shares was converted to 6,180 shares. On January 31, 2013, the stock split was approved by the SEC.

The initial liability related to acquisition of AFS investments amounting to ₱1,834.0 million is allocated for luxury villa clusters (75%), clubhouse (11%) and utilities and other facilities (14%). As of December 31, 2013 and 2012, the liability related to the acquisition amounted to nil and ₱275.2 million, respectively, which are presented under "Trade and other payables" account in the consolidated balance sheets.

In addition to development costs transferred to ABICI as incurred, various equipment amounting to ₱91.7 million were transferred to ABICI in 2012 (see Note 13).

In April 2013, ABICI and the ABIRC executed a Letter Agreement wherein the parties agreed that the difference between the budget under the Supplementary DA and the actual construction costs incurred will be treated as advances to ABICI. Advances to ABICI amounting to ₱985.6 million as of December 31, 2013 is due on or before December 31, 2014.

As of December 31, 2013 and 2012, there are 2,841 and 6,178 unsold shares from Tranche 1, respectively. As of December 31, 2013, there are 6,171 unsold shares from Tranche 2.

ABICI's Tranche 1 and Tranche 2 preferred shares entitle the holder for 14 and 7 free nights stay in the Island Club, respectively. Tranche 2 is specifically offered to foreign nationals only. As of December 31, 2013, the fair value of Tranche 1 and 2 amounted to ₱3.7 million and ₱2.0 million, respectively. As of December 31, 2012, the fair value of Tranche 1 amounted to ₱3.0 million.

As of December 31, 2013 and 2012, the fair value of 2,841 and 6,178 unsold shares from Tranche 1 amounted to ₱10,511.7 million and ₱18,534.0 million, respectively. As of December 31, 2013, the fair value of 6,171 unsold shares from Tranche 2 amounted to ₱12,328.3 million.

b. TCCAMPI

In October 2010, ADI, AMPI and TCCAMPI entered into a DA for the development and construction of a City Club in Alphaland Makati Place. It is agreed that ADI and/or AMPI will develop and construct the City Club with AMPI extending any financing required for its completion and amenities in exchange for the TCCAMPI shares.

In December 2010, ADI, AMPI and TCCAMPI entered into a Supplemental DA to clarify that under the DA, it is AMPI who has the primary obligation to develop and construct the City Club. Moreover, it was clarified that, in consideration for the City Club's construction, TCCAMPI agrees to convert any and all advances provided by ADI and AMPI to additional paid-in capital as cost is incurred. Furthermore, it was clarified that the ownership of the City Club, its facilities and amenities will be transferred to TCCAMPI as cost is incurred. The City Club was fully completed in January 2014.

The initial liability related to acquisition of AFS investments amounting to ₱1,190.6 million is allocated for the construction of podium and club equipment (88%) and land (12%). As of December 31, 2013 and 2012, this amounted to ₱329.0 million and ₱981.3 million, respectively, and is shown as part of "Trade and other payables" account in the consolidated balance sheets (see Note 15).

AMPI's AFS investment is marked to market using the fair value amounting to ₱1.4 million and ₱1.0 million per share as at December 31, 2013 and 2012, respectively.

As of December 31, 2013 and 2012, the fair value of 3,952 and 4,121unsold shares amounted to ₱5,335.2 million and ₱4,121.0 million, respectively.

c. AMCI

On December 3, 2012, AMC subscribed to additional 3,250 preferred shares of AMCI for a cash consideration amounting to ₱0.3 million and an obligation to develop and construct the Marina Club amounting to ₱1,908.9 million. On the same date, AMC and AMCI entered into a DA for the development and construction of the Marina Club. It is agreed that AMC will develop and construct the Marina Club with AMC extending any financing required for the completion of the Marina Club and its amenities in exchange for the AMCI shares.

On the same date, AMCI filed for approval with SEC a Registration Statement on the Marina Club Offer Shares for the primary offering of 500 Class "B" preferred shares and secondary offering of 4,500 Class "B" preferred shares at an offer price of up to ₱5.0 million per share. As of June 18, 2014, the application is still pending approval of the SEC.

The DA indicates that AMC has the primary obligation to develop and construct the Marina Club. Moreover, in consideration for the Marina Club's construction, AMCI agrees to convert any and all advances provided by AMC to additional paid-in capital as AMC constructs the Marina Club. Furthermore, the ownership of the Marina Club, its facilities and amenities will be transferred to AMCI as costs are incurred.

AMC's initial liability related to acquisition of AFS investments amounting to ₱1,908.9 million is allocated for the clubhouse (49%), piers (24%), charter yachts (24%) and service fleet and equipment (3%). Percentage of completion of the Marina Club as of December 31, 2013 is estimated at about 6%.

The fair value of AMCI preferred shares cannot be measured reliably due to lack of reliable estimates of fair value, thus carried at cost. As of December 31, 2013 and 2012, the carrying value of 4,500 unsold shares amounted to ₱1,909.4 million.

As discussed in Note 1, the Group will sell its investment in the Marina Club Project pursuant to the definitive agreement signed by the major shareholders of the Group on June 5, 2014. Accordingly, the incoming management and owner of the Marina Club Project will make its own evaluation of the project.

As of December 31, 2013 and 2012, the Group's current portion of the liability related to the acquisition of AFS investments amounted to ₱1,495.1 million and ₱2,133.0 million, respectively, presented under "Trade and other payables" account while the noncurrent portions of the said liability amounting to ₱637.6 million and ₱1,025.8 million, respectively, were presented under "Other noncurrent liabilities" account in the consolidated balance sheets.

Unrealized Valuation Gains on AFS Investments

The Group's AFS investments is marked to market using the fair value equivalent to the cash selling price of a recent sale to the public for the unquoted preferred shares and published price quotations in an active market for the quoted ordinary shares.

Movements in the unrealized gain on AFS investments, net of related tax effect, are as follows:

| | **2013** | 2012 |
|---|---|---|
| Balance at beginning of year | **₱16,288,147,877** | ₱7,129,834,932 |
| Unrealized valuation gains on AFS investments | **6,435,465,048** | 10,505,234,671 |
| Realized mark-to-market gain | **(729,653,162)** | (329,259,178) |
| Net gain on AFS investments | **5,705,811,886** | 10,175,975,493 |
| Income tax effect | **(570,581,189)** | (1,017,662,548) |
| | **5,135,230,697** | 9,158,312,945 |
| Balance at end of year | **₱21,423,378,574** | ₱16,288,147,877 |

Receivable arising from the sale of AFS investments amounted to ₱499.8 million and ₱187.3 million as of December 31, 2013 and 2012, respectively (see Notes 7, 14 and 19). Gain on sale of AFS investments amounted to ₱729.7 million, ₱329.3 million and ₱208.6 million in 2013, 2012 and 2011, respectively.

As of December 31, 2013 and 2012, deposits received from buyers of club shares amounting to ₱79.8 million and ₱156.3 million, respectively, were presented under "Trade and other payables" account in the consolidated balance sheets (see Note 15).

## 12. Investment Properties

| | 2013 | 2012 (As restated - see Note 2) |
|---|---|---|
| Balance at beginning of year | **₱10,958,040,624** | ₱8,294,784,798 |
| Fair value change | **3,586,250,552** | 1,409,507,610 |
| Additions: | | |
| Capital expenditures | **520,734,862** | 1,618,408,788 |
| Capitalized borrowing costs (see Note 17) | **145,285,355** | 108,260,457 |
| Transfer to parking lots for sale (see Note 8) | **(322,785,282)** | – |
| Effect of revised allocation (see Note 8) | **(297,448,552)** | – |
| Transfer of land to ABICI (see Note 11) | – | (453,259,000) |
| Reclassification to property and equipment (see Note 13) | – | (27,545,229) |
| Reclassification from receivable | – | 8,365,200 |
| Transfer of development costs to AMCI | – | (482,000) |
| Balance at end of year | **₱14,590,077,559** | ₱10,958,040,624 |

Investment properties carried at fair value consist of:

| | 2013 | 2012 |
|---|---|---|
| Alphaland Tower (see Note 17) | **₱5,738,930,600** | ₱3,233,610,968 |
| Alphaland Southgate Tower (see Note 17) | **4,087,682,438** | 3,205,415,479 |
| Alphaland Balesin Island Property (see Note 16) | **2,331,612,750** | 1,548,179,962 |
| Alphaland Makati Place (see Notes 4 and 17) | **1,673,143,182** | 2,332,536,420 |
| Silang Property | **540,001,000** | 460,149,368 |
| Caticlan Property (see Note 4) | **189,861,176** | 178,148,427 |
| Baguio Property | **28,846,413** | – |
| | **₱14,590,077,559** | ₱10,958,040,624 |

Alphaland Tower

In June 2008, ADI acquired from Sta. Lucia Land, Inc., two parcels of land measuring a total of 2,400 square meters, more or less, along Ayala Avenue, Makati City. Due to current zoning height restrictions, ADI also acquired air rights from the owner of the adjacent property for a consideration of ₱95.0 million as it plans to build a 34-storey building to be known as Alphaland Tower. Total capitalized borrowing costs in 2013 and 2012 amounted to ₱104.0 million and ₱71.0 million, respectively. The property, including the project cost classified as land and development costs (see Note 8), currently secures the long-term debt obtained by AMTI (see Note 17).

As discussed in Note 1, the Alphaland Tower will be sold pursuant to the definitive agreement signed by the major shareholder groups on June 5, 2014.

Alphaland Southgate Tower

In January 2008, ADI acquired from South China Resources, Inc. and the Puyat family two parcels of land measuring a total of 9,497 square meters, more or less, at the corner of EDSA and Chino Roces Avenue in Makati City together with the existing improvements thereon. The property is now a fully developed and operational 20-storey office tower building with a 6-storey podium known as Alphaland Southgate Tower. It was declared an Information Technology Zone

on January 12, 2009 by the Philippine Economic Zone Authority, pursuant to Presidential Proclamation No. 1692 dated December 22, 2008. The property secures the long-term debt of ADI (see Note 17).

Rent income from Alphaland Southgate Tower including common utilities, services and maintenance charges amounted to ₱568.1 million, ₱528.6 million and ₱412.7 million in 2013, 2012 and 2011, respectively (see Note 20). Direct costs related to rent income amounted to ₱126.7 million, ₱121.1 million and ₱75.2 million in 2013, 2012 and 2011, respectively, which mainly comprised of utilities and commissary costs.

Alphaland Balesin Island Property
ABIRC acquired approximately 394 hectares of land in Balesin Island, Polillo, Quezon. As of December 31, 2012, the lots in Balesin Island secure the loans payable obtained by ABIRC on May 21, 2013 and March 29, 2012 (see Note 16). Additional 12 hectares were also acquired via land-for-share swaps with existing Balesin Island landowners. This brings the total land ownership to 406 hectares. Of this total, approximately 91 hectares was committed for transfer to ABICI (see Note 11). The transfer of certificates of title is currently being processed.

Alphaland Makati Place
This represents the Group's proportionate interest in Podium and Tower Three of Alphaland Makati Place which is intended for lease to third parties (see Notes 4 and 8). Total capitalized borrowing costs amounted to ₱41.3 million and ₱37.2 million in 2013 and 2012, respectively. The property, including the project cost classified as land and development costs (see Note 8), currently secures the long-term debt obtained by AMPI (see Note 17).

Silang Property
ADI's three parcels of land in Silang, Cavite, measuring a total of 300,000 square meters, more or less, is reserved for future development.

Caticlan Property
On December 3, 2010, ADI entered into a DA with Akean Resorts Corporation to develop a 500-hectare property in the northern tip of the municipalities of Malay and Nabas, both in Aklan, which faces Boracay Island, one of the world's best beach resort islands. ADI aims to transform this prime property into a high-end mixed-use resort complex anchored by a Polo and Country Club as well as water recreational activities, which will later be called Alphaland Boracay Gateway Country Club. ADI will develop the property in time for the opening of the proposed Caticlan International Airport. As of December 31, 2013, ADI completed the master plan including the site development of the first phase of the project. Costs capitalized as investment properties represent land acquisition costs and other related transaction costs incurred directly in carrying-out the project. In addition, management believes that the fair value of the investment property approximates its carrying amount which is based on costs directly attributable to the maintenance of the property.

As discussed in Note 1, the Boracay Project will be sold pursuant to the definitive agreement signed by the major shareholder groups on June 5, 2014.

Baguio Property
This consists of parcels of land and related transaction costs as of December 31, 2013. These parcels of land will form part of the Alphaland Baguio Mountain Log Homes Project, which covers approximately 70 hectares of rolling terrain in Itogon, Benguet. As of December 31, 2013, management believes that the fair value of the investment property approximates its carrying amount which is based on current costs of acquisition.

As of December 31, 2013, the fair values of the investment properties are based on valuations performed by accredited independent appraisers. The description of the valuation techniques used and key inputs to fair valuation are as follows:

Discounted Cash Flows (DCF) Method

| Project | Significant Unobservable Inputs | Range 2013 | Range 2012 |
|---|---|---|---|
| Alphaland Southgate Tower | Discount rate | **11.82%** | 11.73% |
| | Stable occupancy rate | **95%–100%** | 95% - 100% |
| | Average lease rate (Mall) | **₱610–₱15,750 per square meter** | ₱610–₱15,750 per square meter |
| | Average lease rate (Tower) | **₱650 per square meter** | ₱650 per square meter |
| | Lease growth per annum | **5%–8%** | 5%–7% |
| | Other income growth per annum | **7%–10%** | 2%–10% |
| | Rental gap | **75%** | 75% |
| | Cost of sales as percentage of passed-on costs | **65%** | 65% |
| | Capital expenditure growth per annum | **5%–7%** | 2% |
| | Expenses growth per annum | **0%–15%** | 1%–15% |

The significant unobservable inputs to fair valuation are as follows:

Discount rate: rate used to discount the net cash flows generated from rental activities during the period of analysis

Stable occupancy rate: estimated occupancy rate for mall and tower leasable areas per annum

Average lease rate (tower): average lease rate per square meter paid by Alphaland Southgate Mall tenants based on the lease contracts

Lease growth per annum: estimated average annual increase in lease rates based on contractual indexations

Other income growth per annum: estimated average annual increase in other income based on historical 2012 and 2013 growth rates

Cost of sales as percentage of passed-on costs: estimated proportion of cost of sales based on passed-on costs

Capital expenditure growth per annum: estimated average annual increase in capital expenditure

Expenses growth per annum: estimated average annual increase in expenses

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behavior that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by:

- A directionally similar change in the rent growth per annum and discount rate (and exit yield)
- An opposite change in the long term vacancy rate

*Sensitivity Analysis*

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy of the entity's portfolios of investment properties are:

- Average lease rate (per square meter per annum)
- Discount rate
- Lease growth per annum
- Rental gap
- Long-term growth rate
- Cost of sales margin

Significant increases (decreases) in average lease rates, lease growth per annum and long-term growth rate in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in discount rate and cost of sales margin in isolation would result in a lower (higher) fair value measurement.

Generally, a change in the assumption made for estimated lease rate growth per annum is accompanied a directionally similar change in average lease rate (per square meter per annum).

| | Significant Assumptions | Sensitivity Level | Effect on Fair Value |
|---|---|---|---|
| Alphaland Southgate | Average lease rate (Mall) | 5% more or less growth | ₱160,996,000 |
| | Average lease rate (Tower) | 5% more or less growth | 733,759,000 |
| | Discount rate | 25 basis points | 319,354,000 |
| | Lease rate growth (Mall) | 1% more or less growth | 114,887,000 |
| | Lease rate growth (Tower) | 1% more or less growth | 517,677,000 |
| | Long term growth rate | 25 basis points | 199,932,000 |
| | Cost of sales margin | 5% plus or minus | 286,407,000 |

Market Data Approach

| Project | Class of Property | Significant Unobservable Inputs | Range 2013 | Range 2012 |
|---|---|---|---|---|
| Alphaland Bay City (through investment in a joint venture - see Note 4) | Land | Price per square meter | **₱110,000-₱150,000** | ₱83,000-₱100,000 |
| | | Value adjustments | **25%–40%** | 25%–40% |
| Alphaland Tower | Office condominium unit | Price per square meter | **₱160,000-₱165,000** | – |
| | | Net operating income (NOI) | **₱1,881,600 to ₱11,970,000** | |
| | | Capitalization rate | **8%** | – |
| | | Vacancy loss and operating expense | **30%** | – |
| | | | | – |
| | | Value adjustments | **15%–45%** | – |
| | Parking slots | Price per square meter | **₱74,800-₱80,000** | – |
| | | Value adjustments | **10%–85%** | – |
| | Land | Price per square meter | – | ₱270,000-₱395,000 |
| | | Value adjustments | – | 65% |
| Alphaland Makati Place | Land | Price per square meter | **₱185,000-₱238,200** | ₱185,000-₱238,200 |
| | | Value adjustments | **30%–40%** | 30%–40% |
| Alphaland Balesin Island | Land | Price per square meter | **₱745-₱750** | ₱400-₱490 |
| | | Value adjustments (for development) | **275%-290%** | 150%-165% |
| Silang | Land | Price per square meter | **₱1,800–₱7,000** | ₱1,500-₱2,500 |
| | | Value adjustments | **10%–20%** | 5%–20% |

The significant unobservable inputs to fair valuation are as follows:

Price per square meter: estimated value prevailing in the real estate market depending on the location, area, shape and time element

Capitalization rate: ratio between the NOI produced by an asset and its capital cost (the original price paid to buy the asset) or alternatively its current market value

Vacancy loss and operating expense: vacancy loss refers to the foregone income due to vacant units, rental concessions and collection losses. Operating expenses consists of fixed costs such as property tax, insurance, management cost and utility cost.

Value adjustments: adjustments are made to bring the comparative values in approximation to the investment property taking into account the location, size, architectural features and etc.

Market Data Approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element.

To determine the market value of the condominium units, the estimated net annual income of each comparable listing was computed and then capitalized through Direct Capitalization Method. The assumed market value was then arrived and adjustments were made to determine the estimated market value of the subject units.

*Sensitivity Analysis*

The following factors were considered in determining the Market Value of the subject property:

- location/neighborhood
- the subject property is a commercial/residential
- grid analysis (quantitative market value adjustments)
- highest and best use (commercial and residential building)

Significant increases (decreases) in NOI, capitalization rate and value adjustments would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in value adjustments would result in a lower (higher) fair value measurement.

Grid analysis is the process of listing the comparables, properties that was recently sold or available for sales which are substantially equivalent in terms of characteristics and are situated in a similar market as the subject property, and effect some adjustments considering the factors affecting land value such as the location, size or area, access and zoning. In the absence or lack of hard sales data, listings and offerings may also be considered. The comparison is based on such factors as location, size, shape, utility, desirability, and time element.

The value of the improvement is just a mere component of the property being utilized for overseeing.

Cost Approach

| Project | Class of Property | Significant Unobservable Inputs | Range | |
|---|---|---|---|---|
| | | | **2013** | 2012 |
| Alphaland Makati Place | Improvement | Replacement cost per square meter | **₱30,000-₱55,000** | ₱30,000-₱50,000 |
| Alphaland Tower | Improvement | Replacement cost per square meter | – | ₱38,000 |

Replacement cost per square meter is the estimated cost per square meter to replace or reproduce the investment property taking into account the location, size, shape, utility, desirability and time element.

Cost Approach involves the estimate of the reproduction cost of the improvements based on prevailing cost of labor, materials, contractor's fee and other costs necessary to build the improvements. Depreciation brought about by physical wear and tear, functional obsolescence and economic obsolescence are deducted to arrive at the market value of improvements.

*Sensitivity Analysis*

Change of value in the improvement is attributed to the progress report completion of the building.

## 13. Property and Equipment

| | 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Leasehold Improvements | Buildings and Structures | Machinery, Equipment and Tools | Transportation Equipment (see Note 20) | Office Furniture and Equipment | Total |
| Cost: | | | | | | |
| Balances at beginning of year | ₱4,498,300 | ₱17,199,781 | ₱381,792,260 | ₱49,945,434 | ₱13,767,592 | ₱467,203,367 |
| Additions | 10,197,328 | 15,936,257 | 25,116,518 | 1,694,000 | 2,916,902 | 55,861,005 |
| Effect of business combination | 6,014,683 | – | – | – | 968,463 | 6,983,146 |
| Reclassifications | – | – | (924,307) | 924,307 | – | – |
| Balances at end of year | 20,710,311 | 33,136,038 | 405,984,471 | 52,563,741 | 17,652,957 | 530,047,518 |
| Accumulated depreciation and amortization: | | | | | | |
| Balances at beginning of year | 4,498,300 | 2,603,283 | 124,683,931 | 29,800,755 | 8,735,777 | 170,322,046 |
| Depreciation and amortization (see Note 21) | 341,365 | 3,275,632 | 65,153,355 | 14,829,334 | 3,748,932 | 87,348,618 |
| Reclassifications | – | – | 275,258 | (275,258) | – | – |
| Balances at end of year | 4,839,665 | 5,878,915 | 190,112,544 | 44,354,831 | 12,484,709 | 257,670,664 |
| Net book values | ₱15,870,646 | ₱27,257,123 | ₱215,871,927 | ₱8,208,910 | ₱5,168,248 | ₱272,376,854 |

In 2013, the Group capitalized a portion of the depreciation expense amounting to ₱43.0 million, which is related to machinery and equipment being used for the construction (see Note 12).

| | 2012 | | | | | |
|---|---|---|---|---|---|---|
| | Leasehold Improvements | Buildings and Structures | Machinery, Equipment and Tools | Transportation Equipment (see Note 20) | Office Furniture and Equipment | Total |
| Cost: | | | | | | |
| Balances at beginning of year | ₱4,498,300 | ₱36,110,449 | ₱366,976,182 | ₱19,671,755 | ₱13,075,934 | ₱440,332,620 |
| Additions | – | 102,725 | 94,351,874 | 714,196 | 2,228,229 | 97,397,024 |
| Transfer to Island Club (see Note 11) | – | (19,013,393) | (79,535,796) | – | (1,591,071) | (100,140,260) |
| Reclassifications (see Note 12) | – | – | – | 29,559,483 | 54,500 | 29,613,983 |
| Balances at end of year | 4,498,300 | 17,199,781 | 381,792,260 | 49,945,434 | 13,767,592 | 467,203,367 |
| Accumulated depreciation and amortization: | | | | | | |
| Balances at beginning of year | 4,498,300 | 1,874,954 | 67,842,252 | 10,198,106 | 4,717,784 | 89,131,396 |
| Depreciation and amortization (see Note 21) | – | 1,607,620 | 64,260,989 | 17,544,492 | 4,152,892 | 87,565,993 |
| Transfer to Island Club (see Note 11) | – | (879,291) | (7,419,310) | – | (145,496) | (8,444,097) |
| Reclassifications (see Note 12) | – | – | – | 2,058,157 | 10,597 | 2,068,754 |
| Balances at end of year | 4,498,300 | 2,603,283 | 124,683,931 | 29,800,755 | 8,735,777 | 170,322,046 |
| Net book values | ₱– | ₱14,596,498 | ₱257,108,329 | ₱20,144,679 | ₱5,031,815 | ₱296,881,321 |

In 2012, the Group capitalized a portion of the depreciation expense amounting to ₱45.5 million, which is related to machinery and equipment being used for the construction (see Note 12).

## 14. Other Noncurrent Assets

| | 2013 | 2012 |
|---|---|---|
| Advances to contractors and suppliers (see Notes 9 and 28) | **₱475,943,626** | ₱552,591,409 |
| Noncurrent portion of trade receivables from sale of: | | |
| Club shares (see Notes 7 and 19) | **274,355,543** | 62,970,667 |
| Real estate (see Note 7) | **53,808,168** | – |
| Input VAT (see Note 9) | **21,499,409** | 27,279,241 |
| Refundable deposits | **26,816,996** | 11,384,288 |
| Software costs - net | **810,001** | 2,840,549 |
| Others | **27,179,251** | 26,515,084 |
| | **₱880,412,994** | ₱683,581,238 |

Refundable deposits include billing and meter deposits to Manila Electric Company (Meralco). These are refundable upon termination of service of Meralco.

The movement in the software costs is as follows:

| | 2013 | 2012 |
|---|---|---|
| Cost: | | |
| Balance at beginning of year | **₱7,595,160** | ₱7,510,696 |
| Additions | **–** | 84,464 |
| Balance at end of year | **7,595,160** | 7,595,160 |
| Accumulated amortization: | | |
| Balance at beginning of year | **4,754,611** | 2,244,643 |
| Amortization (see Note 21) | **2,030,548** | 2,509,968 |
| Balance at end of year | **6,785,159** | 4,754,611 |
| | **₱810,001** | ₱2,840,549 |

## 15. Trade and Other Payables

| | 2013 | 2012 |
|---|---|---|
| Trade (see Note 19) | **₱387,958,882** | ₱510,981,341 |
| Liability related to acquisition of AFS investments (see Note 11) | **1,495,120,916** | 2,132,996,896 |
| Subscription payable (see Note 4) | **523,549,500** | 523,549,500 |
| Accrued expenses: | | |
| Construction costs | **235,668,046** | 310,516,706 |
| Interest | **24,339,808** | 11,077,060 |
| Others | **74,465,225** | 33,062,469 |
| Deposits from sale of: | | |
| Preferred shares (see Note 11) | **364,394,641** | 156,327,504 |
| Condominium units | **3,925,068** | 75,344,087 |
| Retention payable (see Note 28) | **215,434,357** | 191,730,753 |
| Excess collection over recognized receivables | **90,256,324** | – |
| Unearned rent income (see Note 20) | **10,708,245** | 4,305,717 |
| Current portion of obligation under finance lease (see Note 20) | **1,448,553** | 1,287,172 |
| Others | **28,418,844** | 26,881,412 |
| | **₱3,455,688,409** | ₱3,978,060,617 |

Trade payables are noninterest-bearing and are due for payment within 30 to 120 days.

Accrued expenses mainly pertain to accruals for development costs and general and administrative expenses. Other payables consist of government payables and nontrade payables. Accrued expenses and other payables are generally settled within one year.

## 16. Loans Payable

In May 2010, ADI entered into a loan agreement with Bank of Commerce (BOC) for the amount of ₱128.0 million to finance ADI's working capital requirements. The said loan is subject to 8.5% annual interest, which is payable quarterly. ADI's property in Silang, Cavite was used as collateral for the loan. The loan has been fully settled in May 2011.

On March 29, 2012, ABIRC entered into a credit line agreement with BOC amounting to ₱2,000.0 million to finance the former's capital expenditures for its Island Club project. Each drawdown is payable through promissory notes issued on the same date, with maturity of up to 180 days, until February 28, 2013. Interest, depending on the bank's prevailing rate on the date of each drawdown, is payable quarterly in arrears. The loan facility is secured by the following: a) real estate mortgage over the lots in Balesin Island; b) Continuing Suretyship Agreement with ALPHA; and c) Deed of Pledge covering 1,000 ABICI preferred shares held by ABIRC. Of the outstanding balance of ₱2,000.0 million, ₱500.0 million matured in January 2013 and was renewed for another term of 90 days. The remaining balance comprising of ₱490.0 million, ₱603.0 million and ₱407.0 million promissory notes matured in March, May and June 2013, respectively. The loan has been fully settled in 2013. As of December 31, 2012, the total value of the collateral amounted to ₱4,549.0 million (see Notes 11 and 12).

Interest expense on loans payable amounted to ₱30.7 million, ₱49.4 million and ₱3.9 million in 2013, 2012 and 2011, respectively (see Note 21).

## 17. Long-term Debt

| | **2013** | | | 2012 | | |
|---|---|---|---|---|---|---|
| Borrower | **Current** | **Noncurrent** | **Total** | Current | Noncurrent | Total |
| ADI | **₱218,639,927** | **₱654,522,720** | **₱873,162,647** | ₱202,573,734 | ₱873,162,647 | ₱1,075,736,381 |
| AMPI | **190,872,352** | **1,522,534,042** | **1,713,406,394** | 19,295,000 | 1,709,150,134 | 1,728,445,134 |
| ABIRC | **128,250,000** | **2,339,750,000** | **2,468,000,000** | – | – | – |
| AMTI | **59,867,708** | **2,294,178,684** | **2,354,046,392** | 8,110,000 | 1,566,681,592 | 1,574,791,592 |
| | **₱597,629,987** | **₱6,810,985,446** | **₱7,408,615,433** | ₱229,978,734 | ₱4,148,994,373 | ₱4,378,973,107 |

ADI

On September 11, 2008, ADI entered into an OLSA with the Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP) and Bank of the Philippine Islands (BPI) for a loan facility of ₱1,400.0 million for the purpose of funding the development of Alphaland Southgate Tower. On September 18, 2008, ADI made the first drawdown amounting to ₱660.0 million. The second and third drawdown amounting to ₱380.0 million and ₱360.0 million, respectively, were made on February 24, 2009 and May 25, 2009, respectively.

The loan has a term of seven years from initial drawdown date, payable in 20 consecutive quarterly installments commencing at the end of the ninth quarter from the initial drawdown date. Interest, which is based on floating rate equivalent to applicable three-month PDEx rate plus 1.75% spread per annum, is payable quarterly.

On May 18, 2012, ADI entered into an OLSA with BDO Unibank, Inc. for a loan facility of ₱1,187.5 million for the purpose of refinancing the existing OLSA with DBP, LBP and BPI by way of a loan take-out. The loan was drawn on June 8, 2012. The relevant terms under the refinanced loan are the same with the existing OLSA, except for the term of five years.

Interest expense recognized in the consolidated statements of comprehensive income amounted to ₱38.4 million, ₱57.4 million and ₱63.8 million in 2013, 2012 and 2011, respectively (see Note 21). Other finance charges recognized in the consolidated statements of comprehensive income amounted to nil, ₱12.6 million and ₱0.2 million in 2013, 2012 and 2011, respectively (see Note 21). Other finance charges include mortgage registration fee amounting to ₱11.4 million in 2012.

Further, ADI's Alphaland Southgate Tower was used as collateral for the loan (see Note 12). Alphaland Southgate Tower has a fair value of ₱4,087.7 million and ₱3,205.4 million as of December 31, 2013 and 2012, respectively (see Note 12).

The scheduled maturities of ADI's outstanding long-term debt as of December 31, 2013 are as follows:

| | |
|---|---|
| 2014 | ₱218,639,927 |
| 2015 | 251,470,842 |
| 2016 | 288,073,821 |
| 2017 and onwards | 114,978,057 |
| Total | 873,162,647 |
| Less current portion | 218,639,927 |
| Noncurrent portion | ₱654,522,720 |

AMPI

On April 22, 2010, AMPI entered into an OLSA with DBP, LBP, BOC and Maybank Philippines, Inc. (Maybank) for a loan facility of ₱1,750.0 million exclusively for the purpose of partially financing the development, construction and operation of the Phase I of Alphaland Makati Place consisting of a six-storey podium mall, City Club and basement parking.

On June 10, 2010, AMPI made the first drawdown amounting to ₱250.0 million. On March 16, 2011 and July 6, 2011, AMPI made its second and third drawdown of ₱270.0 million and ₱330.0 million, respectively. In 2012, AMPI made its fourth and final drawdown amounting to ₱350.0 million and ₱550.0 million, respectively.

The scheduled maturities of AMPI's outstanding loan as of December 31, 2013 are as follows:

| | DBP | LBP | BOC | Maybank | Total |
|---|---|---|---|---|---|
| 2014 | ₱84,375,000 | ₱56,250,000 | ₱45,000,000 | ₱11,250,000 | ₱196,875,000 |
| 2015 | 215,625,000 | 143,750,000 | 115,000,000 | 28,750,000 | 503,125,000 |
| 2016 | 290,625,000 | 193,750,000 | 155,000,000 | 38,750,000 | 678,125,000 |
| 2017 | 150,000,000 | 100,000,000 | 80,000,000 | 20,000,000 | 350,000,000 |
| | 740,625,000 | 493,750,000 | 395,000,000 | 98,750,000 | 1,728,125,000 |
| Less deferred financing costs | 11,841,052 | 1,545,676 | 1,056,943 | 274,935 | 14,718,606 |
| | ₱728,783,948 | ₱492,204,324 | ₱393,943,057 | ₱98,475,065 | ₱1,713,406,394 |

AMPI shall fully pay and liquidate the principal amount of the loan within seven years from and after the date of the initial borrowing. Payments are to be made in 16 quarterly installments beginning at the end of the 39th month from the date of initial borrowing. Interest, which is based on a floating rate equivalent to applicable three-month PDEx rate plus 3.50% spread per annum, is payable quarterly. Interest rates of the long-term debt range from 4.0% to 5.0% and from 7.0% to 8.0% in 2013 and 2012, respectively. The loan is secured by Alphaland Makati Place, which includes the land and buildings, structures and improvements to be constructed thereon (see Notes 8 and 12).

Interest and other financing costs on the loan amounting to ₱85.2 million, ₱48.3 million and ₱27.1 million were capitalized as part of investment properties and land and development costs in 2013, 2012 and 2011, respectively (see Notes 8 and 12). The rate used to determine the amount of borrowing cost eligible for capitalization was 4.7%, 5.4% and 5.1% in 2013, 2012 and 2011, respectively, which is the effective interest rate of the specific borrowing.

ABIRC

On May 21, 2013, ABIRC entered into an OLSA with BOC for a loan facility of ₱3.0 billion, exclusively for the purpose of partially refinancing the loan facility, and partially funding the capital expenditures and other general corporate expenses of ABIRC. The interest rate is higher of five-year PDST- F at interest payment date plus 2% margin or floor rate of 5.5%. The principal and interest of the loan is payable within five years from and after the date of the initial borrowing. Principal repayments are to be made in 19 quarterly installments beginning at the end of the 2nd quarter from the date of initial borrowing. The OLSA is secured by the following: a) real estate mortgage over the lots in Balesin Island; b) Continuing Suretyship Agreement with the Parent Company; and c) Deed of Pledge covering 1,000 ABICI preferred shares held by ABIRC. As at December 31, 2013, the total value of the collateral amounted to ₱6,713.3 million.

On May 24, 2013, ABIRC made its first drawdown amounting to ₱2.5 billion.

The scheduled maturities of ABIRC's outstanding loan as at December 31, 2013 are as follows:

| | |
|---|---|
| 2014 | ₱131,250,000 |
| 2015 | 381,250,000 |
| 2016 | 687,500,000 |
| 2017 | 812,500,000 |
| 2018 | 468,750,000 |
| | 2,481,250,000 |
| Less deferred financing cost | 13,250,000 |
| | ₱2,468,000,000 |

Interest expense recognized in the consolidated statements of comprehensive income amounted to ₱115.2 million in 2013 (see Note 21).

AMTI

On October 13, 2010, AMTI, as the borrower, and ADI, as the co-borrower, entered into an OLSA with DBP, LBP, BOC and Maybank for a loan facility of ₱2,400.0 million exclusively for the purpose of partially financing the development, construction and operation of the 34-storey premium-grade office building named Alphaland Tower. On September 22, 2011 and December 22, 2011, AMTI made its first and second drawdown amounting to ₱360.0 million and ₱660.0 million, respectively. In 2012, AMTI made its third, fourth and fifth loan drawdown

amounting to ₱164.0 million, ₱300.0 million and ₱138.0 million, respectively. Interest, which is based on a floating rate equivalent to applicable three-month PDEx rate plus 3.5% spread per annum, is payable quarterly. Interest rates of the long-term debt range from 3.85% to 5.95% and 4.06% to 6.07% per annum in 2013 and 2012, respectively. Mortgaged collaterals for the loan are the land where Alphaland Tower is being constructed and property under construction (see Notes 8 and 12).

The scheduled maturities of AMTI's outstanding loan as of December 31, 2013 are as follows:

| | DBP | LBP | BOC | Maybank | Total |
|---|---|---|---|---|---|
| 2014 | ₱20,625,000 | ₱13,750,000 | ₱27,500,000 | ₱4,125,000 | ₱66,000,000 |
| 2015 | 46,875,000 | 31,250,000 | 62,500,000 | 9,375,000 | 150,000,000 |
| 2016 | 80,625,000 | 53,750,000 | 107,500,000 | 16,125,000 | 258,000,000 |
| 2017 and onwards | 598,125,000 | 398,750,000 | 797,500,000 | 119,625,000 | 1,914,000,000 |
| | 746,250,000 | 497,500,000 | 995,000,000 | 149,250,000 | 2,388,000,000 |
| Less deferred financing costs | 24,764,779 | 2,786,869 | 5,574,612 | 827,348 | 33,953,608 |
| | ₱721,485,221 | ₱494,713,131 | ₱989,425,388 | ₱148,422,652 | ₱2,354,046,392 |

Interest and other financing costs on the loan amounting to ₱108.0 million and ₱77.9 million were capitalized as part of investment properties and land and development costs in 2013 and 2012, respectively (see Notes 8 and 12).

Details of deferred financing costs, presented as deduction from the Group's long-term debt, as of December 31 are as follows:

| | **2013** | 2012 |
|---|---|---|
| Balance at beginning of year | **₱68,763,274** | ₱73,784,898 |
| Additions | **16,057,517** | 14,633,854 |
| Amortization | **(22,898,577)** | (19,655,478) |
| Balance at end of year | **₱61,922,214** | ₱68,763,274 |

Amortization of deferred financing costs amounting to ₱14.3 million, ₱16.5 million and ₱5.8 million in 2013, 2012 and 2011, respectively, was included in the interest and other financing costs capitalized as part of investment properties and land and development costs (see Notes 8 and 12).

The loan agreements of the Group contain provisions regarding establishment of debt service reserve account, maintenance of debt service coverage ratio, collateral coverage ratio and debt to equity ratio, change in business, liquidation or sale of assets, material change in ownership, declaration and payment of dividends, additional indebtedness and guarantees, negative pledge, purchase, redemption or retirement of capital stock and extension of loans, advances or subsidies to investees, directors, officers and stockholders.

The agreements also contain cross default provisions triggered by failure of the Group to comply with any term, obligation or covenant contained in any loan agreement.

As of December 31, 2013 and 2012, the Group is in compliance with all the requirements of the loan agreements. In implementing the settlement between the Group and the AH Group signed on June 5, 2014 as discussed in Note 1, the parties will make sure to comply with these loan agreements (including securing the consent of the relevant lenders to the transfer of the Group's ownership in AMTI to the AH Group).

## 18. Equity

Capital Stock - ₱1 Par Value

a. The composition of ALPHA's capital stock consisting of all common shares as of December 31, 2013 and 2012 is as follows:

| | **2013** | | 2012 | |
|---|---|---|---|---|
| | **Number of Shares** | **Amount** | Number of Shares | Amount |
| Authorized | **5,000,000,000** | **₱5,000,000,000** | 5,000,000,000 | ₱5,000,000,000 |

| | **2013** | | 2012 | |
|---|---|---|---|---|
| | **Number of Shares** | **Amount** | Number of Shares | Amount |
| Issued and subscribed | **1,984,746,251** | **₱1,838,370,551** | 1,984,746,251 | ₱1,838,370,551 |
| Treasury | **(423,900)** | **(1,213,526)** | (423,900) | (1,213,526) |
| | **1,984,322,351** | **₱1,837,157,025** | 1,984,322,351 | ₱1,837,157,025 |

There were no additional issuances and subscription of shares in 2013 and 2012.

On January 2, 2014, the BOD approved the conversion of advances amounting to ₱1,500.0 million into equity. On January 20, 2014, the Parent Company and RVO Capital Ventures Corporation (RVO Capital) entered into a Deed of Subscription for the subscription of 600,000,000 shares at ₱2.50 per share or for an aggregate subscription price of ₱1,500.0 million from the Parent Company's unissued capital stock. The issuance of the shares is still subject for approval by the SEC.

On January 2, 2014, the BOD approved the following: (a) issuance of 557,567,000 common shares of the Parent Company to registered landowners in exchange for parcels of land in connection with the Alphaland Baguio Mountain Log Homes Project at an issue price of ₱2.50 per share; and (b) capital call, initially from its major shareholders via a private placement and eventually also from its minority shareholders at an issue price of ₱2.50 per share.

On February 7, 2014, the Parent Company completed its minority offering of 108,336,866 common shares which yielded gross proceeds of ₱270.8 million.

On February 19, 2014, the Parent Company issued a total of 109,000,000 new common shares to three separate foreign investors, as follows:

- Citadel Investments Limited (subscribed to 10 million shares for ₱25 million);
- Mr. Derek Arculli (subscribed to 10 million shares for ₱25 million); and
- Fine Land Limited (subscribed to 89 million shares for US$5 million).

Common shareholders are entitled to vote and be voted for in all meetings of the shareholders of ALPHA.

All common shares shall be entitled to a pro rata share, on a per share basis, in the profits of ALPHA in the event it declares any dividends in accordance with the By-Laws or applicable law and not have any pre-emptive or similar right with respect to any issuance or disposition of any shares of stock by or of ALPHA.

ALPHA was incorporated on November 19, 1990 as "Agro Plastics, Inc.". On March 15, 1995, it changed its corporate name to "Macondray Plastics, Inc.". On November 23, 2000, it had its initial public offering. On April 7, 2010, it changed its corporate name to "Alphaland Corporation".

Below is a summary of the capital stock movement of the Parent Company:

| Corporate Name | Date of Approval | Increase in Authorized Capital Stock | New Subscriptions/ Issuances | Issue/ Offer Price |
|---|---|---|---|---|
| Agro Plastics, Inc. | November 19, 1990 | 10,000,000 | 2,500,000 | ₱1.00 |
| Macondray Plastics, Inc. | June 1, 2000 | 90,000,000 | 30,000,000 | 1.00 |
| Macondray Plastics, Inc. | November 23, 2000 | – | 16,740,000 | 5.38 |
| Macondray Plastics, Inc. | September 1, 2001 | 300,000,000 | 76,322,000* | 1.00 |
| Macondray Plastics, Inc. | May 27, 2009 | – | 25,026,900* | 1.00 |
| Alphaland Corporation | April 7, 2010 | 4,500,000,000 | 1,269,734,041** | 10.00 |
| Alphaland Corporation | November 11, 2010 | – | 8,897,346 | 10.00 |
| Alphaland Corporation | March 3, 2011 | – | 147,375,700*** | 10.00 |
| Alphaland Corporation | June 27, 2011 | – | 408,150,264 | 10.00 |

** This represents 155% and 20% stock dividend, respectively.*
*** Share-for-share swap with shareholders of ADI.*
**** Partially paid, with subscription receivable of ₱1,472.8 million.*

All of the foregoing shares are listed in the PSE, except for the shares issued on March 3, 2011 and June 27, 2011. Beginning April 7, 2010, the resulting outstanding shares do not include 423,900 shares held in treasury, which are listed and currently lodged with PCD Nominee Corporation.

The total number of shareholders, which includes PCD Nominee Corporation, as of December 31, 2013 and 2012 is 39 and 41, respectively.

b. Delisting procedures initiated by the PSE

In order to comply with the required minimum public float of 10% as of December 31, 2012, AH sold 49,608,000 million of its shares in ALPHA to Credit Suisse (Singapore) Limited (Credit Suisse) on December 31, 2012. With the sale, the public float of ALPHA increased to 10.53%. However, as the date of sale was not a trading day at the PSE, the transaction had to be effected outside the facilities of the PSE and the appropriate capital gains tax and documentary stamp tax for the transaction (instead of the usual stock transaction tax for transactions effected through the PSE) were paid. Pending the issuance of the necessary tax clearance and certificate authorizing registration by the BIR for the registration of the sold shares in the name of Credit Suisse in the books of ALPHA, the PSE imposed a trading suspension on the shares of ALPHA. The trading suspension was lifted on March 1, 2013 immediately after ALPHA obtained the tax clearance and certificate authorizing registration for the said sale.

On January 20, 2014, ALPHA disclosed in good faith that it was not in compliance with the 10% minimum public ownership ("MPO") requirement of the PSE, as follows:

- Ostensibly and for its own selfish purposes, Ashmore simulated the Sale (and misrepresented the same to ALPHA) in order to ensure that ALPHA remains listed with the PSE;

- ALPHA is aware that as a result, it may no longer be deemed compliant with the 10% MPO requirement; and
- Pursuant to information knowingly and deliberately provided by Ashmore on January 2, 2013, ALPHA unwittingly misrepresented a fact to the PSE and the SEC on January 3, 2013. Having recognized the wrong done, ALPHA believes it should now make this disclosure to the PSE.

As a result thereof, the trading of ALPHA's shares was immediately halted on January 20, 2014 and then suspended on January 24, 2014 by the PSE.

Subsequently, on March 12, 2014, ALPHA was informed by the PSE of the penalties arising from its violations of the PSE's disclosure rules including the additional penalty of one month trading suspension.

And then, on April 2, 2014, ALPHA received a letter from the PSE which reaffirmed the earlier imposed one-month trading suspension as follows: "For the 3rd violation of Sections 4.1, 1 and 2 of the Disclosure Rules, suspension of trading of ALPHA securities for a period of one month commencing on the trading day immediately following the ALPHA's receipt of this letter".

As discussed in Note 1, the PSE has initiated delisting procedures against ALPHA for alleged disclosure violations. ALPHA has applied for a voluntary delisting, which is still pending from the PSE as of June 18, 2014.

c. Authorization for Issuance of Additional Shares to DMWAI

On March 3, 2011, the Executive Committee of the BOD of ALPHA authorized the issuance to DMWAI of 147,375,700 common shares from the unissued portion of its authorized capital stock at an issue price of ₱10 per share. This resulted in an increase in the issued and subscribed shares of ALPHA, net of 423,900 treasury shares, from 1,428,796,387 shares to 1,576,172,087. The shares issued to DMWAI represent approximately 9.35% of the then resulting outstanding capital stock of ALPHA.

Out of the total subscription made by DMWAI, ₱1.0 million was paid in cash with the balance of ₱1,472.8 million to be paid by conveyance to ALPHA of shares of stock of ABCC. The conveyance of shares of stock to ALPHA will be effected immediately after DMWAI has conveyed the additional four hectares of land to ABCC to bring the total development area of the Alphaland Bay City project to at least 32 hectares.

The resulting shareholder structure of ALPHA, after the equity conversion and issuance of stocks mentioned above, is as follows:

| Shareholders | Number of Shares | Percentage |
|---|---|---|
| AH | 767,065,849 | 38.66% |
| MC | 709,472,340 | 35.75% |
| Boestar Corporation | 167,788,430 | 8.46% |
| DMWAI | 147,375,700 | 7.43% |
| RVO Capital | 142,656,748 | 7.19% |
| Azurestar Corporation | 33,557,686 | 1.69% |
| Public | 16,405,598 | 0.82% |
| Total issued and outstanding capital stock | 1,984,322,351 | 100.00% |

As of December 31, 2013 and 2012, there was no conveyance yet of ABCC's shares of stock from DMWAI to ALPHA nor has DMWAI conveyed the additional four hectares of land to ABCC. The related subscription receivable of ₱1,472.8 million was recognized as deduction from the subscribed capital stock in the equity section of the consolidated balance sheets.

Retained Earnings

Accumulated equity in net income of associates, subsidiaries and joint ventures not available for dividend declaration amounted to ₱14,168.1 million and ₱7,810.7 million as of December 31, 2013 and 2012, respectively.

Treasury Shares

In accordance with the buy-back of ₱10.0 million worth of ALPHA's shares as approved by the BOD on February 12, 2001, ALPHA bought 217,000 shares in 2009 and 4,000 shares in 2008 amounting to ₱0.7 million and ₱0.01 million, respectively.

Total cost of 423,900 treasury shares amounted to ₱1.2 million as of December 31, 2013 and 2012.

## 19. Related Party Disclosures

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or are related parties of key management personnel.

The Group, in its regular conduct of business, has transactions with its related parties. The following tables summarize the transactions with the related parties and outstanding balance arising from these transactions.

| | Year | Purchases | Rental |
|---|---|---|---|
| Associates: | | | |
| AHEC | **2013** | **₱1,818,211** | **₱64,165** |
| | 2012 | 67,665,676 | 58,735 |
| | 2011 | 258,161,266 | 259,232 |
| ASAI | **2013** | **64,167,651** | **564,969** |
| | 2012 | 15,787,842 | 366,844 |
| | 2011 | – | – |
| ASRI | **2013** | **–** | **–** |
| | 2012 | 179,476 | 1,677,430 |
| | 2011 | 82,760 | 787,379 |
| Total | **2013** | **₱65,985,862** | **₱629,134** |
| | 2012 | 83,632,994 | 2,103,009 |
| | 2011 | 258,244,026 | 1,046,611 |
| Related parties under common key management | **2013** | **₱1,066,902** | **₱72,046,977** |
| | 2012 | 11,417 | 68,780,678 |
| | 2011 | ₱– | ₱60,501,332 |

| | Year | Terms | Conditions | Advances During Year | Advances to (from) (see Note 10) | Trade and Other Receivables (see Note 7) | Trade and Other Payables (see Note 15) |
|---|---|---|---|---|---|---|---|
| Associates: | | | | | | | |
| SGCPI | **2013** | Noninterest-bearing; | Unsecured; | **₱–** | **₱494,121,776** | **₱–** | **₱–** |
| | 2012 | for equity conversion | no impairment | (177,378,224) | 494,121,776 | – | – |
| FBSHI | **2013** | Noninterest-bearing; | Unsecured; | – | **485,378,224** | | |
| | 2012 | for equity conversion | no impairment | 332,878,224 | 485,378,224 | – | – |
| AHEC | **2013** | Noninterest-bearing; due | Unsecured; | **(2,693,875)** | **5,052,902** | **2,923** | **(10,024,902)** |
| | 2012 | and demandable | no impairment | (11,916,916) | 8,693,569 | 5,723 | (10,974,494) |
| ASAI | **2013** | Noninterest-bearing; due | Unsecured; | **(1,747,007)** | **944,581** | **96,554** | **(2,759,985)** |
| | 2012 | and demandable | no impairment | (26,842) | 28,157 | – | – |
| ASRI | **2013** | Noninterest-bearing; due | Unsecured; | **(957,717)** | **–** | **–** | **–** |
| | 2012 | and demandable | no impairment | 32,300 | 44,490 | 913,227 | – |
| Total | **2013** | | | | **₱985,497,483** | **₱99,477** | **(₱12,784,887)** |
| | 2012 | | | | 988,266,216 | 918,950 | (10,974,494) |
| Related parties under common key management | **2013** | Noninterest-bearing; due on or before December 31, 2014 (see Note 11) | Unsecured; no impairment | **₱985,569,037** | **₱985,569,037** | **₱–** | **₱–** |
| | | Noninterest-bearing; due | Unsecured; | **(75,408,600)** | **151,254,424** | **2,078,516** | **22,675,027** |
| | 2012 | and demandable | no impairment | 118,152,336 | 206,077,930 | – | 11,417 |
| AHEC | **2013** | Noninterest-bearing; due | Unsecured; | **(16,481,667)** | **(22,713,903)** | **–** | **–** |
| | 2012 | and demandable | no impairment | (6,232,236) | (6,232,236) | – | – |
| Total | **2013** | | | | **₱1,114,109,558** | **₱2,078,516** | **₱22,675,027** |
| | 2012 | | | | 199,845,694 | – | 11,417 |
| RVO Capital | **2013** | Noninterest-bearing; for | Unsecured; | **(₱1,500,000,000)** | **(₱1,500,000,000)** | **₱–** | **₱–** |
| | 2012 | equity conversion | no impairment | – | – | – | – |

Advances to associates amounting to ₱6.0 million and ₱8.8 million as of December 31, 2013 and 2012, respectively, are included under "Investments in and advances to associates" account in the consolidated balance sheets (see Note 10).

Other transactions of the Group with its related parties are as follows:

- The Group holds certain bank accounts, which earn interest based on prevailing market interest rates, in PBCom. Cash and cash equivalents and restricted cash maintained with PBCom amounted to ₱105.7 million and ₱810.6 million as of December 31, 2013 and 2012, respectively (see Notes 6, 9 and 14). Interest income earned amounted to ₱0.4 million, ₱18.9 million and ₱13.9 million in 2013, 2012 and 2011, respectively. PBCom and the Group have common directors, officers and shareholder.

- AMPI, ABIRC and AMC entered into a Deed of Assignment with APMC for the assignment of all their respective shareholdings in the common shares of the Club (see Note 4). The Group and APMC have common directors, officers and shareholders.

- In April 2013, ABICI and the ABIRC executed a Letter Agreement wherein the parties agreed that the difference between the budget under the Supplementary DA and the actual construction costs incurred will be treated as advances to ABICI. Advances to ABICI amounting to ₱985.6 million as of December 31, 2013 is due on or before December 31, 2014 (see Note 11).

- On August 5, 2012, ALPHA, ADI and ABICI executed a Letter Agreement whereby ADI, as the development arm of the Alphaland Group and on behalf of ALPHA, undertakes to perform ALPHA's obligations under the DA (as supplemented) entered into by ALPHA with ABIRC and ABICI over the Island Club, specifically to provide a subsidy to the Island Club's operations during ABICI's construction period.

- Advances to officers and employees amounted to ₱17.7 million and ₱43.6 million as of December 31, 2013 and 2012, respectively (see Note 7).

- Corporate guaranty in the maximum amount of ₱2,000.0 million in favor of Shangri-la Properties, Inc. and Shangri-la Asia Limited in connection with the ₱10,000.0 million term loan facility obtained by FBSHI (see Note 28).

- In 2013, the ALPHA obtained noninterest-bearing advances from RVO Capital to finance working capital requirements with total amount of ₱1.5 billion. These advances were in the form of obligations of the Company assumed by the stockholder, cash advances and reimbursements for listing and filing fees amounting to ₱141.9 million (see Note 21).

Terms and Conditions of Transactions with Related Parties
Outstanding balances as of year-end are unsecured, interest-free and settlement occurs in cash or equity. The Group has not made any provision for impairment losses relating to the amounts owed by related parties.

Compensation of Key Management Personnel
The details of compensation of key management personnel, which include its senior vice presidents, follow:

| | **2013** | 2012 | 2011 |
|---|---|---|---|
| Short-term employee benefits | **₱57,357,459** | ₱49,317,215 | ₱49,311,613 |
| Post-employment benefits | **10,709,298** | 9,232,547 | 2,465,581 |
| | **₱68,066,757** | ₱58,549,762 | ₱51,777,194 |

## 20. Lease Commitments

a. Operating Lease

ADI entered into various operating lease agreements as a lessor covering mall and office spaces at Alphaland Southgate Tower for a period of one to ten years, which may be renewed or extended under such new or additional terms or conditions agreed by the parties. Upon inception of the lease agreements, tenants are required to pay certain amounts of deposits. Tenants likewise pay either a fixed monthly rent, which is calculated with reference to a fixed sum per square meter of area leased, or pay rent on a percentage rental basis, which comprises a basic monthly amount and a percentage of gross sales or a minimum set amount, whichever is higher.

In 2012, AMPI entered into various operating lease agreements as a lessor covering mall spaces at Alphaland Makati Place for varying periods ranging from two to five years, which may be renewed or extended under such new or additional terms or conditions agreed by the parties. Upon inception of the lease agreements, tenants are required to pay security deposits equivalent to three months of rent. Tenants likewise pay a fixed monthly rent subject to a 5%

escalation rate beginning on the third year of the lease term, in which the monthly rent is calculated with reference to a fixed sum per square meter of leased area, and/or pay rent on a percentage rental basis, which comprises a percentage of gross sales. Commencement of the lease term started upon completion of construction of the mall spaces November 2013.

The Group's customers' deposits on lease contracts are as follows:

| | **2013** | 2012 |
|---|---|---|
| Current | **₱26,366,314** | ₱13,745,480 |
| Noncurrent | **73,768,914** | 77,839,279 |
| | **₱100,135,228** | ₱91,584,759 |

Customers' deposits on lease contracts are generally equivalent to six months rental and refundable at the end of the lease term. Current portion pertains to one year operating lease agreements while noncurrent portion pertains to two to five years operating lease agreements.

The terms of the lease agreements also provide for an increase in the rent generally at the rate of 5%, 7% and 10% starting on the second year and annually thereafter, as applicable.

Rent income and common utilities, services and maintenance charges from Alphaland Southgate Tower amounted to ₱568.1 million, ₱528.6 million and ₱412.8 million in 2013, 2012 and 2011, respectively. Direct costs related to rent income amounted to ₱126.7 million, ₱121.1 million and ₱75.2 million in 2013, 2012 and 2011, respectively, which mainly comprised of utilities and commissary costs.

Rent income earned from Alphaland Makati Place amounted to ₱0.7 million in 2013.

The Group recognizes the customers' deposits at fair value. The fair value of the deposit is determined based on the prevailing market rate of interest for a similar loan. The excess of the principal amount of the deposit over its fair value is accounted for as deferred lease income and amortized on a straight-line basis. The deferred lease income amounted to ₱6.0 million and ₱9.1 million as of December 31, 2013 and 2012, respectively, and is included under "Other noncurrent liabilities" account in the consolidated balance sheets.

Aside from customers' deposits paid by tenants, advance rentals generally equivalent to two months rental are also paid and included in the initial billing to tenants, which shall be applied to the monthly rental at the end of the lease term. Advance rental amounted to ₱69.7 million and ₱69.8 million as of December 31, 2013 and 2012, respectively, and is included under "Other noncurrent liabilities" account in the consolidated balance sheets.

Estimated minimum future rental receivable under the lease agreements are as follows:

| | |
|---|---|
| Within one year | ₱298,141,636 |
| After one year but not more than five years | 357,438,831 |
| | ₱655,580,467 |

In 2011, ADI also entered into a long-term foreshore lease agreement with the Department of Environment and Natural Resources (DENR or lessor) for a period of 25 years, effective upon issuance thereof, renewable for another period of 25 years at the option of the lessor. The leased property represents a portion of foreshore with a total area of 241,017 square meters (inclusive of the portion covered by water), more or less, located at the Manila Reclamation

Area, Parañaque City. The purpose of the lease is to allow AMC to develop and construct the Marina Club (see Note 1). The lease agreement provides for an annual fixed rental payable annually in advance during the lease term. This lease is intended to be transferred to the Marina Club through AMC. As discussed in Note 1, the Marina Club Project will be sold pursuant to the definitive agreement signed by the major shareholder groups on June 5, 2014.

The future minimum rent payable under the operating lease agreement as of December 31, 2013 is as follows:

| | |
|---|---|
| Within one year | ₱4,117,110 |
| After one year but not more than five years | 18,346,658 |
| After more than five years | 52,984,960 |
| | ₱75,448,728 |

b. Finance Lease

The Group acquired various transportation equipment under finance lease arrangements. As of December 31, 2013 and 2012, the present value of future annual minimum lease payments under the lease arrangements follows:

| | **2013** | 2012 |
|---|---|---|
| Within one year | **₱1,668,204** | ₱1,668,204 |
| After one year but not more than five years | **1,102,320** | 2,770,524 |
| Total minimum lease payments | **2,770,524** | 4,438,728 |
| Less amount representing interest | **267,140** | 648,172 |
| Present value of lease payments | **2,503,384** | 3,790,556 |
| Less current portion (see Note 15) | **1,448,553** | 1,287,172 |
| Noncurrent portion | **₱1,054,831** | ₱2,503,384 |

The carrying value of the transportation equipment as of December 31, 2013 and 2012 amounted to ₱2.5 million and ₱3.8 million, respectively (see Note 13). Interest expense charged to operations under the agreements amounted to ₱0.8 million, ₱0.5 million and ₱0.7 million in 2013, 2012 and 2011, respectively (see Note 21).

## 21. Costs and Expenses

| | **2013** | 2012 | 2011 |
|---|---|---|---|
| Cost of real estate sold (see Note 8) | **₱175,798,412** | ₱– | ₱– |
| Cost of services: | | | |
| Utilities | **₱118,943,387** | ₱118,009,681 | ₱73,205,510 |
| Others | **15,746,199** | 3,044,996 | 2,014,111 |
| | **₱134,689,586** | ₱121,054,677 | ₱75,219,621 |

| | **2013** | 2012 | 2011 |
|---|---|---|---|
| General and administrative: | | | |
| Listing and filing fees (see Note 19) | **₱143,883,692** | ₱25,560,609 | ₱21,917,985 |
| Taxes and licenses | **112,271,170** | 84,166,411 | 33,155,586 |
| Service and professional fees | **82,944,133** | 50,517,266 | 36,645,639 |
| Depreciation and amortization (see Notes 13 and 14) | **45,764,508** | 44,530,696 | 15,477,187 |
| Utilities and rent | **38,188,634** | 39,127,195 | 48,607,672 |
| Salaries and employees' benefits (see Note 22) | **29,697,264** | 16,473,982 | 19,192,190 |
| Sales and marketing | **17,040,322** | 11,909,147 | 24,841,530 |
| Repairs and maintenance | **10,533,042** | 5,716,301 | 7,113,401 |
| Insurance | **5,013,360** | 3,343,382 | 799,398 |
| Travel and transportation | **2,453,977** | 1,034,360 | 1,589,866 |
| Representation | **2,112,160** | 1,601,894 | 647,806 |
| Supplies | **1,993,893** | 1,785,260 | 1,206,783 |
| Communication | **883,330** | 674,136 | 365,146 |
| Provision for impairment losses (see Note 7) | **–** | 1,147,070 | – |
| Others | **42,286,851** | 16,605,522 | 5,539,032 |
| | **₱535,066,336** | ₱304,193,231 | ₱217,099,221 |

Details of interest expense and other finance charges:

| | **2013** | 2012 | 2011 |
|---|---|---|---|
| Long-term debt (see Note 17) | **₱139,080,896** | ₱57,398,683 | ₱63,797,311 |
| Mortgage and other financing charges (see Note 17) | **37,899,861** | 12,627,257 | 168,603 |
| Loans payable (see Note 16) | **30,716,159** | 49,443,030 | 3,937,847 |
| Accretion of customers' deposits (see Note 20) | **3,143,503** | 3,397,919 | 2,851,553 |
| Obligation under finance lease (see Note 20) | **757,935** | 525,972 | 651,667 |
| | **₱211,598,354** | ₱123,392,861 | ₱71,406,981 |

## 22. Retirement Benefits Obligation

The Group has an unfunded defined benefit plan covering all its regular employees. Benefits are computed using an amount equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year. The retirement benefit obligation is determined using the projected unit credit method.

The following tables summarize the components of retirement benefit cost recognized in the consolidated statements of comprehensive income and retirement benefits obligation recognized in the consolidated balance sheets.

| | **2013** | 2012 | 2011 |
|---|---|---|---|
| Retirement benefit cost: | | | |
| Current service cost | **₱11,613,701** | ₱10,982,865 | ₱4,669,733 |
| Interest cost | **1,196,476** | 704,261 | 442,773 |
| | **₱12,810,177** | ₱11,687,126 | ₱5,112,506 |

| | **2013** | 2012 |
|---|---|---|
| Retirement benefit liability - Present value of defined benefit obligation | **₱19,192,925** | ₱18,753,543 |

| | **2013** | 2012 |
|---|---|---|
| Present value of defined benefit obligation: | | |
| Balance at beginning of year | **₱18,753,543** | ₱10,032,206 |
| Current service cost | **11,613,701** | 10,982,865 |
| Interest cost | **1,196,476** | 704,261 |
| Actuarial gain on obligation | **(12,370,795)** | (2,965,789) |
| Balance at end of year | **₱19,192,925** | ₱18,753,543 |

Principal actuarial assumptions used to determine retirement benefit obligations are as follows:

| | **2013** | 2012 |
|---|---|---|
| Discount rate | **5.75%** | 6.38% |
| Salary increase rate | **5.00%** | 6.00% |

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

| | 2013 |
|---|---|
| | Increase (Decrease) in Defined Benefit Obligation |
| Discount rate: | |
| Increase by 9.7% | (₱1,853,801) |
| Decrease by 12.0% | 2,293,673 |
| Salary increase rate: | |
| Increase by 11.2% | 2,142,831 |
| Decrease by 9.2% | (1,774,345) |

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2013:

| Year | Amount |
|---|---|
| 2014 | ₱– |
| 2015 | 1,591,103 |
| 2016 | 1,645,523 |
| 2017 | 14,964,688 |
| 2018 | 2,207,260 |
| 2019 to 2023 | 15,168,290 |

The average duration of the defined benefit obligation at the end of the period is 13.9 years.

## 23. Income Taxes

In 2013, the provision for current income tax represents MCIT for AMPI and regular corporate income tax (RCIT) for other companies within the group.

In 2012, the provision for current income tax represents MCIT for ADI and AMPI and regular corporate income tax (RCIT) for other companies within the Group while in 2011, the provision for current income tax represents MCIT for ADI and RCIT for the other companies within the Group.

The following are the components of the Group's provision for current income tax:

| | **2013** | 2012 | 2011 |
|---|---|---|---|
| From continuing operations | **₱17,160,627** | ₱8,757,459 | ₱5,220,444 |
| From discontinued operations (see Note 5) | – | – | 5,502,653 |
| | **₱17,160,627** | ₱8,757,459 | ₱10,723,097 |

For income tax purposes, full recognition is applied when more than 25% of the selling price of condominium units has been collected in the year of sale. Otherwise, the installment method is applied.

The following are the components of the Group's deferred tax liabilities:

| | **2013** | 2012 |
|---|---|---|
| Gain on fair value change of investment properties | **₱3,451,157,630** | ₱2,367,512,638 |
| Unrealized valuation gains on AFS investments | **2,380,369,841** | 1,809,788,653 |
| Accumulated depreciation for tax purposes | **67,849,430** | 52,273,687 |
| Capitalized borrowing costs | **39,106,063** | 40,613,521 |
| Excess rent income under operating lease computed on a straight-line basis | **15,268,439** | 16,793,196 |
| | **₱5,953,751,403** | ₱4,286,981,695 |

No deferred tax assets were recognized for the following temporary differences, unused tax credits from excess MCIT and unused NOLCO of ALPHA and certain subsidiaries as it is not probable that sufficient taxable profit will be available to allow the benefit of the net deferred tax assets to be utilized in the future:

| | **2013** | 2012 |
|---|---|---|
| NOLCO | **₱333,694,524** | ₱413,193,246 |
| Retirement benefits obligation | **19,192,925** | 21,719,332 |
| Allowance for probable losses | **5,852,085** | 5,852,085 |
| Gain on real estate sale | **1,578,357** | – |
| MCIT | **426,212** | 15,945,611 |
| Unearned income | **388,600** | – |
| Unrealized foreign exchange losses (gains) | **145,990** | (228,945) |
| Accrued rent | **87,096** | – |
| | **₱361,365,789** | ₱456,481,329 |

As of December 31, 2013 and 2012, the Group has NOLCO and MCIT that can be claimed as deduction from future taxable income and income tax liabilities, respectively, as follows:

| Year Incurred | Year of Expiry | NOLCO | MCIT |
|---|---|---|---|
| 2011 | 2014 | 37,524,720 | – |
| 2012 | 2015 | 134,685,797 | 379,433 |
| 2013 | 2016 | 161,484,007 | 46,779 |
| | | ₱333,694,524 | ₱426,212 |

The following are the movements in NOLCO and MCIT:

NOLCO

| | **2013** | 2012 |
|---|---|---|
| Balances at beginning of year | **₱413,193,246** | ₱394,571,028 |
| Additions | **161,484,007** | 179,636,286 |
| Applied | **(186,322,524)** | – |
| Expired | **(54,660,205)** | (161,014,068) |
| Balances at end of year | **₱333,694,524** | ₱413,193,246 |

MCIT

| | **2013** | 2012 |
|---|---|---|
| Balances at beginning of year | **₱15,945,611** | ₱7,194,717 |
| Additions | **46,779** | 8,757,459 |
| Applied | **(15,566,178)** | – |
| Expired | **–** | (6,565) |
| Balances at end of year | **₱426,212** | ₱15,945,611 |

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

| | **2013** | 2012 | 2011 |
|---|---|---|---|
| Income tax computed at statutory tax rate | **₱2,175,271,153** | ₱742,404,113 | ₱709,884,602 |
| Additions to (reductions in) income tax resulting from: | | | |
| Equity in net income of a joint venture and associates | **(948,812,133)** | (216,695,080) | (202,234,782) |
| Income subjected to capital gains tax | **(218,895,949)** | (98,777,753) | (62,589,425) |
| Interest income subjected to final tax | **(2,548,976)** | (9,464,847) | (13,466,179) |
| Nontaxable income | **(23,171,453)** | (15,639,241) | – |
| Gain on sale of investment | **–** | (330,515) | – |
| Gain on loss of control | **–** | – | (2,681,825) |
| Loss on sale of an investment | **–** | – | 389,424 |
| Nondeductible expenses and others | **119,461,772** | 27,475,273 | 3,565,651 |
| Expired NOLCO | **16,398,062** | – | – |
| Expired MCIT | **–** | – | – |
| Excess of MCIT over RCIT | **–** | 8,378,026 | 11,501,425 |
| Change in unrecognized deferred tax assets | **(19,919,509)** | 18,103,168 | (1,228,621) |
| | **₱1,097,782,967** | ₱455,453,144 | ₱443,140,270 |

## 24. Earnings per Share (EPS) Computations

Basic/diluted earnings per share on income before income from discontinued operations attributable to equity holders of the parent:

| | **2013** | 2012 | 2011 |
|---|---|---|---|
| Net income attributable to equity holders of the Parent | **₱6,154,098,015** | ₱2,019,399,060 | ₱1,936,048,809 |
| Less income from discontinued operations (see Note 5) | **–** | – | 12,907,072 |
| (a) Income from continuing operations attributable to equity holders of the Parent | **₱6,154,098,015** | ₱2,019,399,060 | ₱1,923,141,737 |
| (b) Weighted average number of shares outstanding | | | |
| At beginning of year | **1,984,746,251** | 1,984,746,251 | 461,386,202 |
| Conversion of deposits for future stock subscriptions | **–** | – | 1,194,872,581 |
| Subscription of DMWAI | **–** | – | 98,250,467 |
| At end of year | **1,984,746,251** | 1,984,746,251 | 1,754,509,250 |
| Basic/diluted earnings per share (a/b) | **₱3.101** | ₱1.017 | ₱1.096 |

Basic/diluted earnings per share on net income attributable to equity holders of the Parent:

| | **2013** | 2012 | 2011 |
|---|---|---|---|
| (a) Net income attributable to equity holders of the Parent | **₱6,154,098,015** | ₱2,019,399,060 | ₱1,936,048,809 |
| (b) Weighted average number of shares outstanding | | | |
| At beginning of year | **1,984,746,251** | 1,984,746,251 | 461,386,202 |
| Conversion of deposits for future stock subscriptions | **–** | – | 1,194,872,581 |
| Subscription of DMWAI | **–** | – | 98,250,467 |
| At end of year | **1,984,746,251** | 1,984,746,251 | 1,754,509,250 |
| Basic/diluted earnings per share (a/b) | **₱3.101** | ₱1.017 | ₱1.103 |

The Group has no dilutive potential common shares outstanding, therefore basic earnings per share is the same as diluted earnings per share.

## 25. Fair Value Measurements

The following table provides the fair value hierarchy of assets and liabilities measured at fair value:

| | **2013** | | | | | |
|---|---|---|---|---|---|---|
| | | | | **Fair value measurement using** | | |
| | **Date of Valuation** | **Carrying Value** | **Fair Value** | **Quoted prices in active markets (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** |
| **Measured at Fair Value** | | | | | | |
| Financial Assets: | | | | | | |
| AFS financial assets - | | | | | | |
| AFS investments: | | | | | | |
| Unquoted | December 31, 2013 | **₱30,084,533,915** | **₱30,084,533,915** | **₱30,084,533,915** | **₱–** | **₱–** |
| Quoted | December 31, 2013 | **17,500,000** | **17,500,000** | **17,500,000** | – | – |
| Non-financial Asset - | | | | | | |
| Investment properties (see Note 12) | December 31, 2013 | **14,590,077,559** | **14,590,077,559** | – | – | **14,590,077,559** |
| **Fair Values are Disclosed** | | | | | | |
| Financial Asset: | | | | | | |
| Loans and receivables - | | | | | | |
| Noncurrent trade receivables | December 31, 2013 | **328,163,711** | **337,855,998** | – | – | **337,855,998** |
| Financial Liability - | | | | | | |
| Customers' deposits | December 31, 2013 | **100,135,228** | **98,479,136** | – | – | **98,479,136** |

| | 2012 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Fair value measurement using | | |
| | Date of Valuation | Carrying Value | Fair Value | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Measured at Fair Value** | | | | | | |
| Financial Asset: | | | | | | |
| AFS financial assets - | | | | | | |
| AFS investments: | | | | | | |
| Unquoted | December 31, 2012 | ₱24,564,364,390 | ₱24,564,364,390 | ₱24,564,364,390 | ₱– | ₱– |
| Quoted | December 31, 2012 | 18,000,000 | 18,000,000 | 18,000,000 | – | – |
| Non-financial Asset - | | | | | | |
| Investment properties (see Note 12) | December 31, 2012 | 10,958,040,624 | 10,958,040,624 | – | – | 10,958,040,624 |
| **Fair Values are Disclosed** | | | | | | |
| Financial Assets: | | | | | | |
| Loans and receivables - | | | | | | |
| Noncurrent trade receivables | December 31, 2012 | 62,970,667 | 61,332,364 | – | – | 61,332,364 |
| Financial Liability - | | | | | | |
| Customers' deposits | December 31, 2012 | 79,561,013 | 91,584,759 | – | – | 91,584,759 |

*Cash and Cash Equivalents, Trade and Other Receivables, Restricted Cash, Trade and Other Payables, Loans Payable and Advances from Related Parties.* Due to the short-term nature of the transactions, the fair values approximate the carrying values at balance sheet date.

*Advances to Associates and Related Parties.* Since the timing and amounts of future cash flows cannot be reasonably and reliably estimated, these are presented at cost.

*Noncurrent Portion of Trade Receivables from Sale of Club Shares*. The fair value is based on the discounted value of future cash flows using the applicable risk free rates for similar types of accounts adjusted for credit risk.

*Refundable Deposits.* These are presented at cost since the timing and amounts of future cash flows related to the refundable deposits are linked to the termination of the contract which cannot be reasonably and reliably estimated.

*Deposits Intended for Equity Subscription*. These are presented at cost since the timing and amounts of future cash flows cannot be reasonably and reliably estimated.

*AFS Investments*. The fair values of unquoted Club's preferred shares were determined based on the current cash selling price to third parties. The fair value of quoted ordinary shares was determined by reference to market bid quotes as of balance sheet date.

*Long-term Debt.* The carrying value of the variable interest-bearing long-term debt approximates its fair value due to recent and regular re-pricing based on market conditions.

*Customers' Deposits.* The fair value of the customers' deposits is based on the discounted value of future cash flows using the applicable risk free rates for similar types of accounts adjusted for credit risk.

There were no transfers between levels in the fair value hierarchy in 2013 and 2012.

## 26. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, loans payable and long-term debt. The main purpose of these financial instruments is to provide funds for the Group's operations. The Group has various financial instruments such as trade and other receivables, trade and other payables, customers' deposits and advances to and from related parties, which arise directly from its operations.

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

The Group has exposure to equity price risk, credit risk, interest rate risk and liquidity risk from the use of its financial instruments. The Group's exposure to foreign currency risk is minimal as it does not normally enter into transactions in currencies other than its functional currency. The BOD reviews and approves the policies for managing each of these risks.

Equity Price Risk

The Group's exposure to equity price risk pertains to its investment in quoted ordinary shares which is classified as AFS investment in the consolidated balance sheets. Equity price risk arises from the changes in the levels of equity indices and value of individual stocks traded in the stock exchange. The effect of possible change in equity indices on the Group's equity is minimal.

Credit Risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the Parent Company, the Group does not offer credit terms without the specific approval of the Chief Finance Officer.

With respect to credit risk arising from the other financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades with recognized third parties and related parties, there is no requirement for collateral. There are no other concentrations of credit risk within the Group.

*Credit Quality of Financial Assets.* The credit quality of financial assets is managed by the Group using internal credit ratings such as high grade and standard grade.

High Grade - pertains to deposits or placements to counterparties with good credit rating or bank standing. For receivables, this covers accounts of good paying customers, with good credit standing and are not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies.

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

The table below shows the credit quality of the Group neither past due nor impaired financial assets as of December 31, 2013 and 2012 as follows:

| | 2013 | | | | | |
|---|---|---|---|---|---|---|
| | | Neither Past Due nor Impaired | | | Past Due but | Past Due |
| | Total | High Grade | Standard Grade | Total | not Impaired | and Impaired |
| **Loans and Receivables** | | | | | | |
| Cash and cash equivalents* | ₱171,724,105 | ₱171,724,105 | ₱– | ₱171,724,105 | ₱– | ₱– |
| Trade and other receivables: | | | | | | |
| Trade | 279,867,640 | 272,586,772 | – | 272,586,772 | 1,428,783 | 5,852,085 |
| Others | 7,337,948 | 6,573,745 | – | 6,573,745 | 764,203 | – |
| Advances to associates and related parties | 2,198,930,853 | 2,198,930,853 | – | 2,198,930,853 | – | – |
| Restricted cash | 205,067,951 | 205,067,951 | – | 205,067,951 | – | – |
| Noncurrent portion of trade receivables from sale of club shares and real estate | 328,163,711 | 328,163,711 | – | 328,163,711 | – | – |
| Refundable deposits | 26,816,996 | 26,755,191 | 5,120 | 26,760,311 | 56,685 | – |
| | 3,217,909,204 | 3,209,802,328 | 5,120 | 3,209,807,448 | 2,249,671 | 5,852,085 |
| **AFS Investments** | | | | | | |
| Unquoted Clubs' preferred shares | 30,084,533,915 | 30,084,533,915 | – | 30,084,533,915 | – | – |
| Ordinary shares - quoted | 17,500,000 | 17,500,000 | – | 17,500,000 | – | – |
| | 30,102,033,915 | 30,102,033,915 | – | 30,102,033,915 | – | – |
| | ₱33,319,943,119 | ₱33,311,836,243 | ₱5,120 | ₱33,311,841,363 | ₱2,249,671 | ₱5,852,085 |

**Excluding cash on hand.*

| | 2012 | | | | | |
|---|---|---|---|---|---|---|
| | | Neither Past Due nor Impaired | | | Past Due but | Past Due |
| | Total | High Grade | Standard Grade | Total | not Impaired | and Impaired |
| **Loans and Receivables** | | | | | | |
| Cash and cash equivalents* | ₱404,204,274 | ₱404,204,274 | ₱– | ₱404,204,274 | ₱– | ₱– |
| Trade and other receivables: | | | | | | |
| Trade | 168,592,139 | 151,175,606 | – | 151,175,606 | 11,564,448 | 5,852,085 |
| Others | 2,345,830 | 2,345,830 | – | 2,345,830 | – | – |
| Advances to associates and related parties | 152,369,130 | 152,369,130 | – | 152,369,130 | – | – |
| Restricted cash | 630,927,266 | 630,927,266 | – | 630,927,266 | – | – |
| Noncurrent portion of trade receivables from sale of club shares | 62,970,667 | 62,970,667 | – | 62,970,667 | – | – |
| Refundable deposits | 11,384,288 | 11,384,288 | – | 11,384,288 | – | – |
| | 1,432,793,594 | 1,415,377,061 | – | 1,415,377,061 | 11,564,448 | 5,852,085 |
| **AFS Investments** | | | | | | |
| Unquoted Clubs' preferred shares | 24,564,364,390 | 24,564,364,390 | – | 24,564,364,390 | – | – |
| Ordinary shares - quoted | 18,000,000 | 18,000,000 | – | 18,000,000 | – | – |
| | 24,582,364,390 | 24,582,364,390 | – | 24,582,364,390 | – | – |
| | ₱26,015,157,984 | ₱25,997,741,451 | ₱– | ₱25,997,741,451 | ₱11,564,448 | ₱5,852,085 |

**Excluding cash on hand.*

The following are the aging analyses of financial assets as of December 31, 2013 and 2012:

| | 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Past Due but not Impaired | | | | Past Due |
| | Total | Neither Past Due nor Impaired | 1–30 Days | 31–60 Days | 61–90 Days | More than 90 Days | And Impaired |
| **Loans and Receivables** | | | | | | | |
| Cash and cash equivalents | ₱171,724,105 | ₱171,724,105 | ₱– | ₱– | ₱– | ₱– | ₱– |
| Trade and other receivables | 287,205,588 | 279,160,517 | 561,797 | 410,288 | 213,332 | 1,007,569 | 5,852,085 |
| Advances to associates and related parties | 2,198,930,853 | 2,198,930,853 | – | – | – | – | – |
| Restricted cash | 205,067,951 | 205,067,951 | – | – | – | — | – |
| Noncurrent portion of trade receivables from sale of club shares | 328,163,711 | 328,163,711 | – | – | – | – | – |
| Refundable deposits | 26,816,996 | 26,816,996 | – | – | – | | – |
| | 3,217,909,204 | 3,209,864,133 | 561,797 | 410,288 | 213,332 | 1,007,569 | 5,852,085 |

(Forward)

| | 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Past Due but not Impaired | | | | Past Due |
| | Total | Neither Past Due nor Impaired | 1–30 Days | 31–60 Days | 61–90 Days | More than 90 Days | And Impaired |
| **AFS Investments** | | | | | | | |
| Unquoted Clubs' preferred shares | **₱30,084,533,915** | **₱30,084,533,915** | **₱–** | **₱–** | **₱–** | **₱–** | **₱–** |
| Ordinary shares - quoted | **17,500,000** | **17,500,000** | **–** | **–** | **–** | **–** | **–** |
| | **30,102,033,915** | **30,102,033,915** | **–** | **–** | **–** | **–** | **–** |
| | **₱33,319,943,119** | **₱33,311,898,048** | **₱561,797** | **₱410,288** | **₱213,332** | **₱1,007,569** | **₱5,852,085** |

| | 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Past Due but not Impaired | | | | Past Due |
| | Total | Neither Past Due nor Impaired | 1–30 Days | 31–60 Days | 61–90 Days | More than 90 Days | And Impaired |
| **Loans and Receivables** | | | | | | | |
| Cash and cash equivalents | ₱404,204,274 | ₱404,204,274 | ₱– | ₱– | ₱– | ₱– | ₱– |
| Trade and other receivables | 170,937,969 | 153,521,436 | 2,139,908 | 1,251,904 | 839,705 | 7,332,931 | 5,852,085 |
| Advances to associates and related parties | 152,369,130 | 152,369,130 | – | – | – | – | – |
| Restricted cash | 630,927,266 | 630,927,266 | – | – | – | – | – |
| Noncurrent portion of trade receivables from sale of club shares and real estate | 62,970,667 | 62,970,667 | – | – | – | – | – |
| Refundable deposits | 11,384,288 | 11,384,288 | – | – | – | – | – |
| | 1,432,793,594 | 1,415,377,061 | 2,139,908 | 1,251,904 | 839,705 | 7,332,931 | 5,852,085 |
| **AFS Investments** | | | | | | | |
| Unquoted Clubs' preferred shares | 24,564,364,390 | 24,564,364,390 | – | – | – | – | – |
| Ordinary shares - quoted | 18,000,000 | 18,000,000 | – | – | – | – | – |
| | 24,582,364,390 | 24,582,364,390 | – | – | – | – | – |
| | ₱26,015,157,984 | ₱25,997,741,451 | ₱2,139,908 | ₱1,251,904 | ₱839,705 | ₱7,332,931 | ₱5,852,085 |

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's exposure to interest rate risk relates primarily to its financial instruments with floating interest and/or fixed interest rates. Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. Re-pricing of floating rate financial instruments is done every three to six months. Interest on fixed rate financial instruments is fixed until maturity of the instrument. The details of financial instruments that are exposed to interest rate risk are disclosed in Notes 16 and 17.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt subject to floating interest rates as discussed in Note 17.

The other financial instruments of the Group are noninterest-bearing and, therefore, not subject to interest rate risk.

The following table demonstrates the sensitivity of the Group's profit before tax due to a reasonably possible change in interest rates in the next reporting period with all other variables held constant. There is no other impact on the Group's equity other than those already affecting profit and loss.

| | Increase/Decrease in Interest Rate | Effect on Income before Tax |
|---|---|---|
| **2013** | **+1.0%** | **₱74,705,376** |
| | **–1.0%** | **(74,705,376)** |
| 2012 | +1.0% | (43,789,731) |
| | –1.0% | 43,789,731 |

Liquidity Risk

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

The Group also maintains a balance between continuity of funding and flexibility. The policy of the Group is to first exhaust lines available from affiliated companies before local bank lines are availed of. The Group seeks to manage its liquid funds through cash planning on a weekly basis. The Group uses historical figures and experiences and forecasts from its collections and disbursements. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Also, the Group only places funds in the money market which are exceeding the Group requirements. Placements are strictly made based on cash planning assumptions and covers only a short period of time.

The tables below summarize the maturity profile of the Group's financial assets use for liquidity management and the maturity profile of financial liabilities as of December 31, 2013 and 2012 based on undiscounted cash flows:

| | 2013 | | | | | |
|---|---|---|---|---|---|---|
| | **On Demand** | **1–30 Days** | **31–60 Days** | **61–90 Days** | **More than 90 Days** | **Total** |
| **Financial Assets** | | | | | | |
| Cash and cash equivalents | **₱171,724,105** | **₱–** | **₱–** | **₱–** | **₱–** | **₱171,724,105** |
| Trade and other receivables | **99,323,131** | **41,656,367** | **1,609,936** | **3,145,783** | **141,470,371** | **287,205,588** |
| Advances to associates and related parties | **1,217,162,592** | **–** | **–** | **–** | **981,768,261** | **2,198,930,853** |
| Restricted cash | **171,174,816** | **–** | **–** | **–** | **33,893,135** | **205,067,951** |
| Refundable deposits | **16,401,236** | **–** | **–** | **–** | **10,415,760** | **26,816,996** |
| AFS investments | **785,555,507** | **–** | **17,500,000** | **–** | **29,298,978,408** | **30,102,033,915** |
| | **₱2,461,341,387** | **₱41,656,367** | **₱19,109,936** | **₱3,145,783** | **₱30,466,525,935** | **₱32,991,779,408** |
| **Financial Liabilities** | | | | | | |
| Trade and other payables: | | | | | | |
| Trade | **₱316,859,679** | **₱18,469,618** | **₱–** | **₱–** | **₱52,629,585** | **₱387,958,882** |
| Accrued expenses | **84,559,002** | **163,657,846** | **–** | **–** | **61,916,423** | **310,133,271** |
| Retention payable | **28,668,254** | **–** | **–** | **–** | **302,005,913** | **330,674,167** |
| Accrued interest | **15,542,274** | **2,394,273** | **2,406,655** | **3,996,606** | **–** | **24,339,808** |
| Others | **535,163,819** | **8,495,322** | **–** | **–** | **2,806,514** | **546,465,655** |
| Long-term debt: | | | | | | |
| Principal | **–** | **–** | **18,750,000** | **71,834,608** | **7,379,953,039** | **7,470,537,647** |
| Interest | **2,343,117** | **7,810,391** | **41,667,232** | **33,995,570** | **1,321,170,571** | **1,406,986,881** |
| Customers' deposits | **26,366,315** | **–** | **–** | **–** | **73,768,913** | **100,135,228** |
| Advances from related parties | **1,599,323,812** | **–** | **–** | **–** | **–** | **1,599,323,812** |
| Deposits intended for equity subscription | **–** | **–** | **–** | **–** | **1,500,000,000** | **1,500,000,000** |
| | **₱2,608,826,272** | **₱200,827,450** | **₱62,823,887** | **₱109,826,784** | **₱10,694,250,958** | **₱13,676,555,351** |

| | 2012 | | | | | |
|---|---|---|---|---|---|---|
| | On Demand | 1–30 Days | 31–60 Days | 61–90 Days | More than 90 Days | Total |
| **Financial Assets** | | | | | | |
| Cash and cash equivalents | ₱408,033,924 | ₱– | ₱– | ₱– | ₱– | ₱408,033,924 |
| Trade and other receivables | 153,521,436 | 2,139,908 | 1,251,904 | 839,705 | 7,332,931 | 165,085,884 |
| Advances to associates and related parties | 152,369,130 | – | – | – | – | 152,369,130 |
| Restricted cash | 630,927,266 | – | – | – | – | 630,927,266 |
| Noncurrent portion of trade receivables from sale of club shares | – | – | – | – | 62,970,667 | 62,970,667 |
| Refundable deposits | – | – | – | – | 11,384,288 | 11,384,288 |
| AFS investments | – | – | – | – | 24,582,364,390 | 24,582,364,390 |
| | ₱1,344,851,756 | ₱2,139,908 | ₱1,251,904 | ₱839,705 | ₱24,664,052,276 | ₱26,013,135,549 |

(Forward)

| | 2012 | | | | | |
|---|---|---|---|---|---|---|
| | On Demand | 1–30 Days | 31–60 Days | 61–90 Days | More than 90 Days | Total |
| **Financial Liabilities** | | | | | | |
| Trade and other payables: | | | | | | |
| Trade | ₱356,433,478 | ₱122,422,873 | ₱2,249,806 | ₱4,155,964 | ₱25,719,220 | ₱510,981,341 |
| Accrued expenses | 326,340,215 | 17,238,960 | – | – | – | 343,579,175 |
| Retention payable | 41,448,024 | – | – | – | 150,282,729 | 191,730,753 |
| Accrued interest | 2,004,765 | – | 2,855,184 | 6,217,111 | – | 11,077,060 |
| Others | 25,373,944 | 1,507,468 | – | – | – | 26,881,412 |
| Loans payable | – | 500,000,000 | | 490,000,000 | 1,010,000,000 | 2,000,000,000 |
| Long-term debt: | | | | | | |
| Principal | – | – | – | 229,978,734 | 4,148,994,373 | 4,378,973,107 |
| Interest | 1,847,184 | 5,726,271 | 5,172,115 | 15,829,229 | 660,936,542 | 689,511,341 |
| Customers' deposits | 8,555,810 | – | – | – | 83,028,949 | 91,584,759 |
| Advances from related parties | 19,779,103 | – | – | – | – | 19,779,103 |
| | ₱781,782,523 | ₱646,895,572 | ₱10,277,105 | ₱746,181,038 | ₱6,078,961,813 | ₱8,264,098,051 |

Capital Management

The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To manage or adjust the capital structure, the Group may obtain additional advances from stockholders, adjust the return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2013 and 2012. The Group monitors capital using the monthly cash position report and financial statements. The Parent Company is not subject to externally imposed capital requirements. Certain subsidiaries, however, are required to maintain a debt to equity ratio as provided in the loan agreements (see Note 17).

The components of the Group's capital as of December 31, 2013 and 2012 follow:

| | **2013** | 2012 |
|---|---|---|
| Layer I: | | |
| Capital stock | **₱1,838,370,551** | ₱1,838,370,551 |
| Additional paid-in capital | **9,672,052,401** | 9,672,052,401 |
| | **11,510,422,952** | 11,510,422,952 |
| Layer II: | | |
| Retained earnings - operating income | **5,240,735,701** | 2,660,517,443 |
| Excess of acquisition price over acquired interest | **(159,018,215)** | (159,018,215) |
| Treasury shares | **(1,213,526)** | (1,213,526) |
| | **5,080,503,960** | 2,500,285,702 |
| Layer III: | | |
| Unrealized valuation gains on AFS investments | **21,423,378,574** | 16,288,147,877 |
| Retained earnings - gain on fair value change of investment properties | **8,043,970,637** | 4,457,720,085 |
| Retained earnings - gain on bargain purchase | **761,886,845** | 761,886,845 |
| | **30,229,236,056** | 21,507,754,807 |
| Total capital | **₱46,820,162,968** | ₱35,518,463,461 |

- Layer I is composed of the Group's contributed capital;
- Layer II is composed of income from operations, excess of acquisition price over acquired interest and treasury shares; and
- Layer III is composed of income from fair value changes of investment properties, gain on bargain purchase and unrealized valuation gains on AFS investments.

## 27. Segment Information

PFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker.

For management purposes, the Group's operating segments is determined to be business segments as the risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating income or loss and is measured consistently with income before income tax in the consolidated statement of comprehensive income.

Business Segments

In 2013 and 2012, for purposes of segment reporting, the Group does not have other reportable segments other than real property development. The following tables present revenue, costs and expenses, certain assets and liabilities information regarding the Group's real property development and plastics manufacturing business segments in 2011.

| | 2011 | | | | |
|---|---|---|---|---|---|
| | Real Property Development | Plastics Manufacturing (Discontinued Operations) | Total | Eliminations | Consolidated |
| **Revenues** | | | | | |
| External customers | ₱413,024,287 | ₱461,523,368 | ₱874,547,655 | (₱461,523,368) | ₱413,024,287 |
| Gain on fair value change of investment properties | 2,356,792,867 | – | 2,356,792,867 | – | 2,356,792,867 |
| Gain on sale of AFS investments | 208,631,416 | – | 208,631,416 | – | 208,631,416 |
| Interest income | 44,887,264 | – | 44,887,264 | – | 44,887,264 |
| Gain on loss of control | 8,939,415 | – | 8,939,415 | – | 8,939,415 |
| Equity in net income of associates | 48,567 | – | 48,567 | – | 48,567 |
| Other income | 53,223 | – | 53,223 | – | 53,223 |
| | 3,032,377,039 | 461,523,368 | 3,493,900,407 | (461,523,368) | 3,032,377,039 |
| **Costs and Expenses** | | | | | |
| Costs and expenses | 285,371,233 | 374,344,011 | 659,715,244 | (374,344,011) | 285,371,233 |
| Interest expense and other finance charges | 71,406,981 | – | 71,406,981 | – | 71,406,981 |
| Depreciation and amortization | 15,477,187 | 4,808,138 | 20,285,325 | (4,808,138) | 15,477,187 |
| Loss on sale of an investment | 1,298,081 | – | 1,298,081 | – | 1,298,081 |
| Other expenses | – | 63,961,494 | 63,961,494 | (63,961,494) | – |
| | 373,553,482 | 443,113,643 | 816,667,125 | (443,113,643) | 373,553,482 |
| Provision for (benefit from) income tax: | | | | | |
| Current | 5,220,444 | 5,502,653 | 10,723,097 | (5,502,653) | 5,220,444 |
| Deferred | 730,461,376 | – | 730,461,376 | – | 730,461,376 |
| | 735,681,820 | 5,502,653 | 741,184,473 | (5,502,653) | 735,681,820 |
| Income from continuing operations after tax | 1,923,141,737 | – | 1,923,141,737 | – | 1,923,141,737 |
| Income from discontinued operations after tax | – | 12,907,072 | 12,907,072 | – | 12,907,072 |
| **Net Income** | ₱1,923,141,737 | ₱12,907,072 | ₱1,936,048,809 | ₱– | ₱1,936,048,809 |
| **Operating Assets** | ₱33,855,586,145 | ₱– | ₱33,855,586,145 | ₱– | ₱33,855,586,145 |
| **Operating Liabilities** | ₱9,517,800,478 | ₱– | ₱9,517,800,478 | ₱– | ₱9,517,800,478 |

(Forward)

| | 2011 | | | | |
|---|---|---|---|---|---|
| | Real Property Development | Plastics Manufacturing (Discontinued Operations) | Total | Eliminations | Consolidated |
| **Other Disclosures** | | | | | |
| Investments in associates | ₱94,804,626 | ₱– | ₱94,804,626 | ₱– | ₱94,804,626 |
| Investment properties | 18,046,169,798 | – | 18,046,169,798 | – | 18,046,169,798 |
| Goodwill | 23,229,684 | – | 23,229,684 | – | 23,229,684 |
| AFS investments | 10,747,425,000 | – | 10,747,425,000 | – | 10,747,425,000 |
| Capital expenditures | 1,316,215,750 | – | 1,316,215,750 | – | 1,316,215,750 |
| **Cash Flows Provided by (Used in)** | | | | | |
| Operating activities | (₱1,122,705,669) | ₱29,191,528 | (₱1,093,514,141) | ₱– | (₱1,093,514,141) |
| Investing activities | (1,686,918,976) | (22,012,760) | (1,708,931,736) | – | (1,708,931,736) |
| Financing activities | 3,204,104,751 | 6,700,000 | 3,210,804,751 | – | 3,210,804,751 |

## 28. Commitments and Contingencies

Commitments

a. Corporate Guaranty

AMPI, a wholly owned subsidiary through ADI, entered into a Joint Venture Agreement with BSP to develop the Alphaland Makati Place Project (see Note 4). Pursuant to the Joint Venture Agreement, ALPHA has issued a corporate guaranty in favor of BSP whereby, in the event AMPI is unable to complete the Project (for reasons attributable to the fault of AMPI), ALPHA shall pay BSP the amount of ₱600.0 million in exchange for BSP's 15% share in the sharing scheme as defined in the Joint Venture Agreement.

On April 20, 2012, the BOD approved to constitute a corporate guaranty in the maximum amount of ₱2,000.0 million in connection with the ₱10,000.0 million term loan facility obtained by FBSHI, a 20%-owned associate (see Note 19), from Metropolitan Bank and Trust Company. The Group's guaranty is in favor of Shangri-la Properties, Inc. and Shangri-la Asia Limited, the majority owners of FBSHI who guaranteed the entire ₱10,000.0 million term loan facility (see Note 19).

On April 21, 2014, the BOD approved the disposition of the Group's 20% in SGCPI and FBSHI. On April 30, 2014, ADI sold the 20% stake for ₱1.7 billion. Accordingly, the guaranty has been cancelled.

b. Construction Contracts

The Group entered into various construction contracts for the development of its projects (see Note 12). Total contract value committed for the significant construction contracts as of December 31, 2012 amounted to ₱3,168.8 million. Total advances to contractors amounted to ₱737.8 million and ₱665.5 million as of December 31, 2013 and 2012, respectively (see Notes 9 and 14). The significant construction contracts that gave rise to the advances are as follows:

ADI

Total advances to contractors amounted to ₱105.8 million and ₱106.0 million as of December 31, 2013 and 2012, respectively, for the supply of labor, materials and installation of pathways, exterior glass and others for Alphaland Southgate Tower and supply of petroleum for the Caticlan Project.

AMPI
Total advances to contractors amounted to ₱360.4 million and ₱229.7 million as of December 31, 2013 and 2012, respectively, for the civil, structural and masonry works and supply and installation of materials for Alphaland Makati Place.

ABIRC
Total advances to contractors amounted to ₱17.6 million and nil as of December 31, 2013 and 2012, respectively, for the supply of labor, materials and equipment and all related construction works in various parts of Alphaland Balesin Island Club.

AMTI
Total advances to contractors amounted to nil and ₱137.0 million as of December 31, 2013 and 2012, respectively, for the mechanical, civil, structural, architectural, demolition and structural retrofitting works and supply of materials for Alphaland Tower.

Retention Payable
Retention payable is based upon specifically identified construction contracts that stipulate the right of the Group to retain a portion of the progress billings of contractors. Depending on the terms of the contract, all retention payable shall be released to contractors upon 100% completion and acceptance of works normally within one year after completion. Total retention payable amounted to ₱330.7 million and ₱191.7 million as of December 31, 2013 and 2012, respectively. Significant contracts with retention clause are as follows:

a. ADI

As of December 31, 2013 and 2012, total retention payable amounted to ₱4.6 million and ₱5.2 million, respectively, for the contracts on structural and architectural works for the rehabilitation of Alphaland Southgate Tower and mechanical works of the Tabacalera and Executive Lounge at the 6th floor of Alphaland Southgate Tower.

b. AMPI

Total retention payable as of December 31, 2013 and 2012 amounting to ₱200.6 million and ₱76.4 million, respectively, is allocable to the construction of the podium and the contract for the complete bulk excavation and slope protection works of Alphaland Makati Place, respectively.

c. ABIRC

Total retention payable as of December 31, 2013 and 2012 amounting to ₱23.1 million and ₱36.2 million, respectively, is allocable to the contract for the construction of various infrastructures and villages of Balesin project and for the contract on the supply of labor and materials for the Atimonan Warehouse, respectively.

Contingencies
As a result of the dispute between the Group and with the Wenceslao Group (see Note 4), the following cases have been filed against each other; together with their status as of June 18, 2014:

a. ADI and AMC v. DMWAI, et al. [Civil Case No. 13-540 pending before the Regional Trial Court of Makati City, Branch 142 (the Court)] - a complaint for injunction filed on May 9, 2013 seeking to enjoin the defendants (the Wenceslao Group) from obstructing and/or delaying or from taking any other action/s that may impede/obstruct and/or delay the construction/development of the Alphaland Marina Project. On May 15, 2013, the Court issued a Temporary Restraining Order against the defendants. On June 3, 2013, the Court

issued an Order granting the plaintiffs' application for preliminary injunction. The Wenceslao Group has elevated the case to the Court of Appeals by filing separate petitions for certiorari. On October 18, 2013, the Court denied defendants' motion to dismiss and motions for reconsideration and plaintiffs' motion to declare defendants in default. ADI and AMC's motion for consolidation of the three petitions, filed with the Court of Appeals on April 4, 2014, was granted by one division subject to the concurrence of the other two divisions of the Court of Appeals. As of June 18, 2014, ADI and AMC have not received notice of concurrence (see Note 1).

b. ABCC v. ADI (DENR-NCR Case No. 2013-1226 - a complaint for cancellation of the Foreshore Lease Agreement executed between ADI and the DENR filed on October 24, 2013. Preliminary conference was terminated without the parties having reached amicable settlement. Parties are scheduled to submit their respective Position Papers on the issues identified during Pre-trial.

c. ABPEA v. ADI (Civil Case No. 13-0323 pending before the Regional Trial Court of Paranaque City, Branch 274) - a complaint for collection of alleged unpaid association dues filed on November 4, 2013. On December 4, 2013, ADI filed its answer with affirmative defenses seeking the dismissal of the case. ADI's motion to dismiss the case is still pending resolution.

a. ADI v. DMWAI (Civil Case No. 14 -056 pending before the Regional Trial Court of Makati City, Branch 137) - a complaint for specific performance filed by ADI on January 21, 2014 seeking delivery of the additional lots that DMWAI is obliged to deliver pursuant to the FARIA. On March 4, 2014, DMWAI filed a Motion to Dismiss. On March 31, 2014, ADI filed its Comment to defendant's Motion to Dismiss. DMWAI's Motion to Dismiss is still pending resolution.

The agreement signed by the major shareholders of the Parent Company discussed in Note 1 includes the transfer of the Group's interest in ABCC and the settlement of the said disputes with the Wenceslao Group.

## 29. Note to Consolidated Statements of Cash Flows

In 2013 and 2012, the Group's noncash investing and financing activities are as follows:

| | **2013** | 2012 |
|---|---|---|
| Partial loan refinancing of ABIRC (see Note 17) | **₱2,000,000,000** | ₱– |
| Transfer to parking lots for sale from investment properties (see Notes 8 and 12) | **322,785,282** | – |
| Effect of revised allocation of development cost (see Notes 8 and 12) | **297,448,552** | – |
| Subscription to additional preferred shares of ABICI and AMCI with an obligation to develop and construct the Island Club and Marina Club, respectively (see Note 11) | – | 3,322,874,542 |
| Subscription to additional preferred shares of ABICI through transfer of investment properties (see Note 11) | – | 453,259,000 |
| Reclassification to property and equipment from investment properties (see Note 12) | – | 27,545,229 |
| Reclassification from receivable to investment properties (see Note 12) | – | 8,365,200 |

30. **Events after Balance Sheet Date**

a. On January 2, 2014, the BOD approved the following: (a) issuance of 557,567,000 common shares of the Parent Company to registered landowners, which include Mr. Roberto V. Ongpin, in exchange for parcels of land in connection with the Alphaland Baguio Mountain Log Homes Project at an issue price of ₱2.50 per share; and (b) capital call, initially from its major shareholders via a private placement and eventually also from its minority shareholders at an issue price of ₱2.50 per share.

b. On January 20, 2014, the Parent Company issued 557,567,000 common shares to the registered landowners of parcels of land and 600,000,000 common shares to RVO Capital (see Note 19).

c. On February 7, 2014, the Parent Company completed its minority offering of 108,336,866 common shares which yielded gross proceeds of ₱270.8 million.

d. On February 19, 2014, the Parent Company issued a total of 109,000,000 new common shares to three separate foreign investors, as follows:
   - Citadel Investments Limited (subscribed for 10 million shares for ₱25 million);
   - Mr. Derek Arculli (subscribed for 10 million shares for ₱25 million); and
   - Fine Land Limited (subscribed for 89 million shares for US$5 million).

e. In January 2014, litigation (both in the Philippines and abroad) ensued between the two major shareholder groups of ALPHA, namely: the group affiliated with AH Group and RVO Group. In April 2014, the AH Group and the RVO Group signed detailed terms of reference leading to an amicable settlement (subject to the execution of definitive agreements). On June 5, 2014, a definitive agreement was signed between the AH Group and the RVO Group as well as ALPHA and ADI.

f. On March 12, 2014, ALPHA received a letter from the PSE regarding violation of the revised disclosure rules and other rules of the PSE. The letter stated that ALPHA clearly failed to promptly disclose the following on time: (a) alleged "simulated sale" and possible non-compliance of ALPHA with the MPO requirement sometime on December 27, 2013; (b) facts leading to ALPHA's financial distress; (c) Makati Regional Trial Court case filed by Ashmore against ALPHA ; (d) corporate actions approved by the BOD on January 2, 2014 namely, the property-for-share swap for the Baguio project, capital call to major shareholders and "stock rights offering to minority stockholders", all based on a ₱2.50 per share issue price; and (e) arbitration case filed by Ashmore in Singapore which has not been disclosed. In addition, it was also mentioned in the letter that ALPHA failed to submit a fair, full and accurate disclosure of material information in the aforementioned items (a), (c) and (d).

   The delisting procedure is currently undergoing the hearing stage at the PSE. During the hearing conducted in May 2014, the PSE hearing panel directed ALPHA to inform the PSE as soon as a definitive settlement agreement is reached between the AH Group and the RVO Group. On June 17, 2014, another hearing was conducted by the PSE where ALPHA formally informed the PSE of the settlement between ALPHA and the AH Group and that both parties support a voluntary delisting. The PSE hearing panel then informed ALPHA that it will deliberate to determine its recommendation to the PSE Board of Directors or if there would be a need for another hearing. As of June 18, 2014, the PSE has not yet made a decision on the matter. However, with the signing of that definitive agreement (which contains, among others, both parties' commitment to pursue voluntary delisting), management expects that the PSE will eventually grant ALPHA's application for voluntary delisting.

**Legal Counsel**

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Picazo Buyco Tan Fider and Santos
Ponferrada Orbe & Altubar

**Independent Public Auditors**

SyCip Gorres Velayo & Co.

**Banks**

Allied Savings Bank
Banco De Oro Unibank, Inc.
Bank of Commerce
Development Bank of the Philippines
East West Banking Corporation
Landbank of the Philippines
Maybank Philippines, Inc.
Metropolitan Bank and Trust Company
Philippine Bank of Communications
Philippine National Bank
Sterling Bank of Asia
The Hongkong and Shanghai Banking Corporation Limited
United Coconut Planters Bank

**Stock Transfer Agent**

AB Stock Transfers Corporation

alphaland
CORPORATION

# Annual Report 2013

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