alphaland
CORPORATION

ANNUAL REPORT 2014

Alphaland Reborn!

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!

ROBERTO V. ONGPIN
CHAIRMAN AND CEO

MARIO A. ORETA
VICE CHAIRMAN AND PRESIDENT

February 20, 2015

Dear Valued Shareholders,

The past two years saw the relationship between our erstwhile partner the Ashmore group and our group deteriorate. Alphaland received no additional funding from Ashmore, and the undersigned Chairman had no choice but to keep the company afloat with his personal funds.

Fortunately, after almost two years of complex and sometimes difficult negotiations, we are delighted to inform you that on October 17, 2014, Alphaland finally completed all agreements, with all parties involved, regarding its disengagement with the Ashmore Group. On that day, a block sale at the Philippine Stock Exchange of 1.3 billion Alphaland shares from a group of shareholders led by Alphaland Holdings (Singapore) Pte Ltd (a company owned by funds managed by the Ashmore Group) to Alphaland Corporation was executed. Your company can now look forward to doing more productive things and moving forward as a more agile private company.

To explain accurately what this disengagement means, Alphaland transferred the following assets, together with all attendant liabilities, to Bedfordbury Development Corporation (the joint venture company of Mr. Eric O. Recto and Ashmore): (1) the Alphaland Tower on Ayala Avenue, (2) the Alphaland Marina Club project, (3) its 50% ownership in the Alphaland Bay City joint venture, and (4) its 60% ownership in the joint venture known as Boracay Gateway.

In return, Alphaland received all of Ashmore's shares in the corporation plus PhP 2.5 billion in cash. Additionally, Alphaland retained ownership of the following projects: (1) the Balesin Island Club, (2) the Alphaland Makati Place complex, including The City Club, (3) the Alphaland Southgate Tower and Mall, that gleaming blue building on the corner of EDSA and Chino Roces Avenue, which marks the gateway to Makati, and (4) the Baguio Mountain Lodges project.

The financial implication of this transaction is as follows: Alphaland's total assets have decreased to PhP47,810,344,376 but its liabilities have likewise decreased to only PhP10,258,313,231. Thus the net worth of Alphaland is still a substantial PhP37,552,031,145. With this robust balance sheet after its disengagement with Ashmore, Alphaland will continue to be one of the most substantial property companies and with a solid financial base. Notably, Alphaland's debt-equity ratio is now a very comfortable 21.47% debt to 78.53% equity, clearly a position which results in Alphaland having a huge unutilized borrowing capacity, in addition to a "war chest" of PhP 2.5 billion in cash.

While some misguided media reports portrayed Alphaland's delisting from the Stock Exchange in a negative light, in fact the opposite is true, which can easily be seen from the following: (1) As a private company, Alphaland will no longer be under the jurisdiction of the PSE and can operate as a more nimble company; (2) The acquisition by Alphaland of Ashmore's shares in the company will result in the group of the undersigned owning over 90% of the company, without having to be concerned with the 10% minimum public ownership requirement of a listed company; (3) Alphaland should never have been a listed company to begin with, as its investments have been financed almost entirely by equity contributions from Ashmore and the undersigned Chairman. It has never found the need to use the facilities of the Exchange to raise funding; (4) As a private company, Alphaland can, with its excellent track record, raise money for its future expansion from both domestic and foreign sources, either in the form of equity or debt.

Finally, we would like to put on record that we will always be grateful to the Ashmore group for their early and strong support, without which Alphaland would never have seen the light of day. We also wish to express our gratitude to Mr. Eric O. Recto, without whose patient and diligent efforts this happy ending could not have been achieved.

As we go to press, the audited 2014 financial statement of Alphaland have just been finalized. Notwithstanding the Ashmore "divorce", your corporation had excellent results. Net income was Php4.9 billion and total comprehensive income was Php5.5 billion.

The net book value per share of the company actually increased from Php23.6 per share in 2013 to Php26.4 per share in 2014. This was the result of Ashmore having returned to Alphaland's treasury 561,874,112 shares which resulted in the outstanding shares of Alphaland being significantly reduced from 1,984,322,351 in 2013 to 1,422,448,239 shares in 2014.

We look forward with much anticipation to 2015 and the years beyond. With your company's management having full control of Alphaland, we can embark on a series of very exciting and attractive projects. All of the projects in Balesin are now complete, with the recent inauguration of the unanimously acclaimed magnificent Balesin Royal Villa.

We are excited and energized by our rebirth as a financially strong Alphaland, aggressively pursuing these new projects. We thank our shareholders for their continued support and patience. The years to come will see a vibrant and even more profitable Alphaland Corporation.

Sincerely yours,

Roberto V. Ongpin
Chairman

Mario A. Oreta
Vice Chairman and 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 in 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.

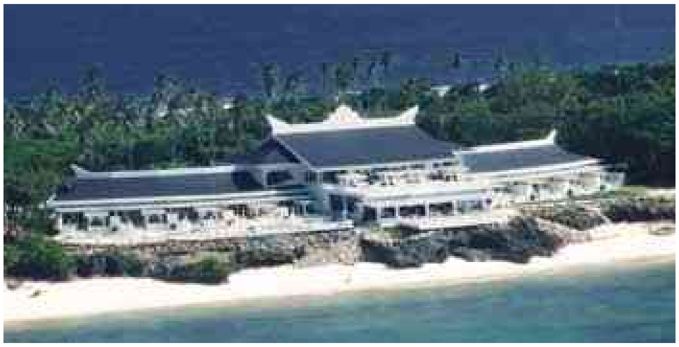
The resort redefines the Asian luxury beach experience, which is characterized by excellent service, and provides a comprehensive array of facilities for an endlessly varied and evolving lifetime experience for its members.

The accommodations consist of seven themed 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

The Balesin Royal Villa is a majestic structure that is an ideal venue for large family and social gatherings, weddings, and corporate retreats. The Royal Villa's upper floor offers 4 spacious Maharlika suites, accessible via private elevator, with their own private decks and jacuzzis. On the ground floor are 10 villa-type suites with private entrances, as well as a luxuriously appointed Salon 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 country clubs, a Sports Center, an Aquatic Sports Center, a desitination spa, restaurants, and many others.



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

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 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 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

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

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

BELOW (CLOCKWISE FROM TOP LEFT): MYKONOS THANASSIS TAVERNA; PHUKET SALATHIP; TOSCANA FACADE; NUSA DUA BAR; 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

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
- Bird Watching - Aviary
- 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 - 5 kms. of mapped Nature Trails
- 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
- Surfing - Available at certain seasons, off various beaches. Our Aquatic Sports Center staff 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/

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

outdoor pool; the Balesin Spa has a private pool; The Balesin Royal Villa has two outdoor swimming pools and two outdoor Jacuzzis

- 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
- Archery Range - near The Sports Center
- Badminton - Indoor Courts, Sports Center
- Basketball - Indoor Basketball Court, Sports Center
- Billiards - Game Room, Main Clubhouse, The Balesin Royal Villa
- 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, The Balesin Royal Villa
- Gym - Sports Center
- Internet and Gaming- Internet Café, Main Clubhouse
- Karaoke- Babes' , Mike's and Rannie's KTV Rooms, Main Clubhouse, KTV Room in The Balesin RoyalVilla
- Mahjong- Mahjong Rooms, Main Clubhouse
- Mixed Martial Arts, with trainer- Sports Center
- Music Lounge - Costa del Sol
- 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; KTV Room in The Balesin Royal Villa
- 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 - Barbecue, Rico's Hideaway
- 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, Main Clubhouse
- Dining - Korean at Han Gang, Main Clubhouse
- 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
- Dining - Spanish at the Restaurante Español and Tapas Bar, Costa del Sol Village
- Dining - Thai at Salathip, Phuket Village
- Dining - The Balesin Royal Villa (pre-arranged)
- 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. Private bar at The Balesin Royal Villa. Rico's Hideaway is a new favorite for those looking for an alternative venue.

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

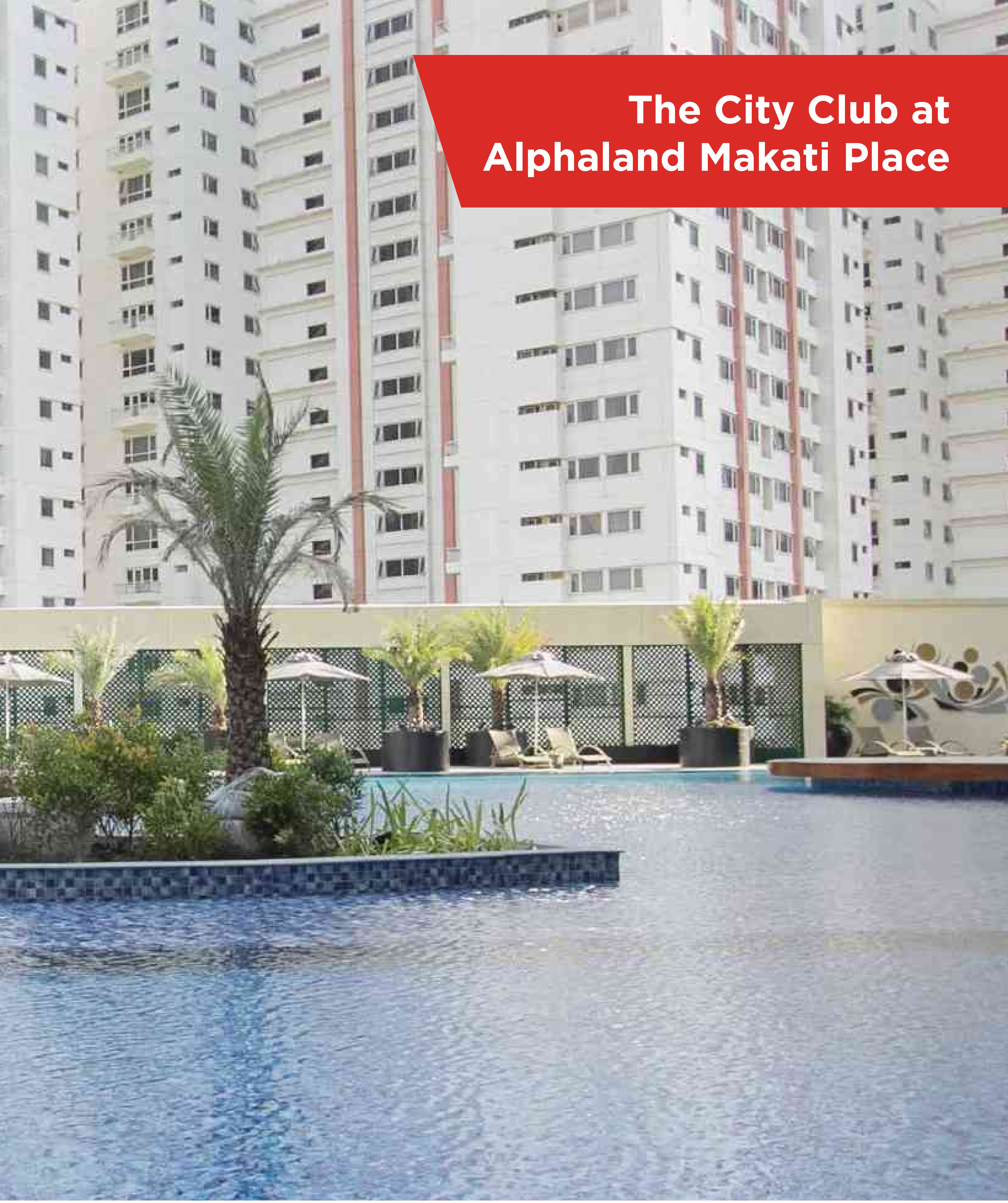
- Beauty treatment - Salon, Main Clubhouse
- Business Center - Main Clubhouse
- Event and conference facilities - The Balesin Royal Villa, function rooms, Main Clubhouse
- Haircut and grooming - Barber Shop, Main Clubhouse
- Locker Rooms (Men's , Women's, & Children's) – Main Clubhouse and Sports Center
- Shopping - The Balesin Boutique - near the Activity Center; The Balesin Souvenir Shop – Clubhouse Ground Floor beside the E.L. Tordesillas Library; E.L. Tordesillas Airport
- 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 is available for weddings and other occasions.

TRANSPORTATION

- Bicycling - Bicycles are available at the MainClubhouse
- 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 Extension, 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. The towers contain The Residences at Alphaland Makati Place, with 51, 46 and 33 levels. 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 leisure, and retail necessities all in one

THE MAKATI PLACE MALL

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

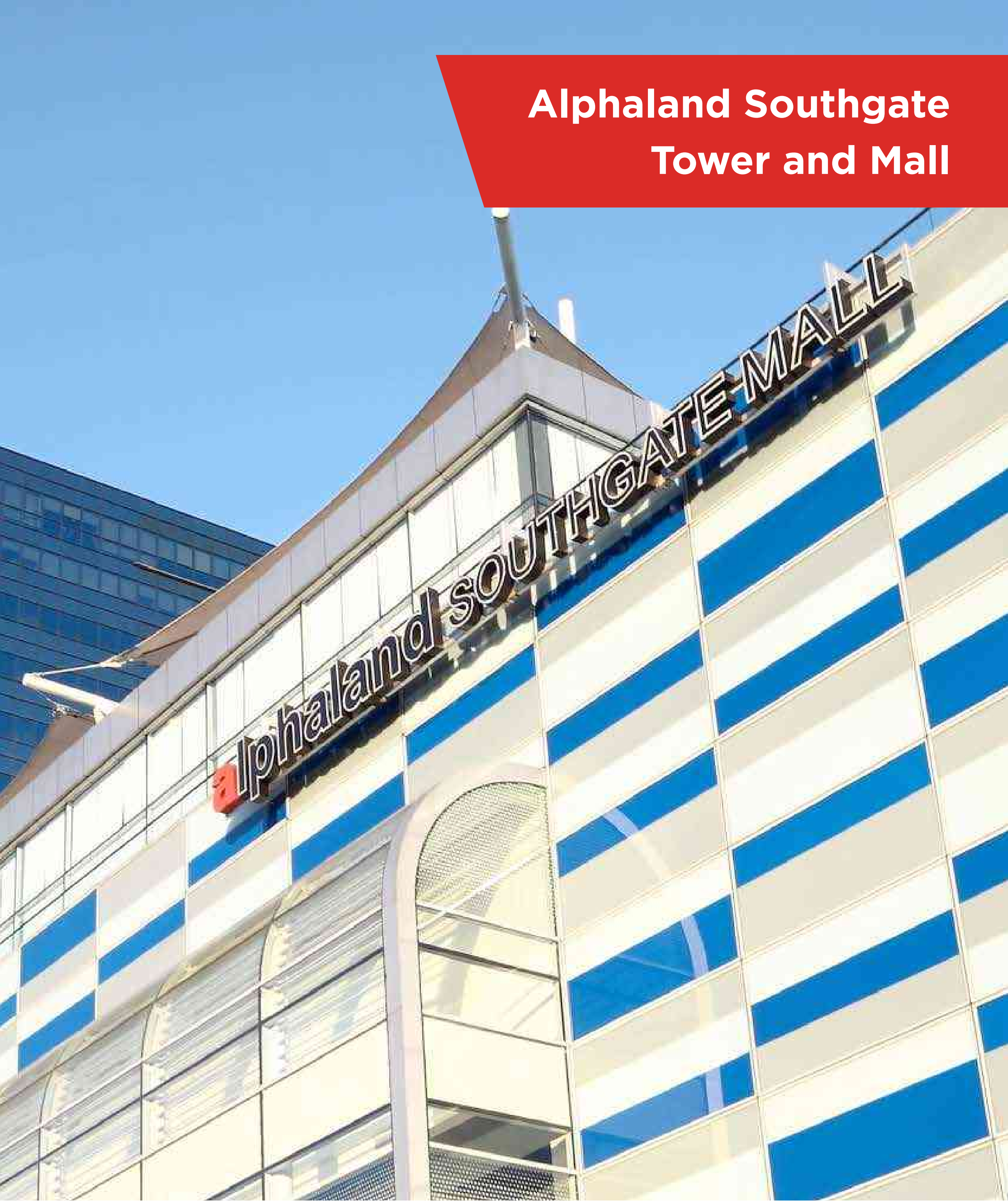
Lights turn on and off with motion-sensor technology, the flat screen TV can be hidden in a built-in recess, and the temperature of the air conditioners can be modified with the press of a button. Other applications on the tablet PC will connect to housekeeping, maintenance, security, billing, and other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

The units will be turned over in 2015.

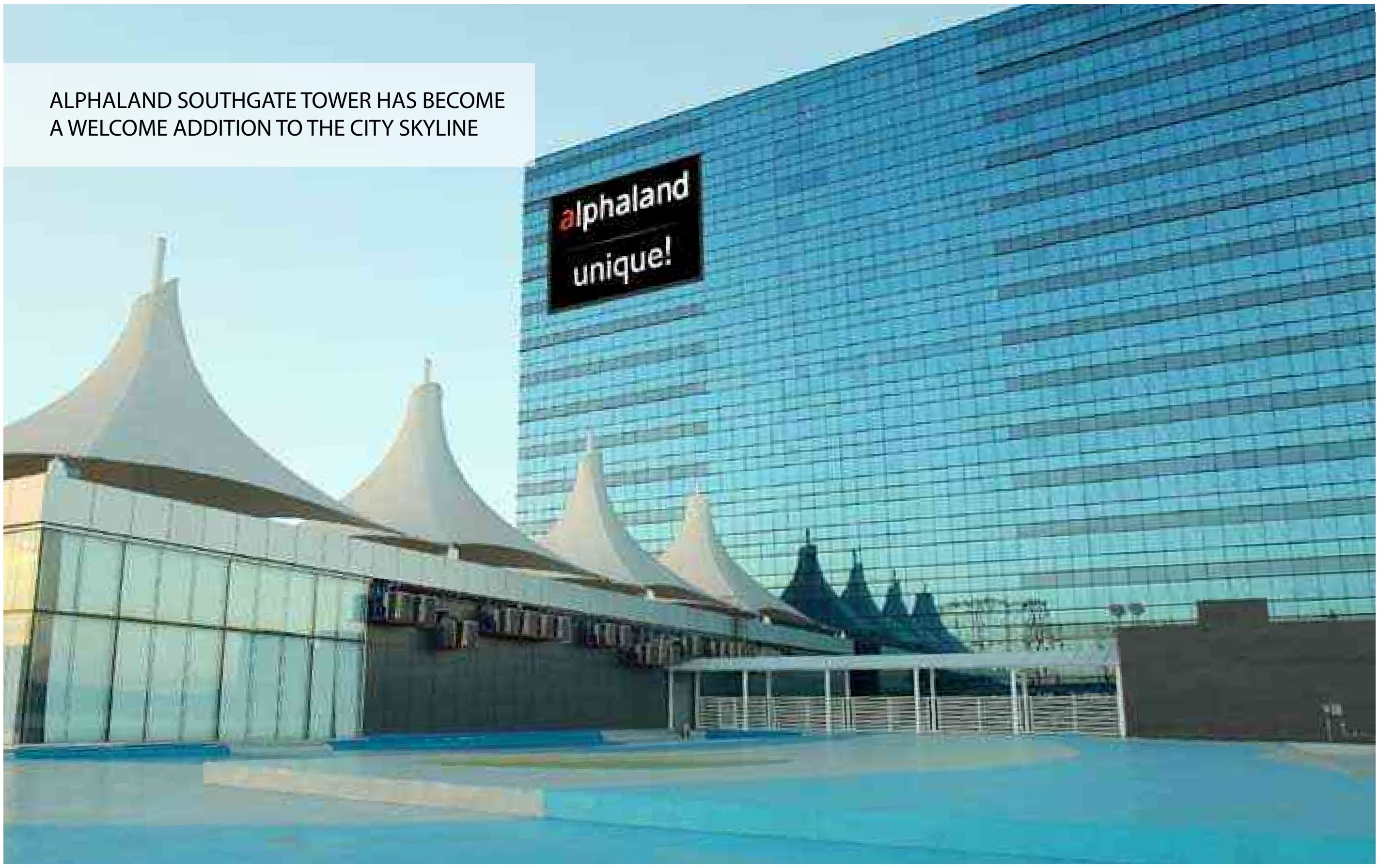
TOP: ANOTHER VIEW OF A MAKATI PLACE BEDROOM
MIDDLE: THE LCD TV CAN BE DROPPED DOWN INTO A RECESSED AREA WHEN NOT IN USE
BOTTOM: THE KITCHEN ISLAND COUNTER DOUBLES AS A DINING TABLE


alphaland
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

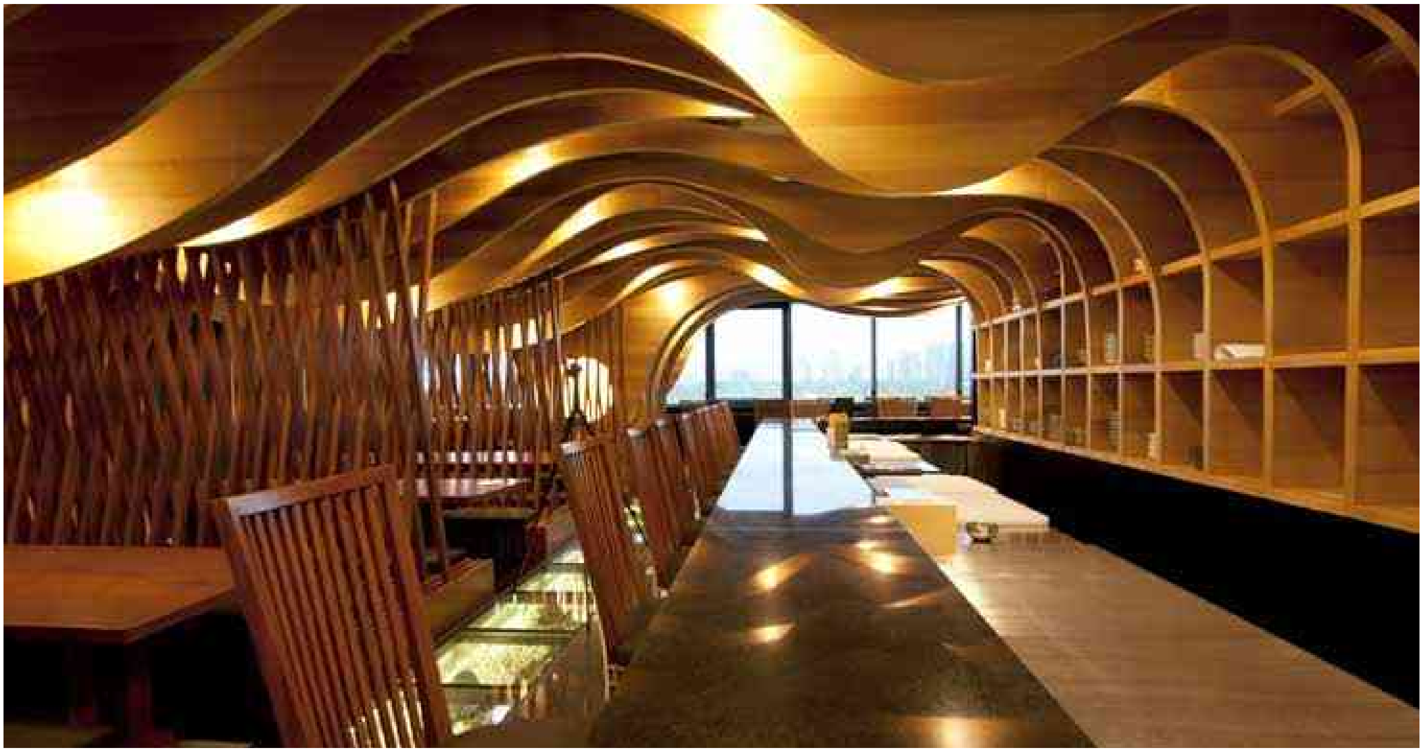
The Southgate Tower is Alphaland's corporate headquarters and exemplifies the company's vision of superior value transformation.

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 by Edo-San 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 by Edo-San, 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, Boracay, Bali and Baguio function rooms. 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 BY EDO-SAN 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.

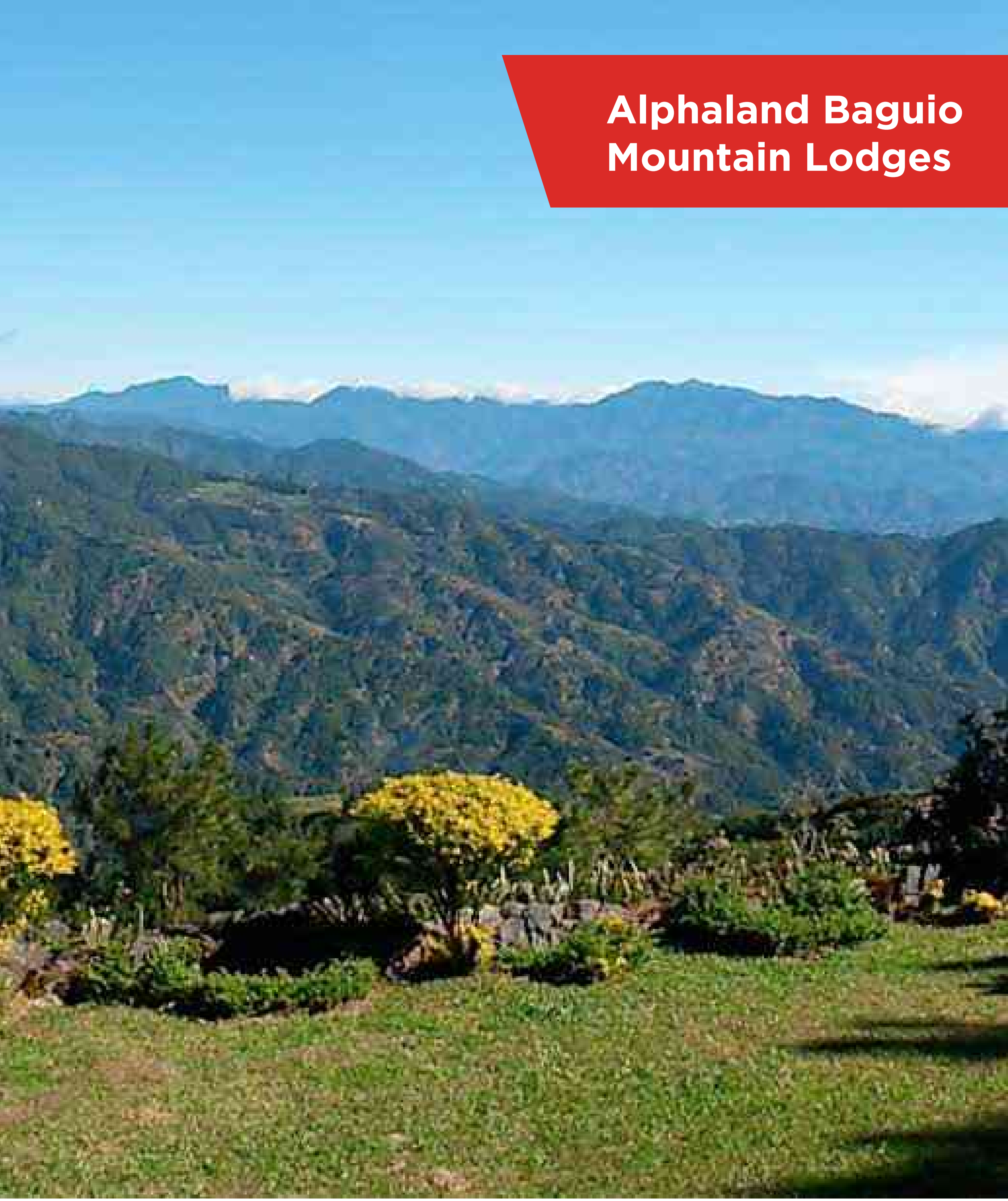
Alphaland Southgate Mall connects directly to Southgate Tower. It offers 18,340 sq.m. of floor area on three levels, with the third level providing commuters with direct access to the Magallanes MRT station. The building houses major bank branches like BDO and PBCOM, fast-food and casual dining establishments, 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.

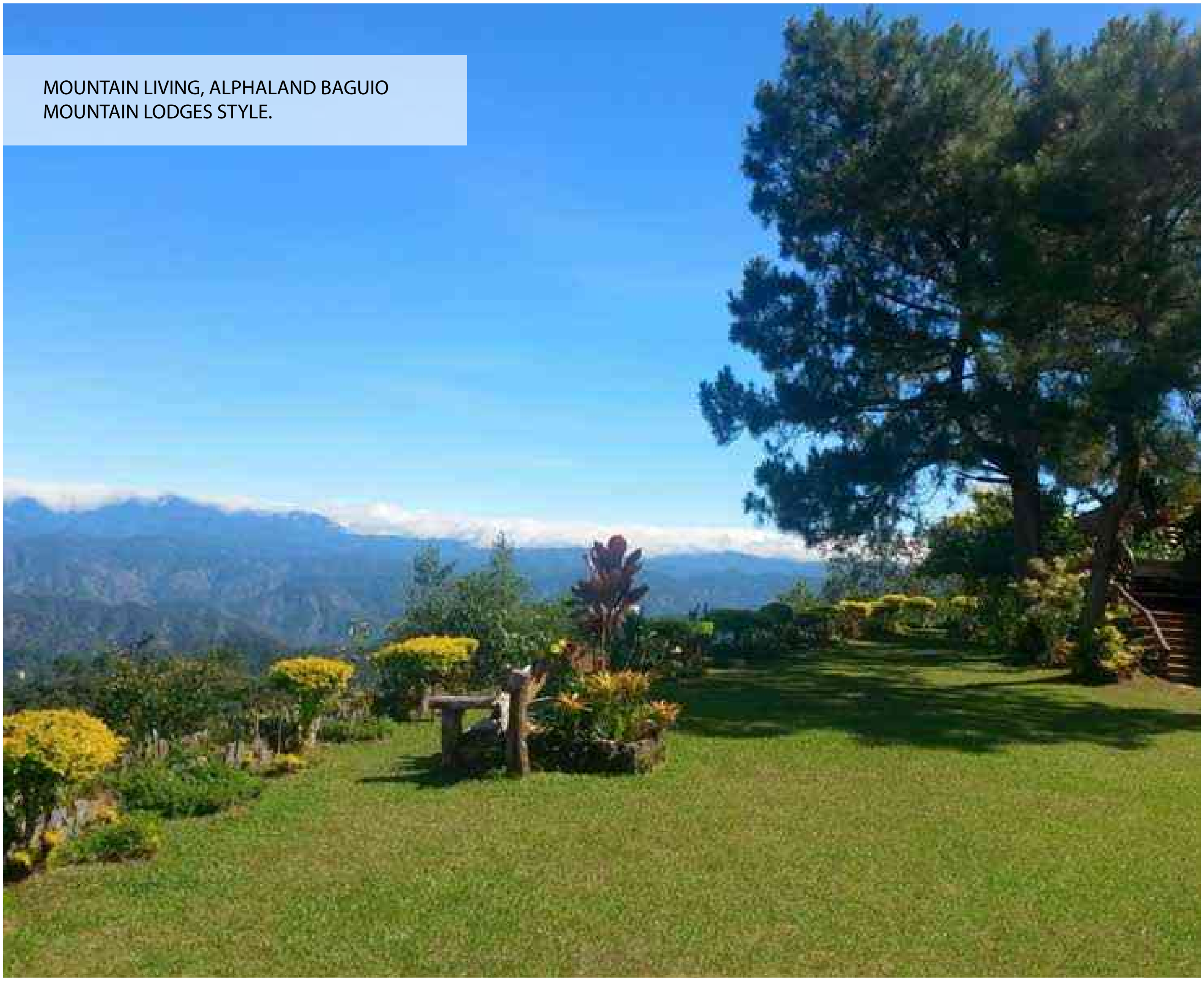
Alphaland Southgate Mall hours are from 10AM to 9PM, Mondays to Sundays.

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 SITE, LOCATED JUST MINUTES AWAY FROM BAGUIO CITY



MOUNTAIN LIVING, ALPHALAND BAGUIO MOUNTAIN LODGES STYLE.

alphaland BAGUIO MOUNTAIN LODGES

The Alphaland Baguio Mountain Lodges will be a master-planned development of authentic log homes, spread out over 70 hectares of rolling mountains and terrain just 15 minutes away from Baguio City proper. There will be five designs and floor plans to choose from, and the homes will be sited to maximize the views of the surrounding pine-forested mountains. The entire property will be secured by a perimeter fence.





ABOVE: ALPHALAND BAGUIO MOUNTAIN LODGES WILL MAINTAIN FLOURISHES OF BAGUIO'S RUSTIC CHARM; A VIEW OF THE MOUNTAIN RANGE FROM THE PROPERTY SITE
MIDDLE: AERIAL VIEW OF THE ALPHALAND BAGUIO MOUNTAIN LODGES PROPERTY SITE
BOTTOM: THE ORIGINAL LOG HOME PROPERTY; ANOTHER VIEW OF THE MOUNTAIN RANGE FROM THE PROPERTY

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

Roberto V. Ongpin
Chairman and CEO

Atty. Mario A. Oreta
Vice Chairman and President

Anna B. Ongpin
Asst. to the Chairman & Director

Michael A. P. M. Asperin
EVP & Director

Atty. Rodolfo Ma. A. Ponferrada
Corporate Secretary & Director

Cyrano A. Austria
SVP & Director

Atty. Roy Joseph M. Rafols
Director

Dennis O. Valdes
Director

Sen. Edgardo J. Angara
Independent Director

Gregorio Ma. Araneta III
Independent Director

Victor C. Macalincag
Independent Director

CONSOLIDATED FINANCIAL STATEMENTS

alphaland
CORPORATION

February 9, 2015

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Alphaland Corporation and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements as at December 31, 2014 and 2013 and each of the three years ended December 31, 2014, 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 consolidated financial statements and submits the same to the stockholders.

Reyes Tacandong & Co. and Sycip Gorres Velayo & Co., the independent auditors, appointed by the stockholders, as at and for the year ended December 31, 2014 and as at and for the years ended December 31, 2013 and 2012, respectively, have examined the financial statements of the Group 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.

ROBERTO V. ONGPIN
Chairman

MARIO A. ORETA
President

ELIZABETH P. FERNANDEZ
Chief Financial Officer

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City 1200 Philippines
www.reyestacandong.com
Phone: +632 982 9100
Fax : +632 982 9111
BOA/PRC Accreditation No. 4782
November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Alphaland Corporation and Subsidiaries
9th Floor, Alphaland Southgate Tower
2258 Chino Roces Avenue corner EDSA
Makati City

We have audited the accompanying consolidated financial statements of Alphaland Corporation and Subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, 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.

Auditor's Responsibility

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

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

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

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

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, 2014, and their financial performance and their cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

Other Matters

The consolidated financial statements of Alphaland Corporation and Subsidiaries as at and for the years ended December 31, 2013 and 2012 were audited by another auditor, whose report dated June 18, 2014 expressed unmodified opinion on those statements.

REYES TACANDONG & CO.

Belinda B. Fernando
BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until December 31, 2015
SEC Accreditation No. 1022-AR-1 Group A
Valid until October 2, 2016
BIR Accreditation No. 08-005144-4-2013
Valid until November 26, 2016
PTR No. 4748325
Issued January 5, 2015, Makati City

February 9, 2015
Makati City, Metro Manila

ALPHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

(With Comparative Figures for 2013)

	Note	**2014**	2013
ASSETS			
Current Assets			
Cash and cash equivalents	8	**₱603,166,902**	₱173,775,856
Trade and other receivables	9	**1,592,355,679**	299,064,006
Land and development costs and parking lots for sale	10	**3,609,291,533**	2,523,107,182
Advances to related parties	21	**1,668,957,354**	1,213,433,370
Available-for-sale (AFS) financial assets	13	**1,317,148,300**	785,555,507
Other current assets	11	**1,909,288,432**	1,729,023,197
Total Current Assets		**10,700,208,200**	6,723,959,118
Noncurrent Assets			
Investment in a joint venture	6	**–**	13,344,395,606
Investments in and advances to associates	12	**24,362,094**	1,067,375,221
AFS financial assets - net of current portion	13	**27,433,136,100**	29,316,478,408
Investment properties	14	**8,583,436,197**	14,590,077,559
Property and equipment	15	**510,668,647**	272,376,854
Other noncurrent assets	16	**558,533,138**	880,412,994
Total Noncurrent Assets		**37,110,136,176**	59,471,116,642
		₱47,810,344,376	₱66,195,075,760

	Note	**2014**	2013
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	17	**₱1,002,332,232**	₱3,455,688,409
Current portion of:			
Long-term debt	19	**823,733,150**	597,629,987
Customers' deposits	22	**23,125,760**	26,366,314
Advances from related parties	21	**256,876,780**	99,323,812
Income tax payable		**90,638**	–
Total Current Liabilities		**2,106,158,560**	4,179,008,522

(Forward)

	Note	2014	2013
Noncurrent Liabilities			
Long-term debt - net of current portion	19	**₱3,693,033,643**	₱6,810,985,446
Customers' deposits - net of current portion	22	**87,357,031**	73,768,914
Retirement liability	24	**26,939,582**	19,192,925
Deferred tax liabilities	25	**4,233,751,297**	5,953,751,403
Obligation under finance lease - net of current portion	22	**–**	1,054,831
Deposits intended for equity subscription	21	**–**	1,500,000,000
Other noncurrent liabilities		**111,073,118**	831,549,718
Total Noncurrent Liabilities		**8,152,154,671**	15,190,303,237
Equity Attributable to Equity Holders of the Parent			
Capital stock	20	**2,655,707,417**	1,838,370,551
Additional paid-in capital	20	**10,739,039,485**	9,513,034,186
Unrealized valuation gains on AFS financial assets	13	**21,979,608,386**	21,423,378,574
Accumulated remeasurement gain on retirement liability	24	**2,776,356**	–
Retained earnings	20	**18,989,170,231**	14,046,593,183
		54,366,301,875	46,821,376,494
Less:			
Parent's shares held by a subsidiary	20	**16,817,972,390**	–
Cost of 423,900 shares in treasury		**1,213,526**	1,213,526
		37,547,115,959	46,820,162,968
Noncontrolling interests		**4,915,186**	5,601,033
Total Equity		**37,552,031,145**	46,825,764,001
		₱47,810,344,376	₱66,195,075,760
Book value per share	26	**₱26.400**	₱23.598

See accompanying Notes to Consolidated Financial Statements.

ALPHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Figures for 2013 and 2012)

	Note	2014	2013	2012
REVENUES				
Rent	22	**₱597,265,604**	₱574,484,027	₱530,916,881
Real estate sales		**259,307,651**	205,023,141	–
Transportation service		**16,625,000**	–	–
Others		**7,940,692**	4,445,202	–
		881,138,947	783,952,370	530,916,881
COSTS AND EXPENSES	23			
Cost of real estate sold		**244,245,692**	175,798,412	–
Cost of services		**147,187,679**	134,689,586	121,054,677
General and administrative		**1,132,604,972**	535,066,336	304,193,231
		1,524,038,343	845,554,334	425,247,908
OTHER INCOME (EXPENSES)				
Gain on disposal of assets	6	**3,928,806,929**	–	–
Gain on fair value changes of investment properties	14	**729,714,574**	3,586,250,552	1,409,507,610
Gain on sale of AFS financial assets	13	**283,179,926**	729,653,162	329,259,178
Interest expense and other finance charges	19	**(278,314,792)**	(211,598,354)	(123,392,861)
Equity in net income (loss) of a joint venture and associates	12	**(22,389,024)**	3,162,707,111	722,316,933
Interest income	8	**18,727,565**	45,527,254	31,549,489
Foreign exchange gain (loss) - net		**1,508,626**	(33,919)	(228,945)
		4,661,233,804	7,312,505,806	2,369,011,404
INCOME BEFORE INCOME TAX		**4,018,334,408**	7,250,903,842	2,474,680,377
PROVISION FOR (BENEFIT FROM) INCOME TAX	25			
Current		**34,578,593**	17,160,627	8,757,459
Deferred		**(958,135,386)**	1,080,622,340	446,695,685
		(923,556,793)	1,097,782,967	455,453,144

(Forward)

	Note	2014	2013	2012
NET INCOME		**₱4,941,891,201**	₱6,153,120,875	₱2,019,227,233
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Net unrealized valuation gains on AFS financial assets	13	**618,033,124**	5,705,811,886	10,175,975,493
Income tax effect		**(61,803,312)**	(570,581,189)	(1,017,662,548)
		556,229,812	5,135,230,697	9,158,312,945
Other comprehensive income not to be reclassified to profit or loss in subsequent periods -				
Remeasurement gains on retirement obligation	24	**3,966,223**	17,672,564	4,236,841
Income tax effect		**(1,189,867)**	(5,301,769)	(1,271,052)
		2,776,356	12,370,795	2,965,789
		559,006,168	5,147,601,492	9,161,278,734
TOTAL COMPREHENSIVE INCOME		**₱5,500,897,369**	₱11,300,722,367	₱11,180,505,967
Net income attributable to:				
Equity holders of the Parent		**₱4,942,577,048**	₱6,154,098,015	₱2,019,399,060
Noncontrolling interests		**(685,847)**	(977,140)	(171,827)
		₱4,941,891,201	₱6,153,120,875	₱2,019,227,233
Total comprehensive income attributable to:				
Equity holders of the Parent		**₱5,501,583,216**	₱11,301,699,507	₱11,180,677,794
Noncontrolling interests		**(685,847)**	(977,140)	(171,827)
		₱5,500,897,369	₱11,300,722,367	₱11,180,505,967
Basic/Diluted Earnings Per Share				
Net income attributable to equity holders of the Parent (in accordance with PAS 33)*	26	**₱2.043**	₱3.101	₱1.018
Net income attributable to equity holders of the Parent (based on outstanding shares at the end of the year)**	26	**₱3.475**	₱3.101	₱1.018

See accompanying Notes to Consolidated Financial Statements.

* In accordance with PAS 33, Earnings per Share, which provides that the basic/diluted earnings per share should be computed based on the weighted average number of shares outstanding for the year.

** Assuming that the basic/diluted earnings per share is computed based on the outstanding shares as at end of the year. This information is intended for management's reporting purposes only.

ALPHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2014

(With Comparative Figures for 2013 and 2012)

	Note	**2014**	2013	2012
CAPITAL STOCK	20			
Balance at beginning of year		**₱1,838,370,551**	₱1,838,370,551	₱1,838,370,551
Issuance of shares during the year		**817,336,866**	–	–
Balance at end of year		**2,655,707,417**	1,838,370,551	1,838,370,551
ADDITIONAL PAID-IN CAPITAL	20			
Balance at beginning of year		**9,513,034,186**	9,513,034,186	9,513,034,186
Issuance of shares during the year		**1,226,005,299**	–	–
Balance at end of year		**10,739,039,485**	9,513,034,186	9,513,034,186
UNREALIZED VALUATION GAINS ON AFS FINANCIAL ASSETS	13			
Balance at beginning of year		**21,423,378,574**	16,288,147,877	7,129,834,932
Other comprehensive income		**556,229,812**	5,135,230,697	9,158,312,945
Balance at end of year		**21,979,608,386**	21,423,378,574	16,288,147,877
ACCUMULATED REMEASUREMENT GAINS ON RETIREMENT OBLIGATION	24	**2,776,356**	–	–
RETAINED EARNINGS	20			
Balance at beginning of year		**14,046,593,183**	7,880,124,373	5,857,759,524
Net income during the year		**4,942,577,048**	6,154,098,015	2,019,399,060
Remeasurement gain transferred to retained earnings		–	12,370,795	2,965,789
Balance at end of year		**18,989,170,231**	14,046,593,183	7,880,124,373
TREASURY SHARES	20	**(1,213,526)**	(1,213,526)	(1,213,526)
PARENT'S SHARES HELD BY A SUBSIDIARY	20	**(16,817,972,390)**	–	–
NON-CONTROLLING INTEREST				
Balance at beginning of year		**5,601,033**	5,828,173	–
Net loss		**(685,847)**	(977,140)	(171,827)
Increase during the year		–	750,000	6,000,000
Balance at end of year		**4,915,186**	5,601,033	5,828,173
		₱37,552,031,145	₱46,825,764,001	₱35,524,291,634

See accompanying Notes to Consolidated Financial Statements.

ALPHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Figures for 2013 and 2012)

	Note	**2014**	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱4,018,334,408**	₱7,250,903,842	₱2,474,680,377
Adjustments for:				
Gain on disposal of assets	6	**(3,928,806,929)**	–	–
Gain on fair value changes of investment properties	14	**(729,714,574)**	(3,586,250,552)	(1,409,507,610)
Gain on sale of AFS financial assets	13	**(283,179,926)**	(729,653,162)	(329,259,178)
Interest expense and other finance charges	19	**278,314,792**	158,732,355	170,286,044
Depreciation and amortization	23	**64,222,940**	46,407,407	44,530,697
Equity in net loss (income) of a joint venture and associates	12	**22,389,024**	(3,162,707,111)	(722,316,933)
Interest income	8	**(18,727,565)**	(45,527,254)	(31,549,489)
Unrealized foreign exchange losses (gains)		**(1,508,626)**	33,919	228,945
Operating income (loss) before working capital changes		**(578,676,456)**	(68,060,556)	197,092,853
Decrease (increase) in:				
Trade and other receivables		**(459,958,340)**	(175,643,701)	(110,101,575)
Land and development costs and parking lots for sale	10	**208,999,855**	(655,013,321)	(467,520,706)
Other current assets		**(55,566,996)**	(462,236,638)	(503,037,537)
Increase (decrease) in:				
Trade and other payables		**(1,941,403,660)**	(753,002,745)	860,239,493
Customers' deposits		**10,347,563**	11,693,972	17,435,656
Retirement liability	24	**10,523,013**	12,810,177	11,687,126
Net cash generated from (used for) operations		**(2,805,735,021)**	(2,089,452,812)	5,795,310
Income taxes paid		**(858,155,989)**	(1,594,448)	–
Interest received		**18,727,565**	8,168,553	25,427,257
Net cash flows provided by (used in) operating activities		**(3,645,163,445)**	(2,082,878,707)	31,222,567
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of AFS financial assets	13	**2,249,448,637**	781,517,831	447,062,822
Decrease (increase) in:				
Investment properties	14	**5,247,233,344**	(420,105,614)	(1,601,910,405)
Investments in and advances to associates	12	**982,971,562**	862,660	(154,559,412)
Other noncurrent assets		**321,199,670**	541,005,039	(2,468,222)
Deconsolidation of subsidiaries, net of cash	6	**(2,910,873,410)**	–	–
Proceeds from sale of:				
Subsidiaries		**1,666,666,667**	–	–
Associates		**720,533,776**	–	–
Net additions to:				
Property and equipment	15	**(345,073,317)**	(62,844,151)	(97,397,024)
Software	16	**(161,260)**	–	–
AFS investments		**–**	–	(394,600)

(Forward)

	Note	**2014**	2013	2012
Payments of development costs for the construction of the:				
Island Club		**₱–**	(₱240,647,246)	(₱2,016,770,073)
City Club		**–**	(644,374,419)	(50,854,498)
Marina Club		**–**	(98,597,177)	(6,134,089)
Acquisition of a subsidiary, net of cash acquired		**–**	750,000	6,000,000
Net cash flows provided by (used in) investing activities		**7,931,945,669**	(142,433,077)	(3,477,425,501)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availments of:				
Long-term debt	19	**–**	1,278,000,000	2,689,501,200
Loans payable	18	**–**	–	2,000,000,000
Payments of:				
Interest and other finance charges		**(277,096,273)**	(140,576,104)	(298,055,305)
Long-term debt	19	**(2,891,848,640)**	(357,576,621)	(1,351,839,652)
Finance lease	22	**(1,054,831)**	(1,287,172)	(1,142,232)
Net changes in accounts with related parties		**(368,050,134)**	(914,263,864)	(141,094,625)
Movement in other noncurrent liabilities		**(720,476,600)**	704,817,837	18,699,932
Deposits intended for equity subscription	20	**–**	1,500,000,000	–
Issuance of new shares of capital stock		**543,342,165**	–	–
Parent Company shares held by a subsidiary		**(24,206,484)**	–	–
Net cash flows provided by (used in) financing activities		**(3,739,390,797)**	2,069,114,076	2,916,069,318
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**1,508,626**	(33,919)	(228,945)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**548,900,053**	(156,231,627)	(530,362,561)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
Cash and cash equivalents		**173,775,856**	408,028,599	975,049,793
Restricted cash		**205,067,951**	127,046,835	90,388,202
		378,843,807	535,075,434	1,065,437,995
CASH AND CASH EQUIVALENTS AT END OF YEAR				
Cash and cash equivalents		**603,166,902**	173,775,856	408,028,599
Restricted cash		**324,576,958**	205,067,951	127,046,835
		₱927,743,860	₱378,843,807	₱535,075,434

See accompanying Notes to Consolidated Financial Statements.

ALPHALAND CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(With Comparative Information for 2013 and 2012)

1. **Corporate Matters**

Corporate Information

Alphaland Corporation (ALPHA or Parent Company) is a holding company incorporated 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 consolidated financial statements as at and for the year ended December 31, 2014 were approved and authorized for issuance by the Executive Committee of the Board of Directors (BOD) on February 9, 2015.

Status of Operations

1. Transfer of Assets and Related Liabilities to a Major Shareholders’ Group

   On June 5, 2014, Alphaland Holdings (Singapore) Pte. Limited (AH) and Masrickstar Corporation (MC) on one hand, and another group affiliated with Mr. Roberto V. Ongpin (RVO) including ALPHA and Alphaland Development, Inc. (ADI) (collectively, the “RVO Group”) entered into a Memorandum of Agreement (MOA) to settle a shareholder dispute. Pursuant to the MOA, ALPHA, through its 100%-owned subsidiary, ADI acquired the shares of stock of ALPHA owned by AH, MC and Credit Suisse (Singapore) Limited, another shareholder, in exchange for ₱2.5 billion in cash and assets and liabilities mainly described below:

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

   - 100% ownership of Alphaland Marina Corporation (AMC), which will develop the Alphaland Marina & Country Club (the “Marina Project”) at the Manila Bay reclamation area in Parañaque City and will eventually be owned and operated by Alphaland Marina Club, Inc. (AMCI);

   - 50% ownership of Alphaland Bay City Corporation (ABCC), the joint venture company formed by ADI and a group led by D.M.Wenceslao & Associates, Inc. (DMWAI) (the Wenceslao Group or “WG”) to develop the 32-hectare Alphaland Bay City project at the Aseana Business Park, Parañaque City (the “Bay City Project”); and

   - 60% interest in 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 (“the Boracay Gateway Project”) and the additional parcels of land acquired by the Group with total area of approximately 10.81 hectares.

On October 17, 2014, these assets owned by the Group were transferred to Bedfordbury Development Corporation (BDC), a newly incorporated company owned by AH and MC. AH, MC and BDC will be collectively referred to as the "AH Group" (see Note 6).

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

   ALPHA committed delays in complying with its disclosure requirements with the PSE as a result of the dispute between the two major groups of stockholders. The delay in the disclosure was brought about by a good faith effort to arrive at an amicable settlement with the AH Group. On June 17, 2014, in a hearing conducted by the PSE, ALPHA formally informed the PSE of the settlement between both parties and supported voluntarily the delisting procedures initiated by the PSE. On September 8, 2014, the PSE issued a resolution delisting ALPHA for violation of the disclosure rules and mandated ALPHA to hold a tender offer to buy all the shares of its retail/non-strategic shareholders. The PSE also prohibited ALPHA from applying for relisting within a period of five years from the effective date of delisting.

3. Disputes with a joint venture (JV) partner

   For the Bay City Project, the Group had a joint venture with WG that is subject to litigation because of WG's actions in causing a delay in ADI and AMC's construction and development of the Marina Club Project. With BDC's takeover of AMC and AMCI, BDC assumed the responsibility of handling the litigation with WG.

4. Major Sources of Funds

   The Group generates funds primarily from the pre-selling of condominium units and parking spaces at Alphaland Makati Place, Inc. The Group has also completed its major Club projects, namely, Alphaland Balesin Island Club and The City Club at Alphaland Makati Place and expects to generate funds from the secondary sale of membership shares

   Alphaland Southgate Tower and Mall operations have continuously provided the necessary cash flow requirements to the Group.

   Moreover, on April 30, 2014, the Group sold its 20% investment in the Shangri-la Hotel at the Fort project for ₱1.7 billion (see Notes 6 and 12).

   As mentioned above, on June 5, 2014, the Group entered into a settlement agreement with the AH Group. The ₱2.5 billion cash payment by the AH Group to the Group was paid as follows: first payment of ₱1.667 billion on October 17, 2014 and final payment of ₱833.3 million on February 4, 2015.

   On January 30, 2015, ADI executed an Amendment to the Ominibus Loan and Security Agreement dated May 18, 2012 with Banco de Oro Unibank, Inc. for an additional term loan facility of up to ₱1.8 billion.

   These funds (together with the balance of the proceeds from the settlement with the AH Group amounting to ₱957.8 million, which was received on February 4, 2015 and which includes the ₱833.3 million final payment mentioned above) will allow the Group to continue its current and future projects.

ALPHA's Significant Legal Subsidiaries as at December 31, 2014 and 2013

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 in the Philippines 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 14).

c. *Alphaland Makati Place, Inc. (AMPI), 100%-owned by ADI*, was incorporated in the Philippines 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 acquire by exchange of shares, purchase, lease that specific property described as three storey building with basement of strong materials together with the warehouse, other land improvements and machinery and equipment as well as the leasehold rights on the land, which is situated at Ayala Avenue corner Malugay Street, Makati, Metro Manila.

   AMPI entered into a joint venture with Boy Scouts of the Philippines (BSP) to develop the Malugay Property into a first class commercial development now known as Alphaland Makati Place (see Note 7). It is a mixed-use property development consisting of three (3) 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. *Alphaland Reclamation Corporation (ARC), 100%-owned by ALPHA,* was incorporated in the Philippines 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.

e. *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.

f. *Alphaland Aviation, Inc. (AAI), 100%-owned by ALPHA,* was incorporated in the Philippines 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.

g. *Alphaland Holdings Company, Inc. (AHCI), 100%-owned by ALPHA,* was incorporated in the Philippines 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.

h. *2258 Blue Holdings, Inc. (Blue Holdings), 100%-owned by ADI,* was incorporated in the Philippines 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.

i. *Alphaland Southgate Restaurants, Inc. (ASRI), 100%-owned by ADI*, was incorporated in the Philippines 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 existing shareholders for ₱3.3 million. Consequently, ASRI became a 100%-owned subsidiary effective September 2013.

j. *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.

<u>ALPHA's Significant Legal Subsidiaries Sold in 2014</u>

a. *AMTI, 100%-owned by ADI,* was incorporated in the Philippines 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 at December 31, 2013, the building is substantially completed.

b. *AMC, 100%-owned by ADI,* was incorporated in the Philippines 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) the Marina Club, 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 will be the centerpiece of the Bay City Project, 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.

2. **Basis of Preparation and Statement of Compliance**

The consolidated financial statements of the Group have been prepared on the historical cost basis of accounting, except for AFS financial assets and investment properties which are stated at fair value, and are presented in Philippine Peso, the Group's functional and presentational currency. All amounts are rounded to the nearest Peso unless otherwise stated.

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the SEC. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) and SEC provisions.

3. **Summary of Changes in PFRS**

Adoption of New and Revised PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS and Philippine Interpretation from IFRIC which the Group adopted effective January 1, 2014:

- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* – The amendments address inconsistencies in current practice when applying the offsetting criteria in PAS 32. The amendments clarify (1) the meaning of 'currently has a legally enforceable right of set-off'; and (2) that some gross settlement systems may be considered equivalent to net settlement.

- Amendments to PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* – These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

- Amendments to PFRS 10, *Consolidated Financial* Statements, PFRS 12, *Disclosure of Interests in Other Entities* and PAS 27, *Separate Financial Statements - Investment Entities* – These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

The adoption of the foregoing new and revised PFRS did not have any material effect on the Group's consolidated financial statements. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

New and Revised PFRS Not Yet Adopted

Relevant new and revised PFRS which are not yet effective for the year ended December 31, 2014 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after July 1, 2014:

- Amendment to 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; or (b) the accumulated depreciation is eliminated against the gross carrying amount of the asset.

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

- Amendments to 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.

- Amendments to 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; or (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 PAS 38.

- Amendment to PAS 40, *Investment Property - Clarifying the Interrelationship between PFRS 3, Business Combination and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property* – The amendment clarifies that determining whether a specific transaction meets the definition of both a business combination and investment property requires the separate application of PAS 40 and PFRS 3, *Business Combination*.

- Amendments to PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination and Scope Exceptions for Joint Ventures* – The amendments require that the contingent consideration that is classified as an asset or liability is measured at fair value at each reporting date and changes in fair value are recognized in profit or loss, including contingent considerations that are classified as financial instrument.

  The amendments also clarifies that the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself is excluded in the scope of PFRS 3.

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

- Amendments to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables and Portfolio Exception* – The amendments clarify that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

  It also clarifies that the scope of the portfolio exception includes all contracts accounted for within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* or PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities.

Effective for annual periods beginning on or after January 1, 2016:

- PFRS 14, *Regulatory Deferral Accounts* – This standard specifies the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.

Effective for annual periods beginning on or after January 1, 2017:

- PFRS 15, *Revenue from Contracts with Customers* – This standard establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, timing, and uncertainty revenue and cash flows arising from a contract with a customer.

Effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, *Financial Instruments: Classification and Measurement* – This standard establishes principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amount, timing and uncertainty of an entity's future cash flows.

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS are not expected to have any material effect on the consolidated financial statements. Additional disclosures will be included in the noted to consolidated financial statements, as applicable.

4. **Summary of Significant Accounting and Financial Reporting Policies**

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

<u>Basis of Consolidation</u>

Subsidiaries - Subsidiaries are entities controlled by the Parent Company. The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. The Parent Company has control when it is exposed, or has right, to variable returns from its investment with the investee and it has the ability to affect those returns through its powers over the investee.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases. 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.

Changes in the controlling equity ownership (i.e., acquisition of non-controlling interest or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions and presented as "Excess of acquisition price over acquired interest."

The following are the legal subsidiaries as at December 31, 2014 and 2013:

Company	Place of Incorporation	Nature of Business	Percentage of Ownership 2014	2013
ADI	Philippines	Real property development	100	100
ABIRC	Philippines	Real property development	100	100
AMPI [(a)]	Philippines	Real property development	100	100
ARC	Philippines	Real property development	100	100
ABPI	Philippines	Real property development	100	100
Blue Holdings [(a)]	Philippines	Holding company	100	100
AAI	Philippines	Aviation	100	100
AHCI	Philippines	Holding company	100	100
ASRI [(a)]	Philippines	Restaurant operations	100	100
CIBI [(b)]	Philippines	Insurance brokerage	70	70
Digital Excel Development Ltd.	Hong Kong	Holding company	100	100
Alphaland International, Inc.[(c)]	Philippines	Holding company	100	–
AMTI [(a)]	Philippines	Real property development	–	100
AMC [(a)]	Philippines	Real property development	–	100

(a) Through ADI
(b) Through Blue Holdings
(c) Incorporated in 2014

When the Parent Company has less than a majority of the voting or similar rights of an investee it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the size of the Parent Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; or
- The Parent Company's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to elements evidencing control.

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 Parent Company. They are presented in the consolidated statement of financial position 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 as at December 31, 2014 (and 2013).

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

If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position

- Recognizes any investment retained in the former subsidiary when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant PFRSs. That retained interest is remeasured and the remeasured value is regarded as the fair value on initial recognition of a financial asset in accordance with PFRS 9 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture

- Recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

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.

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 and any resulting gain or loss is recognized in 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.

Transactions Eliminated on Consolidation - All intra-group balances, transactions, income and expenses and unrealized gains and losses are eliminated in full.

Accounting Policies of Subsidiaries - The financial statements of subsidiaries are prepared for the same reporting year using uniform accounting policies as that of the Parent Company.

<u>Financial Assets and Financial Liabilities</u>

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable is done using settlement date accounting.

Initial Recognition. 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). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Differences. Where the transaction in a non-active market is different from the fair value of 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. In cases where there is no observable data on inception, the Group deems the transactions price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Classification of Financial Instruments. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) held-to-maturity (HTM) investments, (c) loans and receivables and (d) AFS financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification depends on the purpose for which the financial instruments are acquired or incurred and whether they are quoted in an active market.

As at December 31, 2014 (and 2013), the Group does not have financial assets and liabilities at FVPL and HTM investments.

AFS Financial Assets. AFS financial assets are nonderivative financial assets that are either designated in this category or not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported in the consolidated statement of comprehensive income and in the equity section of the consolidated statement of financial position. These changes in fair values are recognized in equity until the investment is sold, collected, or otherwise disposed of or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity are included in profit or loss.

Classified under this category are investment in shares of stock of ABICI (Island Club), TCCAMPI (City Club) and Wack Wack Golf and Country Club (Wack Wack).

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market.

Subsequent to initial measurement, loans and receivables are measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

Included in this category are cash and cash equivalents, receivables, and advances to related parties.

Other Financial Liabilities at Amortized Cost. Financial liabilities are classified in this category if these are not held for trading or are not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or through borrowings.

Other financial liabilities are recognized initially at fair value less any direct transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

This category includes trade and other payables, long term debt, customer's deposits, advances from related parties and other noncurrent liablities.

Impairment of Financial Assets

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

Loans and Receivables. The Group assesses at each reporting date whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial assets, whether significant or not, it includes the financial assets in a portfolio with similar credit risk characteristics and collectively assesses them for impairment. Financial 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 for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the excess of financial asset’s carrying amount over its net realizable value, normally based on the present value of the estimated future cash flows from the financial asset. The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate. Time value is generally not considered when the effect of discounting is not material. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. Any impairment loss determined is recognized in profit or loss.

The carrying amount of an impaired financial asset is reduced to its net realizable value through the use of an allowance account. For an impaired financial asset, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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

- the right to receive cash flows from the asset has 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 right 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 right 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 repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or 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. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Classification of Financial Instrument 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.

Fair Value Measurement

The Group uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- 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.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 28.

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:

- Cost of the land;
- Construction and development costs; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated specifically identifiable costs to complete and the estimated costs to sell.

Other Current Assets

This account consists of the excess of input Value Added Tax (VAT) over output VAT, advances to contractors and suppliers, restricted cash, creditable withholding taxes (CWT) and prepayments.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from the taxation authority is included as part of "Other current assets" in the consolidated statement of financial position.

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 statement of financial position, 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 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 statement of financial position.

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 asset if the expected release is within 12 months from the financial reporting date. Otherwise, this is classified as a noncurrent asset.

Prepayments. Prepayments are not yet incurred but paid in advance. Prepayments are apportioned over the period covered by the payment and charged to the appropriate account in profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current asset. Otherwise, these are classified as noncurrent asset.

CWT. CWT represents the amount withheld by the Group's customers in relation to its income. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

<u>Assets Held for Sale</u>
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 and prior reporting period, 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.

<u>Interests in Joint Venture and Joint Operations</u>
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 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 statement of financial position 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 presented in the consolidated statement of comprehensive income outside operating profit and represents share in income or loss after tax in 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.

<u>Investments in Associates</u>
The Group's investments in 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 statement of financial position 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.

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 of land held for future development intended to earn rentals or held for capital appreciation. Investment property is measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of existing investment property at the time that cost is incurred and if the recognition criteria are met, and excludes the costs of day-to-day servicing of investment property. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date as determined by independent appraisers. Gains and losses arising from changes in the fair values of investment property are included in the profit or loss in the year in which they arise.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property 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, plant and equipment up to the date of change in use.

Investment property is 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 an investment property 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, if any.

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 to profit or loss 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 cost 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 on the straight-line basis over the estimated useful lives of the assets (except for land). The depreciation and amortization periods for property, plant and equipment, based on the above policies, are as follows:

Asset Type	Number of Years
Leasehold improvements	2 to 10 or lease term, whichever is shorter
Buildings and structures	20 to 35
Machinery, equipment and tools	2 to 15
Transportation equipment	2 to 25
Office furniture and equipment	2 to 5

The estimated useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation is 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 include 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 statement of financial position.

Intangible assets also include leasehold right over a certain aircraft and is amortized on a straight-line basis for a period of 25 years.

Impairment of Nonfinancial Assets

Nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Goodwill. The Group assesses whether there are any indicators that goodwill is impaired at each financial reporting 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 impairment loss on the Group's investment in its joint venture and associates. The Group determines at each financial reporting 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

Deposit intended for equity subscription represents funds received by the Group from existing stockholders to be applied as payment for subscriptions of unissued shares or shares from the increase in authorized capital stock.

Proceeds are recognized as equity when all of the requirements set forth by the SEC have been met. Otherwise, the deposit is recognized as liability.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

Incremental costs directly attributable to the issue of new capital stock are recognized as a deduction, net of tax, from the equity.

Retained Earnings

Retained earnings represent the cumulative balance of the Group's results of operations and dividend distributions.

Treasury Stock

Own equity instruments which are reacquired (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income 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 as additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

Parent's Shares Held by a Subsidiary

Parent's shares which are held by a subsidiary are treated as treasury shares and recognized and deducted from equity at cost. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized as additional paid-in capital.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and rebates. The following specific recognition criteria must also be met before revenue is recognized.

Real Estate Sales. Revenue 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 statement of financial position, if expected to be applied within 12 months from the financial reporting date. Otherwise, these are classified as noncurrent liability under "Other noncurrent liabilities" account in the consolidated statement of financial position.

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.

Rent. Rent income from operating leases is recognized on a straight-line basis over the term of the lease. Contingent rent income is recognized when it arises. This also includes common utilities, services and maintenance charges, as well as other incidental income in providing the service.

Gain on Sale of AFS Financial Assets. Gain on sale of AFS financial assets are recognized upon transfer of risks and rewards to the buyer.

Interest. Income is recognized as the interest accrues taking into account the effective yield on the assets.

Other Revenue. Other revenue includes revenue from restaurant operations. Revenue is recognized when sale of air transportation service and services are rendered.

<u>Cost and Expense Recognition</u>
Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Cost of Real Estate Sales. 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.

Cost of services. Cost of services is recognized as expense when services are rendered.

General and Administrative Expenses. General and administrative expenses constitute costs of administering the business. These are expensed as incurred.

Retirement Benefit Costs

The Group has an unfunded, non-contributory defined benefit plan covering all qualified employees. Retirement benefit costs are actuarially determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and nonroutine settlements; and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment; and the date that the Group recognizes restructuring-related costs.

Remeasurements comprising actuarial gains and losses and return on plan assets 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.

The defined retirement benefits obligation is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets out of which the obligations are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

Leases

Group as a Lessee – Finance Lease. 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 Lessee – Operating Lease. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized in profit or loss on a straight-line basis over the lease term.

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.

Foreign Currency Denominated Transactions

Transactions denominated in foreign currencies are initially recorded in Philippine peso using the exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency using the rate of exchange prevailing at the reporting date. Foreign exchange differences between the rate at transaction date and settlement date or reporting date are credited to or charged against profit or loss. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the dates of initial transactions.

Income Taxes

Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Deferred Tax. Deferred tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax liability is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss. However, deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures.

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

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

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in relation to the underlying transaction either in other comprehensive income or directly in equity.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control 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 common significant influence.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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.

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

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They 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 when an inflow of economic benefits is probable.

Events after the Reporting Date

Post year-end events that provide additional information about the Group's financial position at reporting 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 Attributable to the Equity Holders of the Parent Company

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

Basic earnings per share is calculated by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year, excluding common shares purchased by the Parent Company or its subsidiaries and held as treasury shares.

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

The Parent Company has no dilutive potential common shares.

Book Value per Share

The Group presents book value per common shares outstanding.

Book value per share is computed by dividing the total equity by the outstanding number of common shares, excluding common shares purchased by the Parent Company or its subsidiaries and held as treasury shares.

Segment Reporting

Operating segments are components of the Group: (a) that engage in business activities from which they may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the Group); (b) whose operating results are regularly reviewed by the Group's senior management, its chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

For purposes of management reporting, the Group's operating businesses are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment.

5. **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgment, estimates and assumptions that affect amounts of assets, liabilities, income and expenses 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 financial statements. While the management believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

Judgments

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

Recognizing Revenue from Sale of Real Estate. 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 recognition of revenue 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. The Group's revenue from sale of real estate is recognized using the percentage-of-completion method. 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.

Real estate sales recognized amounted to ₱259.3 million in 2014 (₱205.0 million in 2013).

Determining Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates.

Determination of Operating Segments. Determination of operating segments is based on the information about components of the Group that management uses to make decisions about the operating matters. Operating segments use internal reports that are regularly reviewed by the Parent Company's chief operating decision maker, which is defined to be the Parent Company's BOD, in order to allocate resources to the segment and assess its performance. The Parent Company reports separate information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; (b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; and (c) its assets are 10% or more of the combined assets of all operating segments.

The Group determined that its operating segments are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment. The Group does not have other reportable operating segments as at December 31, 2014 (and 2013) other than real property development.

Operating Lease Commitments. 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.

The Group recognized rent income amounting to ₱597.3 million in 2014 (₱574.5 million in 2013 and ₱530.9 million in 2012) (see Note 22).

Finance Lease Commitments. 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 ₱1.0 million as at December 31, 2014 (₱2.5 million as at December 31, 2013). Obligation under finance lease amounted to ₱1.0 million as at December 31, 2014 (₱2.5 million as at December 31, 2013) (see Note 22).

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 statement of financial position.

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.

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.

Determination of BSP Share. Based on current plans, BSP's 15% share on the Project consists of the BSP convention center located at the entire third floor of the Podium and a portion of the three residential towers and parking spaces.

Investments in Associates. The Group has a 50% interest in Alphaland Heavy Equipment Corporation (AHEC) and 40% interest in Alphaforce Security Agency, Inc. (ASAI). The Group accounts for these investments as associates since management has assessed that there is no joint control between the parties.

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

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

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue and Cost Recognition. The Group's revenue and cost recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. Revenue and cost from sale of real estate recognized based on the percentage of completion are measured principally on the basis of the estimated completion of physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project.

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.

Revenue recognized based on percentage of completion amounted to ₱259.3 million in 2014 (₱205.0 million in 2013 and nil in 2012). Cost recognized based on percentage of completion amounted to ₱244.2 million in 2014 (₱175.8 million in 2013 and nil in 2012).

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 28.

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 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 customers and known market factors, to record specific reserves against amounts due from debtors to reduce the receivable amount that is expected to be collected.

No provision for impairment losses on receivables was recognized in 2014 (and 2013). The carrying amount of receivables amounted to ₱1,592.4 million as at December 31, 2014 (₱299.1 million as at December 31, 2013) (see Note 9).

Net Realizable Value (NRV) 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 NRV becomes lower than cost due to changes in market prices or other causes. The NRV of projects under construction is assessed with reference to market price at reporting date for similar completed property, less estimated costs to complete the construction and estimated costs to sell. The carrying value is reviewed regularly for any decline in value.

The carrying value of land and developments costs amounted ₱3,409.0 million as at December 31, 2014 (₱2,286.8 million as at December 31, 2013). Parking lots for sale amounted to ₱200.3 million as at December 31, 2014 (₱236.3 million as at December 31, 2013) (see Note 10).

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 carrying value of investments in preferred shares amounted to ₱28,734.1 million as at December 31, 2014 (₱30,084.5 million as at December 31, 2013) (see Note 13).

Impairment of AFS Financial Assets. The Group assesses AFS financial assets 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 financial assets amounted to ₱28,750.3 million as at December 31, 2014 (₱30,102.0 million as at December 31, 2013) (see Note 13).

Estimating Useful Lives of Property and Equipment. The Group estimates the useful lives of the property and equipment 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 lives 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 is no change in the estimated useful lives of property and equipment in 2014 (and 2013). The carrying amount of property and equipment amounted to ₱510.7 million as at December 31, 2014 (₱272.4 million as at December 31, 2013) (see Note 15).

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.

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.

No provision for impairment loss was recognized in 2014 (and 2013). The carrying amounts of nonfinancial assets that were subjected to impairment assessment are as follows:

	Note	**2014**	2013
Other current assets*	11	**₱1,584,711,474**	₱1,523,955,246
Investment in a joint venture	6	**–**	13,344,395,606
Investments in associates	12	**21,836,173**	81,877,738
Property and equipment	15	**510,668,647**	272,376,854
Other noncurrent assets**	16	**436,131,711**	525,432,287

**Excluding restricted cash*
***Excluding noncurrent portion of trade receivables and refundable deposits*

Revaluation of Investment Properties. The Group engaged an independent appraiser to determine the fair value of its investment properties. Fair values of investment properties were based on the valuation performed in 2014 and 2013. Management evaluated that the fair values of investment properties determined in 2014 and 2013 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.

Gain on fair value changes which was recognized in the consolidated statement of comprehensive income amounted to ₱729.7 million in 2014 (₱3,586.3 million in 2013 and ₱1,409.5 million in 2012). Carrying values of investment properties amounted to ₱8,583.4 million as at December 31, 2014 (₱14,590.1 million as at December 31, 2013) (see Note 14).

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

Liability related to acquisition of AFS financial assets amounted to ₱223.0 million as at December 31, 2014 (₱1,495.1 million as at December 31, 2013) (see Note 17)

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 24 to the consolidated financial statements.

Retirement expense amounted to ₱10.5 million in 2014 (₱12.8 million in 2013 and ₱11.7 million in 2012). Retirement liability amounted to ₱26.9 million as at December 31, 2014 (₱19.2 million as at December 31, 2013) (see Note 24).

Assessing Realizability of Deferred Tax Assets. The Group reviews its deferred tax asset at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. There is no assurance that the Group will generate sufficient taxable profit to allow all or part of its deferred tax asset to be utilized.

Unrecognized deferred tax assets amounted to ₱163.6 million as at December 31, 2014 (₱361.4 million as at December 31, 2013) (see Note 25). 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.

6. Disposal of Assets and Deconsolidation

a. Disposal of Subsidiaries

As discussed in Note 1, ADI entered into a Deed of Sale of Shares with BDC for the sale of its 100% ownership interest in AMTI and AMC for an aggregate amount of ₱3,774.0 million. On October 17, 2014, the disposal of AMTI and AMC resulted in its deconsolidation from the Group's consolidated financial statements. The assets and liabilities are summarized below:

Account	AMTI	AMC
Current assets	₱301,670,169	₱158,135,846
Investment properties	5,774,291,725	–
AFS financial assets	–	1,909,364,390
Other noncurrent assets	1,922,323	24,480,338
Current liabilities	226,569,676	1,439,721,951
Long-term debt	2,321,332,225	–
Deferred tax liabilities	823,668,032	–
Other noncurrent liabilities	–	637,577,352

b. Disposal of Joint Arrangements

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, WG and ABCC entered into an Investment Agreement for the transfer of a total of 32 hectares of land respectively owned by WG 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 December 23, 2010, ABCC, WG 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 WG and ADI. By virtue of these agreements, ABCC is in substance, a 50-50 owned entity of WG and ADI as of December 31, 2013 and 2012.

Through various Deeds of Exchange and Memorandum of Agreement dated October 14, 2010, WG 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. WG 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 its Articles of Incorporation and increase in its authorized capital stock and corresponding issuance of shares to WG and ADI.

As at reporting date, the confirmatory ruling has not yet been issued by the BIR and WG 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 ABCC 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.

The definitive agreement signed by the major shareholders of ALPHA as discussed in Note 1 includes the transfer of the Group's 50% interest in ABCC as of October 17, 2014 and the assumption by BDC of the dispute with the WG.

Details of investment in ABCC are as follows:

	October 17, 2014	December 31, 2013
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	**5,859,360,723**	2,690,160,598
Equity in net income during the year	**–**	3,169,200,125
Balance at end of year	**5,859,360,723**	5,859,360,723
	₱13,344,395,606	₱13,344,395,606

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 summarized financial information of ABCC as at December 31, 2013, aligned with the accounting policies of the Group, is as follows:

Current assets (including cash of ₱10,650)	₱198,488
Noncurrent assets	30,647,210,000
Current liabilities	(30,202,176)
Noncurrent liabilities	(3,928,415,100)
Net assets	₱26,688,791,212

Below is the reconciliation of the summarized financial information of ABCC to the carrying amount of the Group's investments therein as at disposal date on October 17, 2014:

Net assets of ABCC	₱26,688,791,212
Interest of the Group in the net assets of ABCC	50%
Carrying amount of investment in a joint venture	₱13,344,395,606

c. Caticlan Property (Joint Operation).
As discussed in Note 1, this pertains to an unincorporated JV between ADI and Akean Resorts Corporation. The Group's investment in the JV was recorded and accounted for as an investment property. Carrying amount of the Caticlan property amounted to ₱197.5 million as at October 17, 2014 (₱189.9 million as at December 31, 2013) (see Note 14).

d. Disposal of Associates

On April 21, 2014, the BOD approved the disposition of the Group's ownership interest in Shang Global City Properties, Inc. (SGCPI) and Fort Bonifacio Shangri-la Hotel, Inc. (FBSHI), the project companies of the Shangri-la Hotel at the Fort project. On April 30, 2014, ADI sold its 20% stake and collected its advances for future stock subscription in both these companies for a total consideration of ₱1.7 billion.

Gain on Disposal of Assets

The resulting gain on the above disposal of assets is as follows:

Total considerations	₱20,419,180,806
Less total investment cost	9,512,553,044
Total excess of consideration over investment cost	10,906,627,762
Accumulated equity in net income of JV and associates	5,372,929,984
Excess of carrying amount of net assets over investment cost of subsidiaries	1,604,890,849
	₱3,928,806,929

As at December 31, 2014, outstanding carrying amount of receivable from BDC amounted to ₱964.5 million (see Note 9).

7. Joint Arrangement

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 right (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 development of the Project. The Leasehold Right was effectively terminated when AMPI acquired the land from BSP in June 2011. Despite the sale, the Joint Venture remained and the partners continued the 85:15 Sharing Scheme. The partners have amended the Joint Venture Agreement accordingly.

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 arrangement as a joint operation. As at December 31, 2014 (and 2013), the Group recognized its share in the development costs of the Project (excluding the costs related to the City Club - see Note 13) in the following accounts:

	Note	**2014**	2013
Land and development costs and parking lots for sale	10	**₱3,609,291,533**	₱2,523,107,182
Investment properties	14	**1,064,859,151**	1,673,143,182
		₱4,674,150,684	₱3,459,312,973

Prior to November 2014, the Group intended to develop the third tower of the Project as a hotel-type of operation (i.e., for lease). In November 2014, the Group decided that it would be more profitable if the third tower was developed into residential units for sale.

8. Cash and Cash Equivalents

This account consists of:

	2014	2013
Cash on hand and in banks	**₱172,939,531**	₱173,775,856
Short-term placements	**430,227,371**	–
	₱603,166,902	₱173,775,856

Cash in banks earn interest at the respective bank deposit rates.

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 recognized by the Group amounted to:

	Note	**2014**	2013	2012
Cash and cash equivalents		**₱5,152,307**	₱2,965,863	₱17,250,608
Receivables	9	**11,866,079**	37,030,667	7,664,662
Other current assets	11	**1,709,179**	5,530,724	6,634,219
		₱18,727,565	₱45,527,254	₱31,549,489

9. Trade and Other Receivables

This account consists of:

	Note	2014	2013
Trade receivables from:			
Sale of real estate	16	**₱300,938,988**	₱8,098,085
Sale of club shares - net			
of noncurrent portion	16	**218,152,750**	225,445,233
Tenants	22	**99,001,029**	46,324,322
Receivable from BDC	6	**964,468,193**	–
Officers and employees	21	**6,658,185**	17,710,503
Others		**8,988,619**	7,337,948
		1,598,207,764	304,916,091
Less allowance for impairment losses		**5,852,085**	5,852,085
		₱1,592,355,679	₱299,064,006

Receivables from tenants are noninterest-bearing and are generally on a 30 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 statement of financial position (see Note 16). Amortization of interest on these receivables amounting ₱11.9 million in 2014 (₱37.0 million in 2013 and ₱7.7 million in 2012) was recorded as part of "Interest income" account in the consolidated statement of comprehensive income (see Note 8).

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:

	Note	2014	2013	2012
Balance at beginning of year		**₱5,852,085**	₱5,852,085	₱4,705,015
Provision during the year	23	**–**	–	1,147,070
Balance at end of year		**₱5,852,085**	₱5,852,085	₱5,852,085

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

10. Land and Development Costs and Parking Lots for Sale

This account consists of the following:

	2014	2013
Land and development costs	**₱3,409,031,970**	₱2,286,806,564
Parking lots for sale	**200,259,563**	236,300,618
	₱3,609,291,533	₱2,523,107,182

Movements in land and development costs are as follows:

	Note	2014	2013
Balance at beginning of year		**₱2,286,806,564**	₱1,171,426,541
Additions:			
Development costs		**746,834,726**	846,094,334
Capitalized borrowing costs	19	**21,996,521**	61,150,885
Transfers from investment property	14	**1,295,184,206**	–
Effect of deconsolidation	6	**(501,322,434)**	–
Effect of revised allocation	14	**(232,262,976)**	297,448,552
Cost of real estate sold	23	**(208,204,637)**	(89,313,748)
Balance at end of year		**₱3,409,031,970**	₱2,286,806,564

Land and development costs pertain to the following development projects:

Projects	2014	2013
Alphaland Makati Place	**₱3,409,031,970**	₱1,786,169,791
Alphaland Tower	**–**	500,636,773
	₱3,409,031,970	₱2,286,806,564

<u>Alphaland Makati Place</u>

The Group's project, named Alphaland Makati Place, which is a joint venture with BSP (see Note 7), is located on a one-hectare lot along Ayala Avenue Extension corner Malugay Street, Makati City. Alphaland Makati Place consists of three residential towers atop a six-storey podium comprising of a shopping center and the City Club for sports and leisure (see Note 13). As at December 31, 2014, the project is 54.0% completed (43.0% as at December 31, 2013).

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

In October 2011, the Group started the pre-selling of condominium units in Tower One and in November 2013 for Tower 2. 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 condominium 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 temporary LTS to AMPI for the sale of condominium units in Tower Two of the Project. The Group designated PBCom 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 permanent LTS with the HLURB. On May 27, 2014, the permanent LTS was obtained that paved the way for the closing of the escrow account with PBCom.

Based on current plans, BSP's 15% share on the Project consists of the BSP convention center located at the entire third floor of the Podium and a portion of the three residential towers and parking spaces.

Total estimated cost to complete this portion of the project amounted to ₱2,493.9 million as at December 31, 2014 (₱3,024.1 million as at December 31, 2013). The condominium units of Towers 1 and 2 are expected to be turned over to the buyers by 2015. Pre-selling of Tower 3 condominium units is planned this 2015.

As at December 31, 2014, interests and amortization of deferred financing costs of the loan amounted to ₱60.2 million (₱43.9 million as at December 31, 2013) were capitalized as part of land and development costs (see Note 19).

AMPI received deposits from the sale of real estate. As at December 31, 2014, the current portion amounting to ₱21.3 million (₱288.5 million as at December 31, 2013), were presented under "Trade and other payables" account (see Note 17) and the noncurrent portion amounting to ₱39.3 million as at December 31, 2014 (₱0.8 million as at December 31, 2013), were presented under "Other noncurrent liabilities" account in the consolidated statement of financial position.

Alphaland Tower
Alphaland Tower is a 34-storey corporate office building along Ayala Avenue. 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. The building is substantially completed as at December 31, 2013.

Interests and amortization of deferred financing costs of the loan capitalized as part of land and development costs amounted to ₱17.2 million as at December 31, 2013 (see Note 19).

As discussed in Note 1, the Alphaland Tower was sold on October 17, 2014 pursuant to the MOA signed by the major shareholders of ALPHA on June 5, 2014.

Movements in parking lots for sale are as follows:

	Note	**2014**	2013
Balance at beginning of year		**₱236,300,618**	₱–
Cost of real estate sold	23	**(36,041,055)**	(86,484,664)
Transfer from investment properties	14	**–**	322,785,282
Balance at end of year		**₱200,259,563**	₱236,300,618

These parking lots were completed as at December 31, 2013.

11. **Other Current Assets**

This account consists of:

	Note	**2014**	2013
Input VAT - net of noncurrent portion		**₱996,097,931**	₱1,093,699,226
Advances to contractors and suppliers		**441,483,053**	261,818,688
Restricted cash		**324,576,958**	205,067,951
CWT		**37,170,084**	52,334,726
Prepayments		**51,443,082**	43,769,898
Deferred rent	22	**28,326,117**	50,718,983
Supplies		**26,801,248**	21,026,273
Others		**3,389,959**	587,452
		₱1,909,288,432	₱1,729,023,197

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 amounting to ₱14.7 million as at December 31, 2014 (₱21.5 million as at December 31, 2013) is recognized as part of "Other noncurrent assets" account in the consolidated statement of financial position (see Note 16).

Advances to Contractors and Suppliers

Advances to contractors and suppliers represent advance payments to contractors for the construction and development of the Group's projects and are recouped upon every progress billing payments depending on the percentage of accomplishment. 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 ₱138.4 million as at December 31, 2014 (₱475.9 million as at December 31, 2013), are presented under "Other noncurrent assets" account in the consolidated statement of financial position (see Note 16).

Restricted Cash

Debt Service Reserve Account (DSRA) (2014: ₱323.1 million; 2013: ₱203.9 million). Under the Omnibus Loan and Security Agreement (OLSA), ADI and AMPI (and AMTI up to October 17, 2014) (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 19).

Escrow Funds - Environmental Funds (2014: ₱1.2 million; 2013: ₱1.2 million). These represent environmental funds deposited with PBCom, a related party (see Note 21), 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. The funds were released in 2014 as the construction of the Island Club was completed.

Interest income earned from restricted cash amounted to ₱1.7 million in 2014 (₱5.5 million in 2013 and ₱6.6 million in 2012).

Prepayments
Prepayments include prepaid rent, insurance and commissioning fees.

12. **Investments in and Advances to Associates**

This account consists of:

	Note	**2014**	2013
Investments in associates		**₱21,836,173**	₱81,877,738
Advances to associates	21	**2,525,921**	985,497,483
		₱24,362,094	₱1,067,375,221

Details of investments in associates are as follows:

	2014	2013
Acquisition costs:		
Balance at beginning of year	**₱58,533,730**	₱60,533,730
Additions	**–**	4,000,000
Disposal	**(500,000)**	–
Reclassification	**(33,780)**	(6,000,000)
Balance at end of year	**57,999,950**	58,533,730
Accumulated equity in net income (loss):		
Balance at beginning of year	**23,344,008**	25,930,949
Equity in net losses during the year	**(22,389,024)**	(6,493,014)
Disposal	**(37,118,761)**	–
Reclassification	**–**	3,906,073
Balance at end of year	**(36,163,777)**	23,344,008
	₱21,836,173	₱81,877,738

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

	2014		2013	
	Investments	**Advances**	Investments	Advances
AHEC	**₱12,639,473**	**₱1,466,003**	₱35,167,495	₱5,052,902
ASAI	**9,196,700**	**1,059,918**	8,205,687	944,581
SGCPI*	**–**	**–**	34,756,025	494,121,776
FBSHI*	**–**	**–**	3,748,531	485,378,224
	₱21,836,173	**₱2,525,921**	₱81,877,738	₱985,497,483

**Advances are intended for future stock subscription.*

The following are the associates of the Group as at December 31, 2014 (and 2013):

		Percentage of Ownership	
Associates	Principal Activities	**2014**	2013
AHEC	Sale and lease of heavy equipment	**50%**	50%
ASAI	Security agency	**40%**	40%
SGCPI	Real property development	**–**	20%
FBSHI	Real property development	**–**	20%

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. AHEC sold transportation equipment and several units of heavy equipment to ADI and ABIRC for their development projects in Caticlan and Balesin, respectively (see Note 21).

On April 5, 2013, the BOD of AHEC approved a resolution to shorten the corporate life of AHEC to four years. As at December 31, 2014, AHEC's liquidation is still in progress. The remaining carrying amount 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.

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.

In connection with the construction of the hotel's facilities, FBSHI has entered into agreements with various suppliers and contractors. Major agreements entered into 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 at December 31, 2013 amounted to ₱8,902.3 million.

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 and received settlement of the advances for a total consideration of ₱1.7 billion (see Note 1).

Condensed financial information of the associates prepared on the historical basis of accounting are as follows:

	2014	2013
Current assets	**₱81,397,350**	₱270,696,921
Noncurrent assets	**3,356,124**	8,556,447,550
Current liabilities	**23,715,741**	194,542,563
Noncurrent liabilities	**13,939,368**	8,329,648,713
Net equity	**47,098,365**	302,953,195

	2014	2013	2012
Revenue	**₱13,324,453**	₱49,197,143	₱166,106,584
Costs and expenses	**55,902,527**	59,856,025	156,032,035
Net income (loss)	**(₱42,578,074)**	(₱10,658,882)	₱10,074,549

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 at December 31, 2014 (and 2013).

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 at December 31, 2014 (and 2013).

13. AFS Financial Assets

This account consists of:

	2014	2013
Unquoted Clubs' preferred shares:		
ABICI	**₱23,516,334,400**	₱22,839,969,525
TCCAMPI	**5,217,750,000**	5,335,200,000
AMCI	**–**	1,909,364,390
Quoted -		
Wack Wack	**16,200,000**	17,500,000
	₱28,750,284,400	₱30,102,033,915

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

	2014	2013
Balance at beginning of year	**₱30,102,033,915**	₱24,582,364,390
Fair value adjustments	**923,331,500**	6,435,465,048
Sale of AFS financial assets	**(2,275,081,015)**	(915,795,523)
Balance at end of year	**₱28,750,284,400**	₱30,102,033,915
Current	**₱1,317,148,300**	₱785,555,507
Noncurrent	**27,433,136,100**	29,316,478,408
	₱28,750,284,400	₱30,102,033,915

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. As at December 31, 2014, the preferred shares held by the Group are that of TCCAMPI and ABICI. The AMCI preferred shares held by AMC were effectively conveyed to BDC on October 17, 2014 pursuant to the MOA signed by the major shareholders of ALPHA on June 5, 2014.

Liability Related to Acquisition of AFS Financial Assets

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

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 3,519 Class "B" preferred shares (Offer Shares or Tranche 1). In 2013, the SEC approved ABICI's Amended Registration Statement to increase its offer price from ₱2,000,000 per share to ₱3,000,000 per share. ABICI 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 at December 31, 2014.

In 2012, ABIRC 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 Note 14). As at December 31, 2012, the original 180 villas as committed in the Registration Statement were then completed and were operational. Expansion projects were undertaken to increase the number of villas. At present, the Club has 314 villas/rooms.

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 financial assets amounting to ₱1,834.0 million is allocated for luxury villa clusters (75%), clubhouse (11%) and utilities and other facilities (14%). As at December 31, 2014 (and 2013), no liability related to the acquisition was recorded since the Island Club was substantially completed as at December 31, 2013.

In April 2013, ABICI and 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 related to this agreement amounted to ₱1,575.5 million as at December 31, 2014 (₱985.6 million as at December 31, 2013) (see Note 21).

As at December 31, 2014, there are 2,782 and 6,156 unsold shares from Tranche 1 and Tranche 2, respectively (2,841 and 6,171 unsold shares from Tranche 1 and Tranche 2 as at December 31, 2013, respectively).

ABICI's Tranche 1 and Tranche 2 preferred shares entitle the holder for 14 and 7 free villa night's stay in the Island Club, respectively. Tranche 2 is specifically offered to foreign nationals only. As at December 31, 2014, the fair value per share of Tranche 1 and 2 amounted to ₱4.0 million and ₱2.0 million, respectively (₱3.7 million and ₱2.0 million as at December 31, 2013, respectively). As at December 31, 2014, the fair value of unsold shares from Tranche 1 amounted to ₱11,128.0 million (₱10,511.7 million as at December 31, 2013). The fair value of unsold shares from Tranche 2 amounted to ₱12,388.3 million as at December 31, 2014 (₱12,328.3 million as at December 31, 2013).

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 financial assets amounting to ₱1,190.6 million is allocated for the construction of podium and club equipment (88%) and land (12%). As at December 31, 2014, this amounted to ₱223.0 million (₱329.0 million as at December 31, 2013) and is shown as part of "Trade and other payables" account in the consolidated statement of financial position (see Note 17).

AMPI's AFS financial assets are marked to market using the fair value amounting to ₱1.4 million per share as at December 31, 2014 (and 2013).

There are 3,865 unsold shares as at December 31, 2014 (3,952 unsold shares as at December 31, 2013).

As at December 31, 2014, the fair value of unsold shares amounted to ₱5,217.8 million (₱5,335.2 million as at December 31, 2013).

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 at December 31, 2013, 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 financial assets 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 at December 31, 2013 the carrying amount of 4,500 unsold shares amounted to ₱1,909.4 million.

As discussed in Note 1, the Group sold its investment in the Marina Club Project pursuant to the MOA signed by the major shareholders of ALPHA on June 5, 2014.

As at December 31, 2014, the Group's current portion of the liability related to the acquisition of AFS financial assets amounting to ₱223.0 million (₱1,495.1 million as at December 31, 2013) is presented under "Trade and other payables" account (see Note 17) while the noncurrent portion of the said liability amounting to nil (₱637.6 million as at December 31, 2013) is presented under "Other noncurrent liabilities" account in the consolidated statement of financial position.

Unrealized Valuation Gains on AFS Financial Assets

The Group's AFS financial assets 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 financial assets, net of related tax effect, are as follows:

	2014	2013
Balance at beginning of year	**₱21,423,378,574**	₱16,288,147,877
Unrealized valuation gains on AFS financial assets	**923,331,500**	6,435,465,048
Realized gain	**(305,298,375)**	(729,653,162)
Net gain on AFS financial assets	**618,033,125**	5,705,811,886
Income tax effect	**(61,803,313)**	(570,581,189)
	556,229,812	5,135,230,697
Balance at end of year	**₱21,979,608,386**	₱21,423,378,574

Receivable arising from the sale of AFS financial assets amounted to ₱271.0 million as at December 31, 2014 (₱499.8 million as at December 31, 2013) (see Notes 9 and 16). Gain on sale of AFS financial assets amounted to ₱283.2 million in 2014 (₱729.7 million and ₱329.3 million in 2013 and 2012, respectively).

As at December 31, 2014, deposits received from buyers of club shares amounting to ₱119. million (₱79.8 million as at December 31, 2013) were presented under "Trade and other payables" account in the consolidated statement of financial position (see Note 17).

14. **Investment Properties**

Movements in this account are as follows:

	Note	**2014**	2013
Balance at beginning of year		**₱14,590,077,559**	₱10,958,040,624
Fair value change		**729,714,574**	3,586,250,552
Additions:			
Capital expenditures		**245,352,088**	520,734,862
Capitalized borrowing costs	19	**52,957,247**	145,285,355
Transfer to parking lots for sale	10	**–**	(322,785,282)
Effect of revised allocation	10	**232,262,976**	(297,448,552)
Reclassification to land and development costs	10	**(1,295,184,206)**	–
Disposal		**(197,452,316)**	–
Effect of deconsolidation	6	**(5,774,291,725)**	–
Balance at end of year		**₱8,583,436,197**	₱14,590,077,559

Investments carried at fair value consists of the following:

	Note	**2014**	2013
Alphaland Southgate Tower	19	**₱4,184,942,424**	₱4,087,682,438
Alphaland Balesin Island Property	18	**2,642,514,050**	2,331,612,750
Alphaland Makati Place	19	**1,064,859,151**	1,673,143,182
Silang Property		**660,326,045**	540,001,000
Baguio Property		**30,794,527**	28,846,413
Alphaland Tower	19	**–**	5,738,930,600
Caticlan Property	6	**–**	189,861,176
		₱8,583,436,197	₱14,590,077,559

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 19).

Rent income from Alphaland Southgate Tower including common utilities, services and maintenance charges amounted to ₱571.1 million in 2014 (₱568.1 million and ₱528.6 million in 2013 and 2012, respectively) (see Note 22). Direct costs related to rent income amounted to ₱138.5 million in 2014 (₱126.7 million and ₱121.1 million in 2013 and 2012, 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 at 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 19). 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. The transfer of certificates of title is currently being processed.

Alphaland Makati Place

This represents the Podium at the Alphaland Makati Place and is currently operated as a mall and is for lease to third parties (see Notes 7 and 10). In 2015, the Group changed its intention to sell the condominium units in Tower 3 instead of leasing it to third parties. Accordingly, this portion was reclassified to "Land and Development Costs" account.

Total capitalized borrowing costs amounted to ₱60.2 million in 2014 (₱41.3 million in 2013). The property, including the project cost classified as land and development costs (see Note 10), currently secures the long-term debt obtained by AMPI (see Note 19).

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.

Baguio Property

This consists of parcels of land and related transaction costs. These parcels of land will form part of the Alphaland Baguio Mountain Log Homes Project, which covers approximately 68 hectares of rolling terrain in Itogon, Benguet. As at December 31, 2014, management believes that the fair value of the investment property approximates its carrying amount which is based on current costs of acquisition.

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 amounted to ₱104.0 million. The property, including the project cost classified as land and development costs (see Note 10), secures the long-term debt obtained by AMTI as at December 31, 2013 (see Note 19).

As discussed in Note 1, AMTI, which owns the Alphaland Tower, was sold on October 17, 2014 pursuant to the MOA signed by the major shareholders of ALPHA on June 5, 2014.

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 island. 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 Group's 60% interest in the DA, including 10.81 hectares of land was conveyed to BDC on October 17, 2014 pursuant to the MOA signed by the major shareholders of ALPHA on June 5, 2014.

As at December 31, 2014, 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

		Range	
Project	Significant Unobservable Inputs	**2014**	2013
Alphaland Southgate Tower	Discount rate	**12.27%**	11.82%
	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%–8%
	Other income growth per annum	**10%**	7%–10%
	Rental gap	**75%**	75%
	Cost of sales as percentage of passed-on costs	**65%**	65%
	Capital expenditure growth per annum	**5%**	5%–7%
	Expenses growth per annum	**0%–5%**	0%–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 2013 and 2014 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	₱40,074,410
	Average lease rate (Tower)	5% more or less growth	181,452,268
	Discount rate	25 basis points	156,285,016
	Lease rate growth (Mall)	1% more or less growth	30,500,579
	Lease rate growth (Tower)	1% more or less growth	274,348,765
	Long term growth rate	25 basis points	101,333,789
	Cost of sales margin	5% plus or minus	133,291,805

Market Data Approach

Project	Class of Property	Significant Unobservable Inputs	Range 2014	Range 2013
Alphaland Makati Place	Land	Price per square meter	**₱156,000**	₱185,000-₱238,200
		Value adjustments	**–**	30%-40%
Alphaland Balesin Island	Land	Price per square meter	**₱800**	₱745-₱750
		Value adjustments (for development)	**–**	275%-290%
Silang	Land	Price per square meter	**₱2,200**	₱1,800-₱7,000
		Value adjustments	**–**	10%-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 2014	Range 2013
Alphaland Makati Place	Improvement	Replacement cost per square meter	**₱54,000**	₱30,000 55,000
Alphaland Tower	Improvement	Replacement cost per square meter:		–
		Ground Floor	**250,000**	–
		Second Floor	**180,000**	–
		Low Zone Floors	**160,000**	–
		High Zone Floors	**165,000**	–
		Penthouse	**170,000**	–
		Replacement cost per square slot:		–
		Parking Slots	**1,100,000**	–
		Parking Slots With Parking Lift	**1,750,000**	–

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.

15. **Property and Equipment**

The composition and movements of this account are presented below:

		2014					
	Note	**Leasehold Improvements**	**Buildings**	**Machinery, Equipment and Tools**	**Transportation Equipment**	**Office Furniture, and Equipment**	**Total**
Cost							
Balance at beginning of year		**₱20,710,311**	**₱33,136,038**	**₱405,984,471**	**₱52,563,741**	**₱17,652,957**	**₱530,047,518**
Additions		**83,138**	**–**	**–**	**339,360,085**	**5,640,173**	**345,083,396**
Effect of deconsolidation		**–**	**–**	**–**	**–**	**(45,357)**	**(45,357)**
Reclassifications		**–**	**(15,936,256)**	**–**	**–**	**15,936,256**	**–**
Balance at end of year		**20,793,449**	**17,199,782**	**405,984,471**	**391,923,826**	**39,184,029**	**875,085,557**
Accumulated Depreciation and Amortization							
Balance at beginning of year		**4,839,665**	**5,878,915**	**190,112,544**	**44,354,831**	**12,484,709**	**257,670,664**
Depreciation and amortization	23	**1,822,917**	**–**	**73,216,377**	**18,909,254**	**12,832,976**	**106,781,524**
Effect of deconsolidation		**–**	**–**	**–**	**–**	**(35,278)**	**(35,278)**
Balance at end of year		**6,662,582**	**5,878,915**	**263,328,921**	**63,264,085**	**25,282,407**	**364,416,910**
Net carrying amount		**₱14,130,867**	**₱11,320,867**	**₱142,655,550**	**₱328,659,741**	**₱13,901,622**	**₱510,668,647**

		2013					
	Note	Leasehold Improvements	Buildings	Machinery, Equipment and Tools	Transportation Equipment	Office Furniture, and Equipment	Total
Cost							
Balance 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	–	–
Balance 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	23	341,365	3,275,632	65,153,355	14,829,334	3,748,932	87,348,618
Reclassifications		–	–	275,258	(275,258)	–	–
Balance at end of year		4,839,665	5,878,915	190,112,544	44,354,831	12,484,709	257,670,664
Net carrying amount		₱15,870,646	₱27,257,123	₱215,871,927	₱8,208,910	₱5,168,248	₱272,376,854

In 2014, the Group capitalized a portion of the depreciation expense amounting to ₱34.9 million (₱43.0 million in 2013), which is related to machinery and equipment being used for the construction (see Note 14).

16. Other Noncurrent Assets

Movements in this account are summarized below:

	Note	2014	2013
Leasehold right		**₱257,328,237**	₱–
Noncurrent portion of trade receivables from sale of:			
Club shares	9	**6,563,826**	274,355,543
Real estate	9	**89,890,974**	53,808,168
Advances to contractors and suppliers	11	**138,412,567**	475,943,626
Refundable deposits		**25,946,627**	26,816,996
Input VAT	11	**14,694,447**	21,499,409
Software - net		**129,815**	810,001
Others		**25,566,645**	27,179,251
		₱558,533,138	₱880,412,994

Leasehold right was obtained by the Group on December 29, 2014 over a certain aircraft for use in the Group's operations.

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 is as follows:

	Note	2014	2013
Cost:			
Balance at beginning of year		**₱7,595,160**	₱7,595,160
Additions		**161,260**	–
Balance at end of year		**7,756,420**	7,595,160
Accumulated amortization:			
Balance at beginning of year		**6,785,159**	4,754,611
Amortization	23	**841,446**	2,030,548
Balance at end of year		**7,626,605**	6,785,159
		₱129,815	₱810,001

17. Trade and Other Payables

This account consists of:

	Note	2014	2013
Trade	21	**₱193,497,093**	₱387,958,882
Liability related to acquisition of AFS financial assets	13	**222,969,968**	1,495,120,916
Subscription payable	6	**–**	523,549,500

(Forward)

	Note	**2014**	2013
Accrued expenses:			
Construction costs		**₱77,925,739**	₱235,668,046
Interest		**25,558,327**	24,339,808
Others		**58,364,950**	74,465,225
Deposits from sale of:			
Preferred shares	13	**119,620,260**	79,844,493
Real estate	10	**34,805,831**	288,475,216
Retention payable	30	**236,165,690**	215,434,357
Excess collection over recognized receivables		**–**	90,256,324
Unearned rent income	22	**14,437,183**	10,708,245
Current portion of obligation under finance lease	22	**1,054,831**	1,448,553
Others		**17,932,360**	28,418,844
		₱1,002,332,232	₱3,455,688,409

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.

18. **Loans Payable**

On March 29, 2012, ABIRC entered into a credit line agreement with BOC amounting to ₱2,000.0 million to finance the 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.

Interest expense on loans payable amounted to ₱30.7 million and ₱49.4 million in 2013 and 2012, respectively (see Note 19).

19. **Long-term Debt**

Presented below are the details of this account:

	2014			2013		
Borrower	**Current**	**Noncurrent**	**Total**	Current	Noncurrent	Total
ADI	**₱251,470,842**	**₱403,051,878**	**₱654,522,720**	₱218,639,927	₱654,522,720	₱873,162,647
AMPI	**191,012,308**	**1,331,481,765**	**1,522,494,073**	190,872,352	1,522,534,042	1,713,406,394
ABIRC	**381,250,000**	**1,958,500,000**	**2,339,750,000**	128,250,000	2,339,750,000	2,468,000,000
AMTI	**–**	**–**	**–**	59,867,708	2,294,178,684	2,354,046,392
	₱823,733,150	**₱3,693,033,643**	**₱4,516,766,793**	₱597,629,987	₱6,810,985,446	₱7,408,615,433

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 statement of comprehensive income amounted to ₱30.1million in 2014 (₱38.4 million and ₱57.4 million in 2013 and 2012, respectively). Other finance charges recognized in the consolidated statement of comprehensive income amounted to nil in 2014 (nil and ₱12.6 million in 2013 and 2012, respectively). 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 14). Alphaland Southgate Tower has a fair value of ₱4,184.9 million as at December 31, 2014 (₱4,087.7 million and ₱3,205.4 million as at December 31, 2013 and 2012, respectively) (see Note 14).

The scheduled maturities of ADI's outstanding long-term debt as of December 31, 2014 are as follows:

2015	₱251,470,842
2016	288,073,821
2017 and onwards	114,978,057
Total	654,522,720
Less current portion	251,470,842
Noncurrent portion	₱403,051,878

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, 2014 are as follows:

	DBP	LBP	BOC	Maybank	Total
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
	656,250,000	437,500,000	350,000,000	87,500,000	1,531,250,000
Less deferred financing costs	6,118,327	1,324,000	1,058,027	255,573	8,755,927
	₱650,131,673	₱436,176,000	₱348,941,973	₱87,244,427	₱1,522,494,073

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 5% to 6% in 2014 (4.0% to 5.0% in 2013 and 7.0% to 8.0% in 2012). The loan is secured by Alphaland Makati Place, which includes the land and buildings, structures and improvements to be constructed thereon (see Notes 10 and 14).

Interest and other financing costs on the loan amounting to ₱77.7million in 2014 (₱85.2 million in 2013 and ₱48.3million in 2012) were capitalized as part of investment properties and land and development costs (see Notes 10 and 14). The rate used to determine the amount of borrowing cost eligible for capitalization was 4.6% in 2014 (4.7% in 2013 and 5.4% in 2012) 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 the 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, 2014, 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, 2014 are as follows:

2015	₱381,250,000
2016	687,500,000
2017	812,500,000
2018	468,750,000
	2,350,000,000
Less deferred financing cost	10,250,000
	₱2,339,750,000

Interest expense recognized in the consolidated statement of comprehensive income amounted to ₱150.9 million in 2014 (₱115.2 million in 2013).

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% in 2013 and 4.06% to 6.07% in 2012. Mortgaged collaterals for the loan are the land where Alphaland Tower is being constructed and property under construction (see Notes 10 and 14).

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 loans amounting to nil in 2014 (₱108.0 million in 2013 and ₱77.9 million in 2012) were capitalized as part of investment properties and land and development costs (see Notes 10 and 14).

As discussed in Note 1, the AMTI was sold on October 17, 2014 pursuant to the MOA signed by the major shareholders of ALPHA on June 5, 2014.

Amortization of deferred financing costs amounting to nil in 2014 (₱14.3 million in 2013 and ₱16.5 million in 2012), was included in the interest and other financing costs capitalized as part of investment properties and land and development costs (see Notes 10 and 14).

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 at December 31, 2014 (and 2013), 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).

Details of interest expense and other finance charges:

	Note	**2014**	2013	2012
Long-term debt	19	**₱274,833,809**	₱139,080,896	₱57,398,683
Accretion of customers' deposits	22	**3,261,331**	3,143,503	3,397,919
Obligation under finance lease	22	**219,652**	757,935	525,972
Mortgage and other financing charges	19	**–**	37,899,861	12,627,257
Loans payable	18	**–**	30,716,159	49,443,030
		₱278,314,792	₱211,598,354	₱123,392,861

20. Equity

Capital Stock - ₱1 Par Value

a. The composition of ALPHA's capital stock consisting of all common shares as at December 31, 2014 and 2013 is as follows:

	2014		2013	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized capital stock	**5,000,000,000**	**₱5,000,000,000**	5,000,000,000	₱5,000,000,000
Issued and subscribed at beginning of year, net of subscriptions receivable of ₱146,375,700	**1,984,746,251**	**₱1,838,370,551**	1,984,746,251	₱1,838,370,551
Issuances during the year	**817,336,866**	**817,336,866**	–	–
Issued and subscribed at end of year	**2,802,083,117**	**2,655,707,417**	1,984,746,251	₱1,838,370,551
Treasury	**(423,900)**	**(1,213,526)**	(423,900)	(1,213,526)
	2,801,659,217	**2,654,493,891**	1,984,322,351	1,837,157,025
Parent's shares held by a subsidiary	**(1,379,210,978)**	**(16,817,972,390)**	–	–
	1,422,448,239	**(₱14,163,478,499)**	1,984,322,351	₱1,837,157,025

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

On February 19, 2014, the 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).

On January 2, 2014, the BOD approved the conversion of advances from amounting to ₱1,500.0 million into equity. On January 20, 2014, the 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 Company's unissued capital stock. The issuance of the shares is still pending approval by the SEC.

Additional paid-in capital from issuances of additional shares amounted to ₱1,226.0 million.

Below is a summary of the capital stock movement of the 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
Alphaland Corporation	January 2, 2014	–	600,000,000	2.50
Alphaland Corporation	February 7, 2014	–	108,336,866	2.50
Alphaland Corporation	February 19, 2014	–	109,000,000	2.50

* *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".*

***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*

As at December 31, 2014, the total number of shareholders, which includes PCD Nominee Corporation is 54 (39 shareholders as at December 31, 2013).

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.

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. On September 8, 2014, the PSE issued a resolution delisting ALPHA for violation of disclosure rules. It also mandated ALPHA to hold a tender offer to all its retail/non-strategic shareholders. On October 17, 2014, ALPHA completed its tender offer to 2,672,789 ALPHA shares, re-acquired thru ADI, equivalent to ₱24,206,485.

The PSE also prohibited ALPHA from applying for relisting within a period of five years from the effective date of delisting.

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, net of treasury shares and shares held by a subsidiary, is as follows:

Shareholders	Number of Shares
RVO Capital	842,656,748
Boerstar Corporation	167,788,430
DMWAI	147,375,700
Azurestar Corporation	33,557,686
Fine Land Limited	89,000,000
Citadel Investments Limited	10,000,000
Derek Arculli	10,000,000
Other minority	122,069,675
	1,422,448,239

As at December 31, 2014 (and 2013), 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 statement of financial position.

Retained Earnings

Accumulated equity in net income of associates, subsidiaries and joint ventures not available for dividend declaration amounted to ₱19,213.5 million as at December 31, 2014 (₱14,168.1 million and ₱7,810.7 million as at December 31, 2013 and 2012, respectively).

Parent's Shares Held By a Subsidiary

Pursuant to the Tender Offer mandated by the PSE as well as the implementation of the MOA discussed in Note 1, ADI acquired shares of stock of ALPHA owned by AH, MC and Credit Suisse amounting to ₱16,818.0 million.

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 at December 31, 2014 (and 2013).

21. Related Party Transactions

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.

	2014		2013	
	Purchases	**Rental**	Purchases	Rental
Associates:				
ASAI	**₱30,842,482**	**₱583,720**	₱64,167,651	₱564,969
AHEC	**–**	**35,078**	1,812,211	64,165
	₱30,842,482	**₱618,798**	₱65,979,862	₱629,134
Related parties under common key management	**₱461,162**	**₱56,230,187**	₱1,066,902	₱72,046,977

	2014		2013	
	Amount of Transactions	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Trade and other receivables				
Associates:				
ASAI	**₱–**	**₱–**	₱564,969	₱96,554
AHEC	**–**	**–**	64,165	2,923
Related parties under common key management	**33,627,684**	**35,706,200**	–	2,078,516
		₱35,706,200		₱2,177,993
Trade and other payables:				
Associates:				
ASAI	**₱3,254,081**	**₱6,284,066**	64,167,651	2,759,985
AHEC	**–**	**–**	₱1,818,211	₱10,024,902
Related parties under common key management	**27,090,815**	**49,765,842**	–	22,675,027
		₱56,049,908		₱35,459,914

	Nature of Transactions	2014 Amount of Transactions	2014 Outstanding Balances	2013 Amount of Transactions	2013 Outstanding Balances
Advances to:					
Associates					
ASAI	Reimbursement of expenses	**₱521,422**	**₱1,466,003**	₱1,747,007	₱944,581
AHEC	Reimbursement of expenses	**3,992,984**	**1,059,918**	2,693,875	5,052,902
SGCPI	Cash advances	**–**	**–**	–	494,121,776
FBSHI	Cash advances	**–**	**–**	–	485,378,224
			₱2,525,921		₱985,497,483
Related parties under common key management	Reimbursement of expenses	**₱455,523,984**	**₱1,668,957,354**	₱985,569,037	₱1,213,433,370
Advances from:					
Related parties under common key management	Purchase of assets and reimbursement of expenses	**₱157,552,968**	**₱256,876,780**	₱–	₱99,323,812
Deposits for future equity subscription					
RVO Capital	For equity subscription	**₱–**	**₱–**	₱1,500,000,000	₱1,500,000,000

Advances to associates amounting to ₱2.5 million as at December 31, 2014 (₱985.5 million as at December 31, 2013) are included under "Investments in and advances to associates" account in the consolidated statement of financial position (see Note 12).

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 ₱134.3 million as at December 31, 2014 (₱105.7 million as at December 31, 2013) (see Notes 8 and 11). Interest income earned amounted to ₱15.2million in 2014 (₱0.4 million in 2013 and ₱18.9 million in 2012). 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. 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 related to this agreement amounted to ₱1,575.5 million as at December 31, 2014 (₱985.6 million as at December 31, 2013) is due and demandable (see Note 13).

- 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 ₱6.7 million as at December 31, 2014 (₱17.7 million as at December 31, 2013) (see Note 9).

- In 2013, the ALPHA obtained noninterest-bearing advances from RVO Capital to finance working capital requirements with total amount of ₱1.5 billion (see Note 20).

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:

	2014	2013	2012
Short-term employee benefits	**₱59,319,538**	₱57,357,459	₱49,317,215
Post-employment benefits	**14,783,349**	10,709,298	9,232,547
	₱74,102,887	₱68,066,757	₱58,549,762

22. **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 in November 2013.

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

	2014	2013
Current	**₱23,125,760**	₱26,366,314
Noncurrent	**87,357,031**	73,768,914
	₱110,482,791	₱100,135,228

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 ₱571.1 million in 2014 (₱568.1 million in 2013 and ₱528.6 million in 2012). Direct costs related to rent income amounted to ₱138.5 million in 2014 (₱126.7 million in 2013 and ₱75.2 million in 2012) which mainly comprised of utilities and commissary costs.

Rent income earned from Alphaland Makati Place amounted to ₱0.7 million in 2014 (₱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 ₱3.2 million as at December 31, 2014 (₱6.0 million as at December 31, 2013) and is included under "Other noncurrent liabilities" account in the consolidated statement of financial position.

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 ₱63.4 million as at December 31, 2014 (₱69.7 million as at December 31, 2013) and is included under "Other noncurrent liabilities" account in the consolidated statement of financial position.

Estimated minimum future rental receivable under the lease agreements are as follows as at December 31, 2014:

Within one year	₱274,891,091
After one year but not more than five years	395,500,634
	₱670,391,725

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 MOA signed by the major shareholders of ALPHA on June 5, 2014.

b. Finance Lease

The Group acquired various transportation equipment under finance lease arrangements. As at December 31, 2014 (and 2013), the present value of future annual minimum lease payments under the lease arrangements follows:

	Note	**2014**	2013
Within one year		**₱1,102,320**	₱1,668,204
After one year but not more than five years		**–**	1,102,320
Total minimum lease payments		**1,102,320**	2,770,524
Less amount representing interest		**47,489**	267,140
Present value of lease payments		**1,054,831**	2,503,384
Less current portion	17	**1,054,831**	1,448,553
Noncurrent portion		**₱–**	₱1,054,831

The carrying value of the transportation equipment amounted to ₱1.0 million as at December 31, 2014 (₱2.5 million as at December 31, 2013) (see Note 15). Interest expense charged to operations under the agreements amounted to ₱0.2 million in 2014 (₱0.8 million in 2013 and ₱0.5 million in 2012) (see Note 19).

23. Cost and Expenses

Cost and expenses are classified in the consolidated statements of comprehensive income as follows:

	Note	**2014**	2013	2012
Cost of real estate sold:				
Land and development cost	10	**₱208,204,637**	₱89,313,748	₱–
Parking lots for sale	10	**36,041,055**	86,484,664	–
		₱244,245,692	₱175,798,412	₱–
Cost of services:				
Utilities		**₱132,556,471**	₱118,943,387	₱118,009,681
Others		**14,631,208**	15,746,199	3,044,996
		₱147,187,679	₱134,689,586	₱121,054,677

	Note	2014	2013	2012
General and administrative:				
Transaction costs on sale of assets	6	**₱660,990,700**	₱–	₱–
Service and professional fees		**87,057,640**	82,944,133	50,517,266
Taxes and licenses		**66,439,775**	112,271,170	84,166,411
Depreciation and amortization	15,16	**64,222,940**	45,764,508	44,530,696
Utilities and rent		**76,901,689**	38,188,634	39,127,195
Listing and filing fees		**57,319,970**	143,883,692	25,560,609
Salaries and employees' benefits	24	**29,105,539**	29,697,264	16,473,982
Repairs and maintenance		**16,412,061**	10,533,042	5,716,301
Sales and marketing		**13,498,520**	17,040,322	11,909,147
Insurance		**6,775,827**	5,013,360	3,343,382
Travel and transportation		**4,744,993**	2,453,977	1,034,360
Communication		**1,578,950**	883,330	674,136
Representation		**2,268,045**	2,112,160	1,601,894
Supplies		**2,260,689**	1,993,893	1,785,260
Provision for impairment losses	9	**–**	–	1,147,070
Others		**43,027,634**	42,286,851	16,605,522
		₱1,132,604,972	₱535,066,336	₱304,193,231

24. Retirement Liability

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 liability is determined using the projected unit credit method.

The following tables summarize the components of retirement expense recognized in the consolidated statements of comprehensive income and retirement liability recognized in the consolidated statement of financial position.

	2014	2013	2012
Retirement benefit cost:			
Current service cost	**₱9,419,420**	₱11,613,701	₱10,982,865
Interest cost	**1,103,593**	1,196,476	704,261
	₱10,523,013	₱12,810,177	₱11,687,126

	2014	2013
Present value of defined benefit obligation:		
Balance at beginning of year	**₱19,192,925**	₱18,753,543
Current service cost	**9,419,420**	11,613,701
Interest cost	**1,103,593**	1,196,476
Actuarial gain on obligation	**(2,776,356)**	(12,370,795)
Balance at end of year	**₱26,939,582**	₱19,192,925

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

	2014	2013
Discount rate	**4.67%**	5.75%
Salary increase rate	**5.00%**	5.00%

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:

	2014
	Increase (Decrease)
Discount rate:	
Increase by 12.3%	**₱3,312,801**
Decrease by 9.9%	**(2,675,863)**
Salary increase rate:	
Increase by 11.4%	**3,061,965**
Decrease by 9.4%	**(2,540,100)**

	2013
	Increase (Decrease)
Discount rate:	
Increase by 12.0%	₱2,293,673
Decrease by 9.7%	(1,853,801)
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:

	December 31, 2014	December 31, 2013
2014	**₱1,039,853**	₱–
2015	**1,368,340**	1,591,103
2016	**13,674,094**	1,645,523
2017	**1,327,636**	14,964,688
2018	**–**	2,207,260
2019 to 2023	**23,636,039**	15,168,290

The average duration of the defined benefit obligation at the end of the period is 15.5 years in 2014 (13.9 years in 2013).

25. **Income Taxes**

In 2014 (and 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.

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:

	2014	2013
Gain on fair value change of investment properties	**₱2,598,980,230**	₱3,451,157,630
Unrealized valuation gains on AFS investments	**2,442,173,154**	2,380,369,841
Accumulated depreciation for tax purposes	**82,167,842**	67,849,430
Capitalized borrowing costs	**48,427,759**	39,106,063
Excess rent income under operating lease computed on a straight-line basis	**8,470,356**	15,268,439
Unrealized foreign exchange gain	**224,629**	–
Effect of deconsolidation	**(946,692,673)**	–
	₱4,233,751,297	₱5,953,751,403

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:

	2014	2013
NOLCO	**₱148,886,904**	₱100,108,357
Retirement benefits obligation	**8,081,875**	5,757,878
Excess gross profit on sale of real estate	**3,340,944**	473,507
Allowance for probable losses	**1,755,626**	1,755,626
MCIT	**1,430,974**	426,212
Unearned income	**116,580**	116,580
Unrealized foreign exchange losses (gains)	**–**	43,797
Accrued rent	**–**	26,129
	₱163,612,903	₱108,708,086

The details of NOLCO and MCIT, which can be claimed as deduction from future taxable income and from RCIT due, respectively, within three years from the year the NOLCO and MCIT was incurred, is shown below.

NOLCO

Year Incurred	Beginning Balance	Effect of Deconsolidation	Incurred	Applied/Expired	Ending Balance	Valid Until
2014	₱–	₱–	₱320,776,136	₱–	₱320,776,136	2017
2013	161,484,007	(69,669,094)	–	–	91,814,913	2016
2012	134,685,797	(16,474,944)	–	(47,462,785)	70,748,068	2015
2011	37,524,720	(5,453,080)	–	(32,071,640)	–	2014
	₱333,694,524	(₱91,597,118)	₱320,776,136	(₱79,534,425)	₱483,339,117	

MCIT

Year	Beginning Balance	Incurred	Expired	Ending Balance	Valid Until
2014	₱–	₱1,125,495	₱–	₱1,125,495	2017
2013	379,433	–	–	379,433	2016
2012	46,779	–	–	46,779	2015
2011	–	–	–	–	2014
	₱426,212	₱1,125,495	₱–	₱1,551,707	

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:

	2014	2013	2012
Income tax computed at statutory tax rate	**₱1,205,500,322**	₱2,175,271,153	₱742,404,113
Derecognition of deferred tax liabilities	**(1,096,203,950)**	–	–
Effect of deconsolidation	**(62,900,433)**	–	–
Change in unrecognized deferred tax assets	**54,904,818**	(19,919,509)	18,103,168
Expired NOLCO	**19,012,769**	16,398,062	–
Additions to (reductions in) income tax resulting from:			
Income subjected to capital gains tax	**(1,255,246,350)**	(218,895,949)	(98,777,753)
Nondeductible expenses and others	**272,857,764**	119,461,772	27,475,273
Nontaxable income	**(66,200,702)**	(23,171,453)	(15,639,241)
Equity in net income of a joint venture and associates	**6,716,707**	(948,812,133)	(216,695,080)
Interest income subjected to final tax	**(1,997,738)**	(2,548,976)	(9,464,847)
Others	–	–	8,047,511
	(₱923,556,793)	₱1,097,782,967	₱455,453,144

26. **Earnings Per Share and Book Value Per Share Computation**

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

	2014	2013	2012
(a) Net income attributable to equity holders of the Parent	**₱4,942,577,048**	₱6,154,098,015	₱2,019,399,060
(b) Weighted average number of shares outstanding	**2,419,017,452**	1,984,322,351	1,984,322,351
Basic/diluted earnings per share (a/b)	**₱2.043**	₱3.101	₱1.018

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

The above computation is in accordance with PAS 33, *Earnings per Share,* which provides that the basic/diluted earnings per share should be computed based on the weighted average number of shares outstanding for the year. However, assuming that the basic/diluted earnings per share is computed based on the outstanding shares as at the end of the year, the result is presented below and is intended for management's reporting purposes only.

	2014	2013	2012
(a) Net income attributable to equity holders of the Parent	**₱4,942,577,048**	₱6,154,098,015	₱2,019,399,060
(b) Total number of shares outstanding at end of year	**1,422,448,239**	1,984,322,351	1,984,322,351
Basic/diluted earnings per share (a/b) (based on assumption)	**₱3.475**	₱3.101	₱1.018

Book value per share is computed as follows:

	2014	2013
(a) Total equity	**₱37,552,031,145**	₱46,825,764,001
(b) Total number of shares outstanding at end of year	**1,422,448,239**	1,984,322,351
Book value per share (a/b)	**₱26.400**	₱23.598

27. **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, 2014 (and 2013) as follows:

	2014					
		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*	₱602,627,549	₱602,627,549	₱–	₱602,627,549	₱–	₱–
Trade and other receivables:			–	–	–	–
Trade	623,944,853	583,170,220	–	583,170,220	34,922,548	5,852,085
Receivable from BDC	964,468,193	964,468,193	–	964,468,193	–	–
Others	8,988,618	8,287,412	–	8,287,412	701,206	–
Advances to associates and related parties	1,671,483,276	1,671,483,276	–	1,671,483,276	–	–
Restricted cash	324,576,958	324,576,958	–	324,576,958	–	–
Refundable deposits	25,946,627	25,946,627	–	25,946,627	–	–
	4,222,036,074	4,180,560,235	–	4,180,560,235	35,623,754	5,852,085
AFS Investments						
Unquoted Clubs' preferred shares	28,734,084,400	28,734,084,400	–	28,734,084,400	–	–
Ordinary shares - quoted	16,200,000	16,200,000	–	16,200,000	–	–
	28,750,284,400	28,750,284,400	–	28,750,284,400	–	–
	₱32,972,320,474	₱32,930,844,635	₱–	₱32,930,844,635	₱35,623,754	₱5,852,085

**Excluding cash on hand.*

	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

The following are the aging analyses of financial assets as of December 31, 2014 (and 2013):

	2014						
			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	**₱602,627,549**	**₱602,627,549**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Trade and other receivables	**1,597,401,664**	**1,523,738,154**	**15,638,413**	**11,351,015**	**15,331,158**	**25,490,839**	**5,852,085**
Advances to associates and related parties	**1,671,483,276**	**1,671,483,276**	**–**	**–**	**–**	**–**	**–**
Restricted cash	**324,576,958**	**324,576,958**	**–**	**–**	**–**	**–**	**–**
Refundable deposits	**25,946,627**	**25,946,627**	**–**	**–**	**–**	**–**	**–**
	4,222,036,074	**4,148,372,564**	**15,638,413**	**11,351,015**	**15,331,158**	**25,490,839**	**5,852,085**
AFS Investments							
Unquoted Clubs' preferred shares	**28,734,084,400**	**28,734,084,400**	**–**	**–**	**–**	**–**	**–**
Ordinary shares - quoted	**16,200,000**	**16,200,000**	**–**	**–**	**–**	**–**	**–**
	28,750,284,400	**28,750,284,400**	**–**	**–**	**–**	**–**	**–**
	₱32,972,320,474	**₱32,898,656,964**	**₱15,638,413**	**₱11,351,015**	**₱15,331,158**	**₱25,490,839**	**₱5,852,085**

	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
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

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 18 and 19.

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 19.

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
2014	+1.0%	₱47,397,368
	–1.0%	(47,397,368)
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, 2014 (and 2013) based on undiscounted cash flows:

	2014					
	On Demand	**1–30 Days**	**31–60 Days**	**61–90 Days**	**More than 90 Days**	**Total**
Financial Assets						
Cash and cash equivalents	**₱602,627,549**	**₱–**	**₱–**	**₱–**	**₱–**	**602,627,549**
Trade and other receivables	**1,597,401,664**	**41,102,504**	**2,060,090**	**1,504,929**	**84,642,550**	**1,726,711,737**
Advances to associates and related parties	**1,671,483,276**	**–**	**–**	**–**	**–**	**1,671,483,276**
Restricted cash	**324,576,956**	**–**	**–**	**–**	**–**	**324,576,956**
Refundable deposits	**25,946,627**	**–**	**–**	**–**	**–**	**25,946,627**
AFS financial assets	**1,317,148,300**	**–**	**–**	**–**	**27,862,384,400**	**29,179,532,700**
	₱5,539,184,372	**₱41,102,504**	**₱2,060,090**	**₱1,504,929**	**₱27,947,026,950**	**₱33,530,878,845**

	2014					
	On Demand	**1–30 Days**	**31–60 Days**	**61–90 Days**	**More than 90 Days**	**Total**
Financial Liabilities						
Trade and other payables:						
Trade	**₱253,824,165**	**₱2,073,631**	**₱2,252,784**	**₱103,675**	**₱13,168,578**	**₱271,422,833**
Accrued expenses	**17,063,082**	**41,301,868**	**–**	**–**		**58,364,950**
Retention payable	**5,773,118**	**381,386**	**–**	**211,105**	**229,800,081**	**236,165,690**
Accrued interest	**18,529,541**		**2,138,108**	**4,890,678**		**25,558,327**
Others	**1,699,514**	**1,200**	**–**	**–**	**7,324,958**	**9,025,672**
Long-term debt:						
Principal	**–**	**–**	**75,000,000**	**144,080,940**	**4,316,691,781**	**4,535,772,721**
Interest	**–**	**–**	**36,253,450**	**29,266,483**	**394,711,898**	**460,231,831**
Customers' deposits	**76,709,237**	**–**	**–**	**–**	**77,716,855**	**154,426,092**
Advances from related parties	**256,876,781**	**–**	**–**	**–**	**–**	**256,876,781**
Deposits intended for equity subscription	**–**	**–**	**–**	**–**	**–**	**–**
	₱630,475,438	**₱43,758,085**	**₱115,644,342**	**₱178,552,881**	**₱5,039,414,151**	**₱6,007,844,897**

	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 financial assets	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

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 2014 and 2013. 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 19).

The components of the Group's capital as at December 31, 2014 (and 2013) are as follows:

	2014	2013
Layer I:		
Capital stock	**₱2,655,707,417**	₱1,838,370,551
Additional paid-in capital	**10,739,039,485**	9,513,034,186
	13,394,746,902	11,351,404,737
Layer II:		
Retained earnings - operating income	**9,453,598,175**	5,240,735,701
Treasury shares	**(1,213,526)**	(1,213,526)
Parent's shares held by a subsidiary	**(16,817,972,390)**	–
	(7,365,587,741)	5,239,522,175
Layer III:		
Unrealized valuation gains on AFS investments	**21,979,608,386**	21,423,378,574
Accumulated remeasurement gains on retirement obligation	**2,776,356**	–
Retained earnings - gain on fair value change of investment properties	**8,773,685,211**	8,043,970,637
Retained earnings - gain on bargain purchase	**761,886,845**	761,886,845
	31,517,956,798	30,229,236,056
Total capital	**₱37,547,115,959**	₱46,820,162,968

- 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.

28. **Fair Value Measurements**

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

		2014					
					Fair value measurement using		
	Note	**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, 2014	**₱28,734,084,400**	**₱28,734,084,400**	**₱28,734,084,400**	**₱–**	**₱–**
Quoted		December 31, 2014	**16,200,000**	**16,200,000**	**16,200,000**	**–**	**–**
Non-financial Asset-							
Investment properties	12	December 31, 2014	**8,583,436,197**	**8,583,436,197**	**–**	**–**	**8,583,436,197**
Fair Values are Disclosed							
Financial Asset:							
Loans and receivables -							
Noncurrent trade receivables		December 31, 2014	**96,454,800**	**96,454,800**	**–**	**–**	**96,454,800**
Financial Liability -							
Customers' deposits		December 31, 2014	**154,426,091**	**154,426,091**	**–**	**–**	**154,426,091**

	Note	Date of Valuation	Carrying Value	Fair Value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		2013			Fair value measurement using		
Measured at Fair Value							
Financial Asset:							
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	12	December 31, 2013	14,589,885,698	14,589,885,698	–	–	14,589,885,698
Fair Values are Disclosed							
Financial Assets:							
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

29. 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 2014 and 2013, for purposes of segment reporting, the Group does not have other reportable segments other than real property development.

30. 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 6). 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 23), 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 23).

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 15). Total contract value committed for the significant construction contracts as at December 31, 2012 amounted to ₱3,168.8 million. Total advances to contractors amounted to ₱579.8 million as at December 31, 2014 (₱737.8 million as at December 31, 2013) (see Notes 12 and 15). The significant construction contracts that gave rise to the advances are as follows:

ADI
Total advances to contractors amounted to ₱9.2 million as at December 31, 2014 (₱105.8 million as at December 31, 2013), for the supply of labor, materials and installation of pathways, exterior glass, escalator and LED spare parts and others for Alphaland Southgate Tower.

AMPI
Total advances to contractors amounted to ₱568.4 million as at December 31, 2014 (₱360.4 million as at December 31, 2013), for the civil, structural and masonry works and supply and installation of materials for Alphaland Makati Place.

ABIRC
Total advances to contractors amounted to nil as at December 31, 2014 (₱17.6 million as at December 31, 2013), for the supply of labor, materials and equipment and all related construction works in various parts of Alphaland Balesin Island Club.

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 ₱236.2 million as at December 31, 2014 (₱330.7 million as at December 31, 2013). Significant contracts with retention clause are as follows:

a. ADI

As at December 31, 2014, total retention payable amounted to ₱4.9 million (₱4.6 million, as at December 31, 2013), 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, 2014 amounting to ₱213.8 million (₱200.6 million as of December 31, 2013) for the civil, structural and masonry works for Towers 1 to 3 and the construction of the podium.

c. ABIRC

Total retention payable as of December 31, 2014 amounting to ₱17.5 million (₱23.1 million as of December 31, 2013), for the construction of various infrastructures and villages of Balesin project.

<u>Contingencies</u>
As a result of the dispute between the Group and with the WG (see Note 6), the following cases have been filed against each other; together with their status as at reporting date:

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 three separate petitions for certiorari. ADI and AMC's motion for consolidation of the three petitions, filed with the Court of Appeals on April 4, 2014, was granted and the three petitions were consolidated and assigned to the Six (6th) Division, where the cases are presently pending.

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. DENR denied the Protest on December 18, 2014. On 22 January 2015, ABCC filed A Motion for Reconsideration, which is presently pending resolution.

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.

d. 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 was granted on June 30, 2014. ADI filed a Motion for Reconsideration of the Order granting the Motion to Dismiss, which is presently pending resolution.

The agreement signed by the major shareholders of the ALPHA as discussed in Note 1 includes the transfer of the Group's interest in ABCC and the settlement of the said disputes with the WG.

31. **Notes to Consolidated Statement of Cash Flow**

In 2014 (and 2013), the Group's noncash investing and financing activities are as follows:

	Note	**2014**	2013	2012
Conversion of deposits intended for equity subscription	20	**₱1,500,000,000**	₱–	₱–
Transfer from investment properties to land and development costs	10	**1,295,184,206**		
Partial loan refinancing of ABIRC	17	**–**	2,000,000,000	–
Transfer to parking lots for sale from investment properties	8, 12		322,785,282	–
Effect of revised allocation of development cost	8, 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	11	**–**	–	3,322,874,542
Subscription to additional preferred shares of ABICI through transfer of investment properties	11	**–**	–	453,259,000
Reclassification to property and equipment from investment properties	12	**–**	–	27,545,229
Reclassification from receivable to investment properties	12	**–**	–	8,365,200

Legal Counsels

Angara Abello Concepcion Regala & Cruz
Ponferrada Orbe & Altubar

Independent Public Auditors

Reyes Tacandong & 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

Annual Report 2014

9th Floor, Alphaland Southgate Tower
2258 Chino Roces Avenue corner EDSA, Makati City 1232

T: +632.337.2031
F: +632.338.1231
E: info@alphaland.com.ph

Corporate Website: www.alphaland.com.ph