SEC Number CS200411593
File Number ___________

ANCHOR LAND HOLDINGS, INC.

Company's Full name

Unit 11B, 11th Floor, L.V. Locsin Building, 6752 Ayala Avenue
Corner Makati Avenue, Makati City, Philippines 1228

Company's Address

(632) 886-3572 to 74

Telephone Number

_____March 31_____

Fiscal Year Ending
(month & day)

__17-Q (1st Quarter)_

Form Type

____

Amended Designation (if applicable)

March 31, 2014

Period Ended Date

_____Registered and Listed_____

Secondary License Type and File Number

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2) (b) THEREUNDER

1. For the quarterly period ended **March 31, 2014**

2. SEC Identification No. **CS200411593** 3. BIR Tax Identification No. **232-639-838-000**

4. Exact name of issuer as specified in its charter: **ANCHOR LAND HOLDINGS, INC.**

5. ____________________
Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: [ ] (SEC Use Only)

7. **Unit 11B, 11th Floor, L.V. Locsin Building, 6752 Ayala Avenue corner Makati Avenue, Makati City, Philippines** **1228**
Address of issuer's principal office Postal Code

8. (632) 886-3572 to 74
Registrant's telephone number, including area code

9. **Not applicable**
Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Section 4 and 8 of the RSA

Title of Each Class	Number of Shares Outstanding and Amount of Debt Outstanding
Common shares	1,040,001,000
Preferred shares	346,667,000
Loans payable	8,071,026,114

11. Are any or all of these securities listed on the Philippine Stock Exchange?
Yes [**X**] No [ ]

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):

Yes [**X**] No [ ]

(b) has been subject to such filing requirements for the past 90 days.

Yes [**X**] No [ ]

PART I. FINANCIAL INFORMATION

Financial Statements

Basis of Preparation
The consolidated financial statements of Anchor Land Holdings, Inc. and its Subsidiaries (the Group) have been prepared using the historical cost basis and are presented in Philippine Peso (₱), the Group's functional currency.

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continues to be consolidated until the date that such control ceases.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company has selected and applied accounting policies so that financial statements will comply with all the requirements of PFRS. If there are no specific requirements, management develops policies to ensure that the financial statements provide relevant and reliable information.

The Company maintains and adopts accounting principles or practices, which affect relevance, reliability and comparability of the financial statements with those of prior periods.

The Company has no significant change in accounting estimates of the amount reported during the interim period of the financial year and in the other interim period or changes in estimates of amounts reported in prior financial years.

ANCHOR LAND HOLDINGS, INC. AND SUBSIDIARY
MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis of the Group's financial condition and results of operations should be read in conjunction with the unaudited consolidated financial statements, including the related notes, contained herein.

Operations

Results of Operations (January – March 31, 2014 vs. January – March 31, 2013)

Anchor Land Holdings, Inc.'s and its subsidiaries (the Group) registered a net income of ₱212.78 million in the first three months of 2014, 28% lower than the net income of ₱295.41 million in 2013 of the same period.

Notwithstanding strong sales, the significant slowdown in construction accomplishments of the Monarch Parksuites and Oxford Parksuites has correspondingly affected the Group's real estate revenues. Site conditions delayed the start of the construction of the Monarch Parksuites and Oxford

Parksuites to the 4th quarter of 2013, thereby affecting the construction accomplishments of these projects in the 1st quarter of 2014.

Moreover, up until December 31, 2013, the Group has substantially completed the construction of Anchor Skysuites and Solemare Parksuites Phase 2 that contributed to lower levels of revenue compared to the 1st quarter of 2013.

Increased occupancy of Two Shopping Center in the first quarter of 2014 as compared to same three-month period in 2013 increased the Group's rental income by 25% to ₱56.90 million.

Material Changes to the Statements of Income for the Three Months Ended March 31, 2014 compared with the Three Months Ended March 31, 2013 (Increase/Decrease of 5% or more)

Real estate sales decreased by 29%. As discussed above, notwithstanding strong sales, the significant slowdown in construction accomplishments of the Monarch Parksuites and Oxford Parksuites has correspondingly affected the Group's real estate revenues. Site conditions delayed the start of the construction of the Monarch Parksuites and Oxford Parksuites to the 4th quarter of 2013, thereby affecting the construction accomplishments of these projects in the 1st quarter of 2014.

Moreover, up until December 31, 2013, the Group has substantially completed the construction of Anchor Skysuites and Solemare Parksuites Phase 2 that contributed to lower levels of revenue compared to the 1st quarter of 2013.

The Group's rental income increased by 25% to ₱56.90 million as a result of increased occupancy of Two Shopping Center in the first quarter of 2014 as compared to same three-month period in 2013.

Revenue from management fees increased by 118% as the Group provided higher number of property management services.

The 21% decrease in cost of real estate is in line with the lower revenues realized from real estate transactions in the first three months of 2014 as compared to the same period in 2013.

As a consequence of lower revenue in the first quarter of 2014, selling expenses decreased, resulting to lower total selling and administrative expense.

Finance cost decreased by 11% because interest expense during the period were incurred mainly in relation to project development activities and were duly capitalized as part of real estate for development and sale.

Taxable income decreased as a collective result of the above-mentioned transactions, causing the decrease in provision for income tax by 28% compared to the same three-month period in 2013.

Material Changes to the Balance Sheet as of March 31, 2014 compared to December 31, 2013 (Increase/Decrease of 5% or more)

Cash and cash equivalents increased by 60% due to the excess proceeds from new loan availment net of loan settlement in March 2014 to refinance currently maturing loans. Such excess funds were used to further repay maturing short-term loans in April 2014. The cash proceeds from loan availments are used mainly for the Group's ongoing and new projects.

The increase of 15% in other current assets which is mainly attributable to the increase in advances to contractors and suppliers as new contracts were entered into by the Group for its new projects. Also, the creditable withholding taxes, input VAT on purchases and prepaid expenses increased during the first quarter of 2014.

Deferred tax asset increased by 17% brought by the recognition of the difference between tax and book basis of accounting for real estate transactions.

Other noncurrent assets increased by 10% mainly due to the increase in security and utility deposits in the Group's significantly finished projects.

The 11% increase in Accounts and other payables is attributable to the Group's construction activities on its existing and new projects which increased payable to contractors and retention payable.

Loans payable increased by 5% on the account of the proceeds from new loan availments net of loan settlements made in the first quarter of 2014. The Group availed these loans to finance the construction of its new and existing projects.

Liabilities for purchased land resulted to a 100% decrease since the Group has fully settled the liabilities in the first quarter of 2014.

The increase in Deferred tax liabilities by 12% is brought by the recognition of the difference between tax and book basis of accounting for real estate transactions.

Pension liabilities went up by 10% as a result of increased pension cost for the first three months of 2014.

Retained earnings increased by 7% due to the Net Income of the Group for the three months ended March 31, 2014.

The decrease in non-controlling interest of 34% is brought by the share of the minority interest in the net loss of subsidiaries.

KEY PERFORMANCE INDICATORS

The Group assessed its performance based on the following key performance indicators

	As of March 31, 2014	As of December 31, 2013
Liquity Ratio:		
(1) Current Ratio	1.58:1	1.42:1
(2) Debt to Equity Ratio	2.31:1	2.27:1
(3) Asset to Equity Ratio	3.31:1	3.27:1

	For the period ended March 31, 2014	For the period ended March 31, 2013
(4) Earnings before Interest and Taxes	₱305.78 Million	₱422.89 million
(5) Interest coverage ratio	2.51	3.86
(6) Return on Revenue	18%	19%
(7) Return on Equity	4.14%	7.02%
(8) Basic Earnings per Share	₱0.20	₱0.28*

(1) Current Assets / Current Liabilities
(2) Total Liabilities / Stockholders' Equity
(3) Total Assets / Stockholders' Equity
(4) Net Income plus Interest Expenses and Provision for Income Tax
(5) Earnings before Interest and Taxes / Interest expense in Income Statement
(6) Net Income / Revenue
(7) Net Income / Average Stockholders' Equity
(8) Net Income / Outstanding Shares*

**As restated due to declaration of stock dividends.*

These key indicators provide management with a measure of the Group's financial strength (Current Ratio and Debt to Equity) and a measure of the Group's ability to maximize the value of its stockholders' investment in the Group (Earnings per Share and Return on Equity).

AGING OF RECEIVABLES
As of March 31, 2014

	Total	Due within Six months	Due over Six months
Installment Contracts Receivables	**6,184,123,464**	**1,267,868,299**	**4,916,255,165**

Signature

Pursuant to the requirements of the Securities Regulation Code, the registrant has caused this to be signed on its behalf by the undersigned thereunto duly authorized.

By:

Registrant: **Anchor Land Holdings, Inc.**

MR. STEPHEN LEE KENG
Chairman

NEIL Y. CHUA
Chief Finance Officer

Anchor Land Holdings, Inc. and Subsidiaries

Consolidated Financial Statements
March 31, 2014 and December 31, 2013
and Periods Ended March 31, 2014 and 2013 and December 31, 2013 and 2012

COVER SHEET

CS200411593

SEC Registration Number

ANCHOR LAND HOLDINGS, INC. AND SUBSIDIARIES

(Company's Full Name)

11th Floor, L.V. Locsin Building, 6752 Ayala Avenue corner Makati Avenue, Makati City

(Business Address: No. Street City/Town/Province)

Christine P. Base

(Contact Person)

(02) 844-3906

(Company Telephone Number)

03	31
Month	*Day*

(Interim)

17Q

(Form Type)

06	26
Month	*Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

SEC

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

Total Amount of Borrowings

Domestic	Foreign
	N/A

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

ANCHOR LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 23)	**₱853,595,965**	₱533,571,675
Receivables (Notes 6 and 23)	**2,544,023,907**	2,437,952,713
Real estate for development and sale (Note 7)	**5,330,293,483**	5,181,275,983
Other current assets (Note 8)	**1,999,557,728**	1,740,271,854
Total Current Assets	**10,727,471,083**	9,893,072,225
Noncurrent Assets		
Receivables - net of current portion (Notes 6 and 23)	**3,859,701,291**	3,808,002,367
Property and equipment (Note 9)	**45,858,467**	44,349,387
Investment properties (Note 10)	**2,631,087,449**	2,634,402,826
Deferred tax assets - net (Note 21)	**55,467,547**	47,321,775
Other noncurrent assets (Note 11)	**59,279,252**	54,072,933
Total Noncurrent Assets	**6,651,394,006**	6,588,149,288
	₱17,378,865,089	₱16,481,221,513
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 12 and 23)	**₱2,719,983,151**	₱2,449,071,857
Current portion of loans payable (Notes 13 and 23)	**3,088,900,726**	3,482,719,833
Liabilities for purchased land (Notes 14 and 23)	**–**	21,743,280
Customers' advances and deposits (Note 15)	**988,995,586**	1,007,263,684
Total Current Liabilities	**6,797,879,463**	6,960,798,654
Noncurrent Liabilities		
Loans payable - net of current portion (Notes 13 and 23)	**4,982,125,388**	4,169,777,428
Deferred tax liabilities - net (Note 21)	**312,977,145**	280,680,846
Pension liabilities (Note 20)	**35,297,683**	32,158,186
Total Noncurrent Liabilities	**5,330,400,216**	4,482,616,460
Total Liabilities	**12,128,279,679**	11,443,415,114
Equity (Note 22)		
Equity attributable to equity holders of Anchor Land Holdings, Inc.		
Capital stock		
Common stock	**1,040,001,000**	1,040,001,000
Preferred stock	**346,667,000**	346,667,000
Additional paid-in capital	**632,687,284**	632,687,284
Other comprehensive loss	**(1,116,964)**	(1,116,964)
Retained earnings		
Appropriated	**1,362,250,000**	1,362,250,000
Unappropriated	**1,866,192,790**	1,651,414,382
	5,246,681,110	5,031,902,702
Non-controlling interests	**3,904,300**	5,903,697
Total Equity	**5,250,585,410**	5,037,806,399
	₱17,378,865,089	₱16,481,221,513

See accompanying Notes to Consolidated Financial Statements.

ANCHOR LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31		Years Ended December 31	
	2014	2013	2013	2012
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
REVENUE				
Real estate sales (Note 24)	**₱1,025,039,535**	₱1,443,193,406	₱5,079,980,289	₱3,597,270,307
Rental income (Notes 10, 24 and 25)	**56,901,371**	45,586,504	198,376,603	171,474,926
Management fee (Note 24)	**8,291,659**	3,809,603	23,307,014	16,232,010
Interest and other income (Notes 17 and 24)	**83,027,253**	86,924,231	400,607,219	359,660,853
	1,173,259,818	1,579,513,744	5,702,271,125	4,144,638,096
COSTS AND EXPENSES				
Real estate (Notes 7, 18 and 24)	**700,010,526**	884,638,016	3,359,687,156	2,040,067,347
Selling and administrative (Notes 18 and 24)	**167,464,596**	271,986,978	802,873,315	736,168,043
Finance costs (Notes 13, 19 and 24)	**4,788,865**	5,361,853	17,368,337	14,527,767
	872,263,987	1,161,986,847	4,179,928,808	2,790,763,157
INCOME BEFORE INCOME TAX	**300,995,831**	417,526,897	1,522,342,317	1,353,874,939
PROVISION FOR INCOME TAX (Note 21)	**88,216,820**	122,113,070	415,086,103	327,985,711
NET INCOME	**212,779,011**	295,413,827	1,107,256,214	1,025,889,228
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss in subsequent periods:				
Actuarial gain (loss) on pension liabilities (Note 20)	–	(1,994,717)	3,767,916	(7,978,868)
Income tax effect (Note 21)	–	546,190	(831,749)	2,184,760
	–	(1,448,527)	2,936,167	(5,794,108)
TOTAL COMPREHENSIVE INCOME	**₱212,779,011**	₱293,965,300	₱1,110,192,381	₱1,020,095,120
Net income (loss) attributable to:				
Equity holders of Anchor Land Holdings, Inc.	**₱214,778,408**	₱294,721,633	₱1,105,031,553	₱1,022,854,491
Non-controlling interests	**(1,999,397)**	692,194	2,224,661	3,034,737
	₱212,779,011	₱295,413,827	₱1,107,256,214	₱1,025,889,228
Total comprehensive income (loss) attributable to:				
Equity holders of Anchor Land Holdings, Inc.	**₱214,778,408**	₱293,273,106	₱1,107,967,720	₱1,017,060,383
Non-controlling interests	**(1,999,397)**	692,194	2,224,661	3,034,737
	₱212,779,011	₱293,965,300	₱1,110,192,381	₱1,020,095,120
BASIC/DILUTED EARNINGS PER SHARE (Note 26)	**₱0.20**	₱0.28*	₱1.04	₱0.96

See accompanying Notes to Consolidated Financial Statements.

** As restated due to declaration of stock dividends.*

ANCHOR LAND HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of Anchor Land Holdings, Inc.								
	Capital Stock (Note 22)		Additional	Other	Retained Earnings			Non-	
	Common Stock	Preferred Stock	Paid-in Capital	Comprehensive Income (Loss)	Appropriated	Unappropriated	Total	controlling Interests	Total Equity
	For The Three-Month Period Ended March 31, 2014								
As at December 31, 2013	**₱1,040,001,000**	**₱346,667,000**	**₱632,687,284**	**(₱1,116,964)**	**₱1,362,250,000**	**₱1,651,414,382**	**₱3,013,664,382**	**₱5,903,697**	**₱5,037,806,399**
Total comprehensive income (loss)	–	–	–	–	–	**214,778,408**	**214,778,408**	**(1,999,397)**	**212,779,011**
As at March 31, 2014	**₱1,040,001,000**	**₱346,667,000**	**₱632,687,284**	**(₱1,116,964)**	**₱1,362,250,000**	**₱1,866,192,790**	**₱3,228,442,790**	**₱3,904,300**	**₱5,250,585,410**
	For The Three-Month Period Ended March 31, 2013								
As at December 31, 2012	₱693,334,000	₱346,667,000	₱632,687,284	(₱4,053,131)	₱350,000,000	₱2,037,033,289	₱2,387,033,289	₱3,679,036	₱4,059,347,478
Total comprehensive income	–	–	–	(1,448,527)	–	294,721,633	294,721,633	692,194	293,965,300
As at March 31, 2013	₱693,334,000	₱346,667,000	₱632,687,284	(₱5,501,658)	₱350,000,000	₱2,331,754,922	₱2,681,754,922	₱4,371,230	₱4,353,312,778

See accompanying Notes to Consolidated Financial Statements.

ANCHOR LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31		Years Ended December 31	
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	**₱300,995,831**	₱417,526,897	₱1,522,342,317	₱1,353,874,939
Adjustments for:				
Depreciation and amortization (Notes 9, 10, 11, and 18)	**16,107,758**	16,642,174	68,099,020	63,457,250
Finance costs (Notes 13 and 19)	**4,788,865**	4,982,175	15,849,623	13,859,831
Gain on sale of property and equipment (Note 9)	**(138,333)**	–	–	–
Interest income (Note 17)	**(74,773,471)**	(74,458,504)	(286,028,276)	(304,169,873)
Pension costs (Note 20)	**2,626,574**	1,651,816	11,069,892	7,403,068
Operating income before working capital changes	**249,607,224**	366,344,558	1,331,332,576	1,134,425,215
Decrease (increase) in:				
Receivables	**(157,770,118)**	(849,120,603)	(2,145,333,067)	(1,226,916,070)
Real estate for development and sale	**(32,183,687)**	(378,075,916)	(217,434,104)	(856,627,526)
Other current assets	**(183,692,831)**	126,299,500	(446,302,761)	11,675,392
Increase (decrease) in:				
Accounts and other payables	**143,510,089**	292,618,524	675,676,447	(258,289,726)
Customers' advances and deposits	**(18,268,098)**	59,842,715	391,306,093	100,118,996
Liabilities for purchased land	**(21,743,280)**	(65,229,840)	(260,919,360)	(260,919,361)
Net cash generated from (used in) operations	**(20,540,701)**	(447,321,062)	(671,674,176)	(1,356,533,080)
Interest received	**74,773,471**	74,458,504	286,028,276	304,169,873
Interest paid	**(121,394,949)**	(101,434,634)	(381,868,910)	(284,516,145)
Income tax paid	**(12,258,131)**	(278,705)	(177,011,937)	(100,954,468)
Net cash used in operating activities	**(79,420,310)**	(474,575,897)	(944,526,747)	(1,437,833,820)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property and equipment (Note 9)	**(7,428,076)**	(2,742,833)	(25,313,997)	(24,720,265)
Investment properties (Note 10)	**(6,389,810)**	(17,746,530)	(159,885,883)	(183,370,089)
Software costs (Note 11)	–	(267,856)	(690,836)	(1,041,124)
Proceeds from sale of property and equipment (Note 9)	**175,000**	–	–	–
Increase in noncurrent deposits (Note 11)	**(5,441,367)**	(1,567,534)	(28,351,701)	(3,293,859)
Net cash used in investing activities	**(19,084,253)**	(22,324,753)	(214,242,417)	(212,425,337)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Loans availments (Note 13)	**1,301,395,071**	1,252,170,680	5,936,269,727	4,832,112,126
Payments of:				
Dividends (Note 22)	–	–	(131,733,460)	(172,328,166)
Loans payable (Note 13)	**(882,866,218)**	(809,957,857)	(4,683,425,810)	(2,939,532,604)
Net cash provided by financing activities	**418,528,853**	442,212,823	1,121,110,457	1,720,251,356
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**320,024,290**	(54,687,827)	(37,658,707)	69,992,199
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**533,571,675**	571,230,382	571,230,382	501,238,183
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	**₱853,595,965**	₱516,542,555	₱533,571,675	₱571,230,382

See accompanying Notes to Consolidated Financial Statements.

ANCHOR LAND HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

Anchor Land Holdings, Inc. (the Parent Company) is a property developer engaged mainly in the development and construction of condominium units and leasing activities. The Parent Company was incorporated in the Philippines and registered in the Securities and Exchange Commission (SEC) on July 29, 2004. The Parent Company started its operations on November 25, 2005 and eventually traded its shares to the public in August 2007. The registered office address of the Parent Company is at 11th Floor, L.V. Locsin Building, 6752 Ayala Avenue corner Makati Avenue, Makati City.

The Parent Company has the following subsidiaries:

	Percentage Ownership
Property Development	
Gotamco Realty Investment Corporation (GRIC)	100%
Anchor Properties Corporation or APC (formerly Manila Towers Development Corporation or MTDC)	100%
Posh Properties Development Corporation (PPDC)	100%
Admiral Realty Company, Inc. (ARCI)	100%
Anchor Land Global Corporation (ALGC)*	100%
Realty & Development Corporation of San Buenaventura (REDESAN)*	100%
Pasay Metro Center, Inc. (PMCI)*	100%
1080 Soler Corp. or 1080 Soler*	100%
Nusantara Holdings, Inc. or NHI (Note 4)	100%
Globeway Property Ventures, Inc. (GPVI)*	70%
Property Management	
Momentum Properties Management Corporation (MPMC)	100%
Aluminum and Glass Doors and Windows Fabrication and Installation	
Eisenglas Aluminum and Glass, Inc. (EAGI)	60%

**No commercial operations as of March 31, 2014.*

All of the Parent Company’s subsidiaries were incorporated in the Philippines.

The Parent Company and its subsidiaries (collectively called as “the Group”) have principal business interest in the development and sale of high-end residential condominium units. The Group is also engaged in the development and leasing of commercial, warehouses and office spaces. MPMC provides property management services to its completed projects, commercial centers and its buyers while EAGI is engaged in the fabrication and installation of aluminum and glass doors and windows.

2. Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements of the Group are prepared using the historical cost basis. The consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All amounts are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group are prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries, entities over which the Parent Company has control.

Specifically, the Parent Company controls an investee if and only if the Parent Company has all the following:

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

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

- Any contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Parent Company's voting rights and potential voting rights

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date when such control ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiary.

The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions and gains and losses resulting from intra-group transactions and dividends are eliminated in full. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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

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

Non-controlling Interest
Non-controlling interest represents the portion of income and expense and net assets in subsidiaries that are not held by the Parent Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separate from the equity attributable to the equity holders of the Parent Company.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial years except for the adoption of the following new and amended standards and interpretations which became effective beginning January 1, 2014.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments), remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively with earlier application permitted, provided PFRS 13 is also applied. The amendments have no impact on the Group's financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27), 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 amendment would is not applicable to the Group since none of the entities in the Group qualifies as an investment entity under PFRS 10.

- Philippine Interpretation IFRIC 21, *Levies*, clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The interpretation is not applicable to the Group since it has no levies.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments), provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments are not applicable to the Group since it has no derivatives.

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

<u>Annual Improvements to PFRS (2010-2012 cycle)</u>
The Annual Improvements to PFRS contain non-urgent but necessary amendments to existing standards.

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*, revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment has no significant impact on the financial position or performance of the Group.

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

<u>Future Changes in Accounting Policies</u>
The Group will adopt the following relevant standards and interpretations when these become effective. Except as otherwise stated, the Group does not expect the adoption of these standards and interpretations to have a significant impact on its financial statements.

Effective 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments), apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. This standard is not applicable to the Group since its defined benefit plan is noncontributory.

<u>Annual Improvements to PFRS (2010-2012 cycle)</u>

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*, requires 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. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*, clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment has no impact on the Group's financial position or performance.

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

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

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

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

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

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

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

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

Annual Improvements to PFRS (2011-2013 cycle)

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

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*, clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. The amendment has no impact on the Group's financial position or performance.

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

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

Standard with No Mandatory Effective Date

- PFRS 9, *Financial Instruments*, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

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

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

Interpretation with Deferred Effective Date

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The Group will make an assessment when these have been completed.

  The adoption of this interpretation may significantly affect the determination of the Group's revenue from real estate and corresponding costs, and the related installment contracts receivable, deferred tax liabilities and retained earnings accounts.

Property Acquisitions and Business Combinations

Property acquisitions

Where property is acquired through the acquisition of corporate interests, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise, corporate acquisitions are accounted for as business combinations.

Business combinations are accounted for using the acquisition method. The acquisition is recognized at the aggregate of the consideration transferred, measured at acquisition date, fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed.

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of any contingent consideration classified as a liability will be recognized in profit or loss.

Acquisition of the Group in 2013 was accounted for as property acquisition.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of changes in value.

Financial Instruments

Date of recognition

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

Initial recognition of financial instruments

All financial assets and liabilities are initially recognized at fair value. Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities includes transaction costs.

The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity investments, available-for-sale (AFS) financial assets and, loans and receivables.

The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income.

The Group's financial assets are of the nature of loans and receivables while its financial liabilities are of the nature of other financial liabilities.

Subsequent measurement
The subsequent measurement bases for financial assets depend on the classification. Financial assets that are classified as loans and receivables are measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount, premium and transaction costs on acquisition, over the period to maturity. Amortization of discounts, premiums and transaction costs are taken directly to profit or loss.

Determination of fair value
The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

'Day 1' difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from an observable market, the Group recognizes the difference between the transaction price and fair value ('day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset and liability. In cases where inputs to the valuation technique are not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'day 1' difference amount.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial assets at FVPL. Loans and receivables are classified as current if these are expected to be collected within one year or 12 months from the reporting date, otherwise, these will be classified as noncurrent. The Group's loans and receivables pertain to the consolidated statement of financial position captions "Cash and cash equivalents" and "Receivables".

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

Other financial liabilities
Other financial liabilities pertain to issued financial instruments that are not classified or designated as financial liabilities at FVPL and contain contractual obligations to deliver cash or other financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Other financial liabilities are classified as current if these are expected to be paid within one year or 12 months from the reporting date or the Group has unconditional right to defer settlement of the liabilities for at least 12 months from the reporting date. Otherwise, these will be classified as noncurrent.

This accounting policy applies primarily to the Group's "Loans payable" and "Accounts and other payables" (except "Taxes payable"), "Liabilities for purchased land" and other liabilities that meet the above definition (other than liabilities covered by other accounting standards, such as pension liabilities and income tax payable).

Debt Issuance Costs
Transaction costs incurred in connection with the availments of long-term debt are deferred and amortized using effective interest method over the term of the related loans. These are included in the measurement basis of the related loans.

Customers' Deposits
Deposits from real estate buyers
Deposits from real estate buyers represent mainly reservation fees and advance payments. These deposits will be recognized as revenue in profit or loss as the related obligations are fulfilled to the real estate buyers. The deposits are reported under the "Customers' advances and deposits" account in the consolidated statement of financial position.

Deposits from lessee
Deposits from lessees are measured initially at fair value. After initial recognition, customers' deposits are subsequently measured at amortized cost using straight-line method.

The difference between the cash received and its fair value is deferred (included in the "Customers' advances and deposits" in the consolidated statement of financial position) and amortized using the straight-line method.

Classification of Financial Instruments between Debt and Equity
A financial instrument is classified as debt, if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- 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.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

The Group has no financial instruments that contain both liability and equity elements.

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

Loans and receivables

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

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

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as customer type, customer location, credit history and past due status.

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

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 financial assets) is derecognized when:

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

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

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount of the financial liability or part of the financial liability extinguished and the consideration paid including non-cash assets transferred or liabilities assumed is recognized in profit or loss.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Real Estate for Development and Sale

Real estate for development and sale is constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as inventory and are measured at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs to complete and estimated cost to sell.

Cost includes the purchase price of land and those costs incurred for the development and improvement of the properties such as amounts paid to contractors for construction, capitalized borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Value-added Tax (VAT)

Revenues, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item is applicable.

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

Prepaid Expenses
Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments of insurance premiums, rents, creditable tax withheld and real property taxes. These also include the deferred portion of commissions paid to sales or marketing agents that are yet to be charged to the period the related revenue is recognized.

Land Held for Future Development
Land held for future development, included under other real estate for development and sale account, consists of properties carried at lower of cost or NRV. Cost consists of acquisition cost and cost incurred for development and improvements of the properties. NRV is the estimated selling price in the ordinary course of business, less estimated costs to complete and estimated cost to sell.

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

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

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

	Years
Office equipment	2 - 5
Furniture and fixtures	2 - 5
Transportation equipment	3 - 5

Leasehold improvements are amortized on a straight-line basis over term of the lease or the EUL of the asset of 2 years, whichever is shorter.

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

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

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

Investment Properties
Investment properties comprise completed property and property under construction or redevelopment which are held to earn rentals.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of the replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at historical cost less provisions for depreciation and impairment. Accordingly, land is carried at cost less any impairment in value and building is carried at cost less depreciation and any impairment in value.

Construction-in-progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time as the relevant assets are completed and put into operational use. CIP are carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

Depreciation of investment properties are computed using the straight-line method over the estimated useful lives of the assets of 30 years. The useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when and only when there is change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor doesn’t change the cost of that property for measurement or disclosure purposes.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized. As of December 31, 2013 and 2012, the Group’s intangible assets consist only of software costs.

Software costs
Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and accumulated impairment, if any. Otherwise, such costs are recognized as expense as incurred.

Software costs, recognized as assets, are amortized using the straight-line method over their useful lives of five years. Where an indication of impairment exists, the carrying amount of computer system development costs is assessed and written down immediately to its recoverable amount.

Impairment of Nonfinancial Assets
The Group assesses at each reporting date whether there is an indication that its nonfinancial assets (i.e., property and equipment, investment properties and software costs) may be impaired. If any such indication exists, 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. Impairment losses are recognized in the expense categories of profit or loss consistent with the function of the impaired 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 and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity
Capital stock is measured at par value for all shares issued. When the Group issues more than one class of share, a separate account is maintained for each class of share and the number of shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is credited to additional paid-in capital. When the shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

An entity typically incurs various costs in issuing or acquiring its own equity instruments. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. The transaction costs of an equity transaction are accounted for as deductions from equity (net of related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognized as an expense.

Retained earnings
Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration.

Commission Expense
Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Accordingly, when the percentage-of-completion method is used, commissions are likewise charged to expense in the period the related revenue is recognized.

Selling and Administrative Expenses
Selling expenses are costs incurred to sell real estate inventories, which includes advertising and promotions, among others. Administrative expenses constitute costs of administering the business. Except for commission, selling and administrative expenses are expensed as incurred.

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.

Real estate sales
For real estate sales, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectibility is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee (PIC) Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage, and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the actual costs incurred to date over the estimated total costs of the project. Any excess of collections over the recognized receivables are included in the "Customers' advances and deposits" account in the liabilities section of the consolidated statement of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Customers' advances and deposits" account in the liabilities section of the consolidated statement of financial position.

Rental income
Rental income under cancellable leases on investment properties is recognized in profit or loss on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Management fee
Management fees consist of revenue arising from contracts of administering a property. The tenants pay either a fixed amount or depending on the agreement and such payment is recognized when the related services are rendered.

Income from forfeited reservations and collections
Income from forfeited reservation and collections is recognized when the deposits from potential buyers are deemed nonrefundable, subject to provision of Republic Act 6552, *Realty Installment Protection Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

Interest and other income
Interest is recognized as it accrues (using the effective interest method, i.e., based on the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset). Other income are customer related fees such as penalties and surcharges which are recognized as they accrue, taking into account the provisions of the related contract.

<u>Other Comprehensive Income</u>
OCI are items of income and expense that are not recognized in profit or loss for the year in accordance with PFRS. The Group's OCI in 2014 and 2013 pertains to remeasurement gains and losses arising from defined benefit pension plan which cannot be recycled to profit or loss.

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

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

<u>Borrowing Costs</u>
Borrowing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of development costs (included in "Real estate for development and sale" and "Investment properties" accounts in the consolidated statement of financial position). Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Capitalized borrowing cost is based on applicable weighted average borrowing rate for those coming from general borrowings and the actual borrowing costs eligible for capitalization for funds borrowed specifically.

<u>Pension Liabilities</u>
The Group has an unfunded, noncontributory defined benefit retirement plan covering substantially all of its qualified employees. The Group's pension liability is the aggregate of the present value of the defined benefit obligation as of the reporting date.

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

Pension costs comprise the following:
- Service cost
- Interest on the pension liability
- Remeasurements of pension liability

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated annually by independent qualified actuaries.

Interest on the pension liability is the change during the period in the pension liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the pension liability. Interest on the pension liability is recognized as expense in profit or loss.

Remeasurements comprising actuarial gains and losses 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.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

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

Group as a lessor
The Group has entered into property lease agreements on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties as the Group considered, among others, the length of the lease term compared with the estimated life of the assets.

The Group requires its tenants to pay leasehold rights pertaining to the right to use the leased unit before the two parties enter into a lease transaction and is reported under “Customers’ advances and deposit” in the consolidated statement of financial position. Upon commencement of the lease, these payments are recognized in the consolidated statement of comprehensive income under “Rental income” on a straight-line basis over the lease term.

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

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

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

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and associates.

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

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

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

<u>Foreign Currency Transactions and Translations</u>
Transactions in foreign currencies are recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rates prevailing at reporting dates. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against current operations. Non-monetary items measured at historical value in a foreign currency are translated using the exchange rates at the date when the historical value was determined.

<u>Earnings Per Share (EPS)</u>
Basic EPS is computed by dividing net income for the year attributable to common stockholders by the weighted average number of common shares issued and outstanding during the year adjusted for any stock dividends issued. Diluted EPS is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares. Basic and diluted EPS are adjusted to give retroactive effect to any stock dividends declared during the period.

As of March 31, 2014 and December 31, 2013, the Group has no dilutive potential common shares.

Segment Reporting
The Group’s operating business is composed of condominium sales, leasing and property management. Financial information on the Group’s business segments are presented in Note 24.

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

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

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

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

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

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

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

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

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

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

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 reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Events After the Reporting Date
Post year-end events up to the date of auditors' report that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

3. **Significant Accounting Judgments and Use of Estimates**

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

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

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

Distinction between business combination and property acquisition
The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized. See Note 4 for the acquisition made by the Group.

Revenue and cost recognition
Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others:
- Buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment: In determining whether the sales price are collectible, the Group considers that initial and continuing investments by the buyer of about 5% for real estate for development and sale would demonstrate the buyer's commitment to pay; and
- Stage of completion of the project: The Group recognizes only revenue from projects with at least 15% completion rate.

The Group's revenue from and cost from real estate sales are recognized based on the percentage-of-completion method and the completion rate is measured principally on the basis of actual costs incurred to date over the estimated total costs of the project.

Operating lease commitments - the Group as lessee
The Group has entered into various contracts of lease with terms of one month to three years for its exhibit booths and model units for its ongoing projects and three to five years for its administrative location. The Group has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Group considered, among others, the significance of the lease term as compared with the estimated useful life of the related asset.

Rent expense amounted to ₱13.32 million, ₱24.80 million, ₱59.46 million and ₱74.23 million for the three-month periods ended March 31, 2014 and 2013 and for the years ended December 31, 2013 and 2012, respectively (see Note 18).

Operating lease commitments - the Group as lessor
The Group has entered into commercial property leases on its investment properties. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out on operating leases.

Rental income amounted to ₱56.90 million, ₱45.59 million, ₱198.38 million and ₱171.47 million for the three-month periods ended March 31, 2014 and 2013 and for the years ended December 31, 2013 and 2012, respectively (see Note 25).

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 is not occupied substantially for use by, or in operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Owner-occupied properties are attributable not only to property but also to the other assets used in the supply process.

Some properties are held to earn rentals or for capital appreciation and other properties are held for use in rendering of services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in providing 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.

Distinction between real estate for development and sale, property and equipment and investment properties
The Group determines whether a property will be classified as real estate for development and sale, property and equipment or investment properties. The Group determines a property as investment property if such is not intended for use in the operations nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. If such property is intended for use in the operations, the Group classifies it as property and equipment.

Real estate for development and sale comprise both condominium units for sale and land held for future development, which are properties that are held for sale in the ordinary course of business. Principally, these are properties that the Group develops and intends to sell before or on completion of construction.

Management's Use of Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the 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 from real estate sales are recognized based on the percentage-of-completion method and the completion rate is measured principally on the basis of actual costs incurred to date over the estimated total costs of the project. The rate of completion is validated by the responsible department to determine whether it approximates the actual completion rate. Changes in estimate may affect the reported amounts of revenue and cost of condominium units and receivables.

Real estate sales amounted to ₱1,025.04 million, ₱1,443.19 million, ₱5,079.98 million and ₱3,597.27 million for the three-month periods ended March 31, 2014 and 2013 and for the years ended December 31, 2013 and 2012, respectively. Cost of condominium units amounted to ₱700.01 million, ₱884.64 million, ₱3,359.69 million and ₱2,040.07 million for the three-month periods ended March 31, 2014 and 2013 and for the years ended December 31, 2013 and 2012, respectively (see Note 24).

Estimating allowance for impairment losses on receivables
The Group maintains allowance for impairment losses based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. Factors considered in the individual assessment are payment history, past-due status and term. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (customer type, customer location, credit history and past due status) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

As of March 31, 2014 and December 31, 2013, the Group has not provided any allowance for impairment losses on its receivables after consideration of credit enhancement (see Note 23). Receivables amounted to ₱6,403.73 million and ₱6,245.96 million as of March 31, 2014 and December 31, 2013, respectively (see Note 6).

Estimating NRV of real estate inventories
The Group reviews the NRV of real estate inventories, which include "Real estate for development and sale", and compares it with the cost since assets should not be carried in excess of amounts expected to be realized from sale. Real estate for development and sale are written down below cost when the estimated NRV is found to be lower than the cost.

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

NRV in respect of inventory under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

The estimates used took into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. As of March 31, 2014 and December 31, 2013, the Group's real estate for development and sale which are carried at cost amounted to ₱5,330.29 million and ₱5,181.28 million, respectively (see Note 7).

Impairment of nonfinancial assets
The Group assesses impairment on its nonfinancial assets (i.e., property and equipment, investment properties and software costs) and considers the following important indicators:

- Significant changes in asset usage;
- Significant decline in assets' market value;
- Obsolescence or physical damage of an asset;
- Significant underperformance relative to expected historical or projected future operating results; and
- Significant negative industry or economic trends.

If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the nonfinancial assets. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

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 may affect the carrying amount of the assets.

As of March 31, 2014 and December 31, 2013, carrying values follow:

	2014	2013
Property and equipment (Note 9)	**₱45,858,467**	₱44,349,387
Investment properties (Note 10)	**2,631,087,449**	2,634,402,826
Software costs (Note 11)	**736,278**	971,326

No impairment was recognized for the Group's nonfinancial assets.

Estimating EUL of property and equipment, investment properties and software costs
The Group estimates the useful lives of its property and equipment, investment properties and software costs based on the period over which these assets are expected to be available for use.

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

As of March 31, 2014 and December 31, 2013, carrying values follow:

	2014	2013
Property and equipment (Note 9)	**₱45,858,467**	₱44,349,387
Investment properties (Note 10)	**2,631,087,449**	2,634,402,826
Software costs (Note 11)	**736,278**	971,326

Recognition of deferred tax assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future planning strategies. The Group assessed its projected performance in determining the sufficiency of future taxable income. The Group's unrecognized deferred tax assets amounted to ₱2.87 million and ₱2.67 million as of March 31, 2014 and December 31, 2013, respectively (see Note 21).

Estimating pension cost and obligation
The determination of the pension cost and obligation and other retirement benefits is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include, among others, discount rate and salary increase rate (see Note 20). While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

The cost of defined benefit pension plans and the present value of the pension obligations are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The pension liabilities as of March 31, 2014 and December 31, 2013 amounted to ₱35.30 million and ₱32.16 million, respectively (see Note 20).

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

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

As of March 31, 2014 and December 31, 2013, the present value of benefit obligation amounted to ₱35.30 million and ₱32.16 million, respectively. Net pension cost amounted to ₱3.14 million, ₱1.67 million, ₱11.07 million and ₱7.40 million for the three-month periods ended March 31, 2014 and 2013 and for the years ended December 31, 2013 and 2012, respectively (see Note 20).

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position or disclosed in the notes cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation. Changes in assumption about these factors could affect the reported fair value of financial instruments. See Note 23 for the related fair value disclosures.

Fair value of investment properties
The fair value of the investment properties is based on the valuation performed by independent firm of appraisers. The valuation was made on the basis of the fair value determined by referring to the character and utility of the properties, comparable property which have been sold recently, and the assets' highest and best use (see Note 10).

Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results.

The Group currently does not believe that these proceedings will have a material effect on the Group's consolidated statements of financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 27).

4. **Corporate Acquisition**

Acquisition of NHI
In 2013, the Group acquired 100% interest in NHI, a landholding entity owning a parcel of land in Metro Manila. The acquisition of NHI is not judged to be acquisition of business, hence, is not treated as business combination. The cost to acquire NHI was allocated between the identifiable assets and liabilities of NHI based on their relative fair values at the acquisition date.

Accordingly, no goodwill or additional deferred taxation were recognized. This acquisition was accounted for as property acquisition.

5. Cash and Cash Equivalents

	2014	2013
Cash on hand	**₱280,000**	₱180,000
Cash in banks	**845,655,767**	525,731,477
Cash equivalents	**7,660,198**	7,660,198
	₱853,595,965	₱533,571,675

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term investment rates. In 2014 and 2013, investment rate for Peso denominated securities is 0.75%, while 1.75% for US Dollar denominated securities. The carrying value of cash and cash equivalents approximates their fair value as of reporting date.

Interest income derived from cash and cash equivalents amounted to ₱0.26 million, ₱1.40 million, ₱3.33 million and ₱3.48 million for the three-month periods ended March 31, 2014 and 2013 and for the years ended December 31, 2013 and 2012, respectively (see Note 17).

6. Receivables

	2014	2013
Installment contracts receivable - net of unamortized discount	**₱6,184,123,464**	₱6,053,763,009
Due from condominium association	**14,043,321**	14,024,106
Advances to employees	**2,364,982**	5,558,265
Others	**203,193,431**	172,609,700
	6,403,725,198	6,245,955,080
Less noncurrent portion of installment contracts receivable	**3,859,701,291**	3,808,002,367
	₱2,544,023,907	₱2,437,952,713

Installment contracts receivable consist of receivables from the sale of real estate properties. These are collectible in equal monthly principal installments over a period ranging from four to seven years depending on the agreement. Installment contracts receivable with term payment of up to four or five years are noninterest-bearing while those that exceed four or five years are interest bearing. The corresponding titles to the condominium units sold under this arrangement are transferred to the buyer upon full payment of the contract price. Any nonrefundable amounts forfeited on cancelled contracts are included in other income under “Interest and other income” in the consolidated statements of comprehensive income (see Note 17).

Due from condominium association pertains to janitorial, security and maintenance expenses paid by the Group in behalf of the condominium association and are expected to be collected within one year.

Advances to employees of the Group represent advances for operational purposes and are expected to be liquidated within one year.

Other receivables pertain to utilities and real property taxes initially paid by the Group in behalf of the unit owners before the establishment of the related condominium association. These advances are normally settled within one year from such establishment.

As of March 31, 2014 and December 31, 2013, no impairment losses resulted from individual and collective impairment tests (see Note 23).

Unamortized discount on installment contracts receivables
In 2014 and 2013, noninterest-bearing installment contracts receivable with a nominal amount of ₱1,024.28 million and ₱4,732.12 million, respectively, were initially recorded at fair value amounting to ₱959.84 million and ₱4,482.55 million, respectively. The fair value of the receivables was obtained by discounting future cash flows using the applicable rates of similar types of instruments ranging from 1.03% to 5.40% and 0.10% to 5.32% in 2014 and 2013, respectively. The aggregate unamortized discount amounted to ₱174.44 million and ₱184.52 million as of March 31, 2014 and December 31, 2013, respectively.

Movements in the unamortized discount on installment contracts receivables as of March 31, 2014 and December 31, 2013 follow:

	2014	2013
Balance at beginning of period	**₱184,516,807**	₱217,643,153
Additions	**64,435,494**	249,572,791
Accretion (Note 17)	**(74,516,749)**	(282,699,137)
Balance at end of period	**₱174,435,552**	₱184,516,807

Receivable financing
The Group enters into various agreements with banks whereby the Group sold its installment contracts receivable on a with recourse basis. The purchase agreements provide that the Group will substitute defaulted contracts to sell with other contracts to sell of equivalent value. The Group still retains the sold receivables in the receivables account and records the proceeds from these sales as loans payable (see Note 13). The carrying value of installment contracts receivable sold and the related loans payable accounts amounted to ₱1,056.95 million and ₱1,225.78 million as of March 31, 2014 and December 31, 2013, respectively. Receivables on with a recourse basis are used as collateral to secure the corresponding loans payables obtained.

7. Real Estate for Development and Sale

	2014	2013
Condominium units for sale	**₱4,669,923,345**	₱4,536,405,263
Land held for future development	**660,370,138**	644,870,720
	₱5,330,293,483	₱5,181,275,983

The rollforward of this account follows:

	2014	2013
Balance at beginning of period	**₱5,181,275,983**	₱4,632,856,217
Property acquisitions and construction costs incurred	**732,194,213**	3,560,428,028
Capitalized borrowing costs (Note 19)	**116,833,813**	347,678,894
Disposals (recognized as cost of real estate sales)	**(700,010,526)**	(3,359,687,156)
Balance at end of period	**₱5,330,293,483**	₱5,181,275,983

General borrowings were used to finance the Group's ongoing projects and investment properties. The related borrowing costs were capitalized as part of real estate for development and sale and investment properties. The capitalization rate used to determine the borrowings eligible for capitalization ranges from 3.00% to 8.07% in 2014 and 3.00% to 9.03% in 2013. As of March 31, 2014 and December 31, 2013, the total borrowing costs on loans payable capitalized as part of "Real estate for development and sale" amounted to ₱116.83 million and ₱347.68 million, respectively (see Note 19).

Real estate inventories sold recognized as "Real estate" under Costs and expenses in the consolidated statements of comprehensive income amounted to ₱700.01 million and ₱3,359.69 million for the three-month period ended March 31, 2014 and for the year ended December 31, 2013, respectively. Such cost of sales represents the cost of the property and its development into condominium units that were realized as sales in the respective periods.

Parcels of land amounting to ₱660.37 million and ₱644.87 million were classified as real estate for development and sale as of March 31, 2014 and December 31, 2013, respectively.

The Group recorded no provision for impairment and no reversal was recognized in 2014 and 2013.

The Group has no restrictions on the realizability of its inventories.

As of March 31, 2014 and December 31, 2013, various land and condominium units for sale of the Group were used as collateral to secure the Group's bank loans (see Note 13).

8. Other Current Assets

	2014	2013
Value added input tax (Input VAT)	**₱580,873,545**	₱548,346,933
Advances to contractors and suppliers	**518,864,042**	395,582,344
Deposits on real estate properties	**423,990,336**	414,074,336
Creditable withholding tax	**246,862,288**	171,269,245
Prepaid expenses	**193,266,019**	177,258,743
Deposits	**18,314,858**	18,304,858
Others	**17,386,640**	15,435,395
	₱1,999,557,728	₱1,740,271,854

Advances to contractors and suppliers represent advances and downpayment that are recouped upon every progress billing payment depending on the percentage of accomplishment.

Input VAT represents taxes imposed on the Group for the acquisition of goods from its suppliers and availment of services from its contractors, as required by Philippine taxation laws and regulations. This will be used against future output VAT liabilities or will be claimed as tax credits. Management has estimated that all input VAT is recoverable at its full amount within a year.

Creditable withholding tax pertains mainly to the amounts withheld from income derived from real estate sales and leasing activities. Creditable withholding tax will be applied against income tax due.

Deposits on real estate properties represent the Group's advance payments to real estate property owners for the future acquisition of real estate properties.

Prepaid expenses are attributable to prepayments of commission, insurance premiums and real property taxes.

Deposits consist principally of construction bond deposit and amounts paid to the utility provider for service application which will be settled within 12 months from the reporting date.

9. Property and Equipment

	2014				
	Leasehold Improvements	**Office Equipment**	**Furniture and Fixtures**	**Transportation Equipment**	**Total**
Cost					
At January 1	**₱30,976,115**	**₱20,099,107**	**₱25,048,380**	**₱51,026,149**	**₱127,149,751**
Additions	**2,826,472**	**1,237,750**	**2,294,211**	**1,069,643**	**7,428,076**
Disposal	–	–	–	**(440,000)**	**(440,000)**
At March 31	**33,802,587**	**21,336,857**	**27,342,591**	**51,655,792**	**134,137,827**
Accumulated Depreciation and Amortization					
At January 1	**20,785,680**	**14,510,180**	**16,599,558**	**30,904,946**	**82,800,364**
Depreciation and amortization (Note 18)	**1,223,138**	**1,240,386**	**1,283,012**	**2,135,793**	**5,882,329**
Disposal	–	–	–	**(403,333)**	**(403,333)**
At March 31	**22,008,818**	**15,750,566**	**17,882,570**	**32,637,406**	**88,279,360**
Net Book Value	**₱11,793,769**	**₱5,586,291**	**₱9,460,021**	**₱19,018,386**	**₱45,858,467**

	2013				
	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Transportation Equipment	Total
Cost					
At January 1	₱23,881,668	₱17,287,164	₱20,259,523	₱40,407,399	₱101,835,754
Additions	7,094,447	2,811,943	4,788,857	10,618,750	25,313,997
At December 31	30,976,115	20,099,107	25,048,380	51,026,149	127,149,751
Accumulated Depreciation and Amortization					
At January 1	15,540,346	10,340,551	11,646,171	22,749,260	60,276,328
Depreciation and amortization (Note 18)	5,245,334	4,169,629	4,953,387	8,155,686	22,524,036
At December 31	20,785,680	14,510,180	16,599,558	30,904,946	82,800,364
Net Book Value	₱10,190,435	₱5,588,927	₱8,448,822	₱20,121,203	₱44,349,387

Depreciation and amortization expense charged to operations amounted to ₱5.88 million, ₱5.30 million, ₱22.52 million and ₱19.92 million for the three-month periods ended March 31, 2014 and 2013 and for the years ended December 31, 2013 and 2012, respectively (see Note 18).

The Group's transportation equipment with a carrying value of ₱19.02 million and ₱20.12 million as of March 31, 2014 and December 31, 2013, respectively, were constituted as collateral under chattel mortgage to secure the Group's vehicle financing arrangement with various financial institutions (see Note 13).

The Group has fully depreciated property and equipment with carrying values amounting to ₱44.48 million and ₱34.93 million as of March 31, 2014 and December 31, 2013, respectively.

10. **Investment Properties**

	2014				
	Commercial Projects		**Construction in Progress**		
	Land	**Building**	**Land**	**Building**	**Total**
Cost					
At January 1	**₱747,227,798**	**₱1,673,151,962**	**₱248,954,790**	**₱61,450,169**	**₱2,730,784,719**
Additions	**–**	**2,838,237**	**285,194**	**3,551,573**	**6,675,004**
At March 31	**747,227,798**	**1,675,990,199**	**249,239,984**	**65,001,742**	**2,737,459,723**
Accumulated Depreciation					
At January 1	**–**	**96,381,893**	**–**	**–**	**96,381,893**
Depreciation (Note 18)	**–**	**9,990,381**	**–**	**–**	**9,990,381**
At March 31	**–**	**106,372,274**	**–**	**–**	**106,372,274**
	₱747,227,798	**₱1,569,617,925**	**₱249,239,984**	**₱65,001,742**	**₱2,631,087,449**

	2013				
	Commercial Projects		Construction in Progress		
	Land	Building	Land	Building	Total
Cost					
At January 1	₱747,227,798	₱1,647,821,060	₱157,509,585	₱–	₱2,552,558,443
Additions	–	25,330,902	91,445,205	61,450,169	178,226,276
At December 31	747,227,798	1,673,151,962	248,954,790	61,450,169	2,730,784,719
Accumulated Depreciation					
At January 1	–	51,620,369	–	–	51,620,369
Depreciation (Note 18)	–	44,761,524	–	–	44,761,524
At December 31	–	96,381,893	–	–	96,381,893
	₱747,227,798	₱1,576,770,069	₱248,954,790	₱61,450,169	₱2,634,402,826

Commercial projects pertain to the Group's completed commercial center, namely One Shopping Center and Two Shopping Center, which were completed in 2010 and 2012, respectively, and the commercial units of the Group's completed condominium projects.

As of March 31, 2014 and December 31, 2013, construction in progress comprises GPVI's and 1080 Soler's ongoing commercial projects, and the commercial units of the Group's condominium projects under development, which are intended for leasing.

General borrowings were used to finance the Group's ongoing projects and investment properties. The related borrowing costs were capitalized as part of real estate for development and sale and investment properties. The capitalization rate used to determine the borrowings eligible for capitalization ranges from 3.00% to 8.07% in 2014 and 3.00% to 9.03% in 2013. Total borrowing cost capitalized as part of investment properties amounted to ₱0.29 million and ₱18.34 million for the three-month period ended March 31, 2014 and for the year ended December 31, 2013, respectively (see Note 19).

For the three-month periods ended March 31, 2014 and 2013 and for the years ended December 31, 2013 and 2012, rental income from these investment properties amounted to ₱56.90 million, ₱45.59 million, ₱198.38 million and ₱171.47 million, respectively (see Note 25), while depreciation charged to operations amounted to ₱9.99 million, ₱11.19 million, ₱44.76 million and ₱43.26 million, respectively (see Note 18). Selling and administrative expenses exclusive of depreciation related to these investment properties amounted to ₱21.33 million, ₱25.89 million, ₱85.96 million and ₱78.64 million for the three-month periods ended March 31, 2014 and 2013 and for the years ended December 31, 2013 and 2012, respectively.

The aggregate fair value of investment properties amounted to ₱3,215.56 million. The fair values of the investment properties were determined based on valuations performed by an independent qualified appraiser as of December 23, 2012. The appraiser is an industry specialist in valuing these types of properties, intangible assets and businesses. The value was estimated by using the Sales Comparison Approach, an approach to value that considers similar or substitute properties and related market data.

The Group has no restrictions on the realizability of the investment properties.

As of March 31, 2014 and December 31, 2013, capital commitments for investment properties amounted to ₱496.73 million and ₱497.02 million, respectively.

As of March 31, 2014 and December 31, 2013, certain investment properties are used to secure the Group's bank loans (see Note 13).

11. Other Noncurrent Assets

	2014	2013
Utility and security deposits	**₱48,614,974**	₱43,173,607
Construction bond deposits	**8,828,000**	8,828,000
Software costs	**736,278**	971,326
Other investment	**1,100,000**	1,100,000
	₱59,279,252	₱54,072,933

Utility and security deposits pertain to the initial set-up of services rendered by public utility companies and other various long-term deposits necessary for the construction and development of real estate projects.

Construction bond deposits pertain to the bond with ASEANA Business Park.

Other investment pertains to club shares held by the Group.

The rollforward analysis of software costs follow:

	2014	2013
Cost		
At beginning of period	**₱4,237,846**	₱3,547,010
Additions	**–**	690,836
At end of period	**4,237,846**	4,237,846
Accumulated Amortization		
At beginning of period	**3,266,520**	2,453,060
Amortization (Note 18)	**235,048**	813,460
At end of period	**3,501,568**	3,266,520
Net Book Value	**₱736,278**	₱971,326

12. Accounts and Other Payables

	2014	2013
Payable to contractors and suppliers	**₱1,610,567,461**	₱1,416,646,042
Retention payable	**506,948,704**	472,394,482
Income tax payable	**269,620,989**	205,601,887
Other taxes payable	**118,918,577**	119,896,091
Rental security deposit	**30,000,000**	30,000,000
Accrued expenses:		
Commission	**85,798,714**	81,576,466
Utilities	**3,234,984**	3,396,564
Interest	**846,482**	27,353,550
Rental	**556,620**	597,087
Salaries	**113,319**	113,319
Others	**93,377,301**	91,496,369
	₱2,719,983,151	₱2,449,071,857

Payable to contractors are attributable to the construction costs incurred by the Group. These are noninterest-bearing and are normally settled within 30 to 120-days.

Income tax payable will be settled within one year.

Other taxes payable consist of output VAT and taxes withheld by the Group from their employees and contractors, which are payable within one year.

Retention payable pertains to 10% retention from contractors' progress billings which will be later released after the satisfactory completion of the contractor's work. The 10% retention serves as a security from the contractor should there be defects in the project. These are noninterest-bearing and are normally settled on a 30-day term upon completion of the relevant contracts.

Accrued expenses and other payables are normally settled within one year.

Others consist of non-trade payables and premium payable to SSS, Philhealth and Pag-ibig. These are normally settled within one year.

13. Loans Payable

This represents loans from local banks with fixed interest rates based on current market rates, the details of which follow:

	Payment Terms	**2014**	2013
Short-term loans:			
Bank loans	within 1 year	**₱740,000,000**	₱1,440,000,000
Long-term loans:			
Bank loans	2 to 10 years	**6,258,189,906**	4,968,912,204
Receivable financing	2 to 3 years	**1,056,949,166**	1,225,783,546
Notes payable	3 to 5 years	**15,887,042**	17,801,511
		8,071,026,114	7,652,497,261
Less current portion		**3,088,900,726**	3,482,719,833
		₱4,982,125,388	₱4,169,777,428

Short-term Loans

Short-term bank loans represent various secured promissory notes from local banks with annual interest rate of 3.50% in 2014 and annual interest rates ranging from 3.50% to 3.70% in 2013. These loans are payable within three months to one year from date of issuance.

A land and building located in Pasay City is used as collateral to secure the Group's short-term loan availed in 2014 and 2013. The aggregate carrying amount of these properties used as collateral amounted to ₱269.36 million as of March 31, 2014 and December 31, 2013.

Long-term Loans

Long-term bank loans

In March 2014, PPDC obtained a seven-year loan facility from a local bank. At the same month, PPDC availed the first draw down from this loan facility amounting to ₱1,300.00 million. The first draw down bears 4.50% annual interest rate and is payable after three years from the draw down date.

PPDC has a secured 10-year fixed rate loan from a local bank amounting to ₱1,180.13 million and ₱1,185.75 million as of March 31, 2014 and December 31, 2013, respectively. Quarterly principal repayments of 0.75% of the principal amount shall be made from the 1st to the 36th quarter while the remaining 73% will be paid on January 27, 2023, the maturity date. The loan bears an interest of 7.07% per annum for the first five years of the term and 7.89% per annum for the succeeding years until maturity.

In December 2013, PPDC availed of a secured 7-year fixed rate loan from a local bank with an outstanding balance of ₱200.00 million as of March 31, 2014 and December 31, 2013. Annual repayments of 1.00% of the principal shall be made from December 2015 until December 2019 while the remaining 95.00% shall be paid on December 20, 2020, the maturity date. The loan bears interest of 6.00% per annum.

ARCI has a long-term fixed rate loan from a local bank with an outstanding balance of ₱1,700.00 million as of March 31, 2014 and December 31, 2013. Payments shall be made in 5 equal quarterly amortizations to commence in 2015 until June 26, 2016. The loan is secured and bears a fixed interest rate of 6.31% per annum.

GRIC has secured long-term loans from a local bank with an aggregate outstanding balance of ₱1,500.05 million as of March 31, 2014 and December 31, 2013. 21.05% of the principal will be paid at the end of 2013 while the remaining balance is to be paid upon maturity, August 28, 2014. The loans are secured by a suretyship between the Parent Company and GRIC. The loans have fixed interest ranging from 3.00% per annum to 5.26% per annum.

In 2011, the Parent Company obtained secured long-term loans from a local bank amounting to ₱150.00 million and ₱350.00 million maturing in May 2016. Annual principal repayments shall be ₱15.00 million and ₱35.00 million, respectively while the remaining balance is to be paid upon maturity. The loan has a fixed interest rate of 8.07% and 7.30% per annum, respectively. As of March 31, 2014 and December 31, 2013, the aggregate outstanding balance of these loans amounted to ₱400.00 million.

In March 2010, the Parent Company signed an omnibus notes facility and security agreement with local banks relating to the issuance of 5-year peso denominated fixed rates notes of up to ₱1,000.00 million. The notes bear a fixed interest rate of 7.87% and 9.03% and are secured by various land and buildings owned by the Group. Proceeds of the said loan facility will be used to fund the Group's construction projects and repay short-term bank loans. The loan is made available in several tranches of ₱560.00 million and ₱140.00 million payable on

December 21, 2010 until December 21, 2015, and ₱240.00 million and ₱60.00 million payable on January 26, 2011 until January 26, 2016. These notes were pre-terminated on June 14, 2013. Outstanding balance of these loans amounted to nil as of March 31, 2014 and December 31, 2013.

Unamortized debt discount and issuance costs deducted from the above-mentioned long-term bank loans as of March 31, 2014 and December 31, 2013 amounted to ₱21.99 million and ₱16.89 million, respectively.

The rollforward analyses of unamortized debt discount and issuance costs on long-term bank loans as of March 31, 2014 and December 31, 2013 follow:

	2014	2013
Balance at beginning of period	**₱16,887,796**	₱24,786,335
Additions	**6,500,000**	8,794,692
Amortization	**(1,402,702)**	(16,693,231)
Balance at end of period	**₱21,985,094**	₱16,887,796

In January 2010, PPDC entered into a loan agreement with a local bank to finance the acquisition of REDESAN and PMCI. The loan with an aggregate principal amount of ₱465.00 million is payable in four years. This loan was fully paid in January 2013.

These term loans were secured with various land and buildings owned by the Group which are located in Roxas Boulevard, Pasay City, Binondo, Manila, Parañaque City and San Juan City, recorded under condominium units held for sale and investment properties. As of March 31, 2014 and December 31, 2013, these properties have an aggregate carrying value amounting to ₱10,436.51 million and ₱8,773.74 million, respectively.

Receivable financing
The loans payable on receivable financing as discussed in Note 6 arises from installment contracts receivable sold by the Group to various local banks with a total carrying amount of ₱1,056.95 million and ₱1,225.78 million as of March 31, 2014 and December 31, 2013, respectively. These loans bear fixed interest rates ranging from 4.00% to 4.76% in 2014 and 4.00% to 4.90% in 2013, payable on equal monthly installments over a maximum of 4 to 7 years depending on the terms of the installment contracts receivable.

Notes payable
Notes payable represents the car loans availed by the Group for the benefit of its employees. These loans are subject to monthly repricing. In 2014 and 2013, annual interest rates ranged from 3.83% to 8.96%. The Group's transportation equipment with a carrying value of ₱19.02 million and ₱20.12 million as of March 31, 2014 and December 31, 2013, respectively, are held as collateral to secure the Group's notes payable (see Note 9).

Debt covenants
The ₱1,000.00 million omnibus notes facility and security agreement requires the Group to ensure that debt-to-equity ratio will not exceed 3.5 times and debt service coverage ratio is at least 1.5 times. The Group was fully compliant with these requirements. This loan has been fully paid in June 2013.

Borrowing costs
As of March 31, 2014 and December 31, 2013, total borrowing costs on loans payable amounted to ₱121.40 million and ₱381.87 million, respectively, of which, ₱117.12 million and ₱366.02 million have been capitalized, respectively (see Note 19).

The Group is not in breach of any loan covenants as of March 31, 2014 and December 31, 2013.

14. Liabilities for Purchased Land

On May 18, 2011, the Group acquired land for the development of Monarch Parksuites from DM Wenceslao. The total consideration (net of VAT) amounted to ₱869.73 million, of which ₱326.15 million was paid in 2011 and the remaining balance was paid in 25 monthly installments. This liability bears no interest and was fully paid as of March 31, 2014.

15. Customers' Advances and Deposits

	2014	2013
Deposits from real estate buyers	**₱436,222,555**	₱464,221,113
Deposits from lessees	**552,773,031**	543,042,571
	₱988,995,586	₱1,007,263,684

Deposits from real estate buyers
The Group requires buyers of condominium units to pay a minimum percentage of the total contract price before the two parties enter into a sale transaction. In relation to this, the customers' advances and deposits represent payment from buyers which have not reached the minimum required percentage. When the buyer paid up 5% of the total contract price, a sale is recognized and these deposits and down payments will be applied against the related installment contracts receivable. The excess of collections over the recognized receivables is applied against the POC in the succeeding years.

Deposits from lessees
The Group also requires its tenants to pay leasehold rights pertaining to the right to use the lease unit before the parties enter into a lease transaction. Upon commencement of the lease, these payments are recognized in the consolidated statements of comprehensive income under "Rental income" on a straight-line basis over the lease term. The rental income on amortization of unearned rental income amounted to ₱15.92 million, ₱8.55 million, ₱40.78 million and ₱40.02 million for the three-month periods ended March 31, 2014 and 2013 and for the years ended December 31, 2013 and 2012, respectively.

16. Related Party Transactions

The Parent Company, in its regular conduct of business, has entered into transactions with its subsidiaries principally consisting of advances and reimbursement of expenses, development, management, marketing, leasing and administrative service agreements.

Enterprises and individuals that directly or indirectly, through one or more intermediaries, control or are controlled by or under common control, with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Parent Company and close members of the family of these individuals, and companies associated with these individuals, also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely to the legal form.

Terms and conditions of transactions with related parties
Transactions entered by the Group with related parties are cash advances to officers and employees for operational purposes. Outstanding balances at year-end are unsecured, interest-free and settlement occurs by way of liquidation of cash advances. For the three-month period ended March 31, 2014 and 2013, the Group has not recorded any impairment on receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates. Related party transactions and balances were eliminated in the consolidated financial statements.

Compensation and benefits of key management personnel for the three-month periods ended March 31, 2014 and 2013 and for the years ended December 31, 2013 and 2012 amounted to ₱11.92 million, ₱8.04 million, ₱38.60 million and ₱25.07 million, respectively.

Key management compensation
The key management personnel of the Group include all directors, executives, and senior management.

17. Interest and Other Income

	March 31		December 31	
	2014	2013	2013	2012
Interest income from:				
Accretion of unamortized discount (Note 6)	**₱74,516,749**	₱73,059,298	₱282,699,137	₱300,687,376
Cash and cash equivalents (Note 5)	**256,722**	1,399,206	3,329,139	3,482,497
Other income	**8,253,782**	12,465,727	114,578,943	55,490,980
	₱83,027,253	₱86,924,231	₱400,607,219	₱359,660,853

Other income consists mainly of the income from nonrefundable amounts forfeited on cancelled sales as well as penalties and other surcharges billed against defaulted installment contracts receivable. Income from nonrefundable amounts forfeited on cancelled sales includes both reservation fees that have prescribed from the allowable period of completing the requirements for such reservations and the forfeited collections from defaulted contracts receivables that have been assessed by the Group's management as no longer refundable.

18. Selling and Administrative Expenses

	March 31		December 31	
	2014	2013	2013	2012
Sales and marketing	**₱31,097,708**	₱68,963,487	₱264,837,788	₱216,457,859
Salaries, wages and employee benefits (Notes 16 and 20)	**44,153,878**	41,973,533	179,377,411	151,457,291
Utilities	**23,418,850**	29,291,757	82,703,173	82,445,806
Taxes and licenses	**18,265,051**	57,962,522	80,576,334	88,575,694
Depreciation and amortization (Notes 9, 10 and 11)	**15,540,002**	16,027,507	65,526,279	61,758,616
Rental (Note 25)	**13,324,679**	24,797,521	59,456,596	74,232,360
Professional fees	**3,685,502**	5,778,164	8,322,227	8,394,868
Representation and entertainment	**2,143,476**	2,319,939	3,618,889	4,010,208
Insurance	**1,730,573**	2,530,448	6,467,011	6,473,996
Transportation and travel	**1,547,206**	1,701,929	3,720,978	4,274,107
Donations and contributions	**61,500**	2,553,560	21,391,326	6,277,706
Others	**12,496,171**	18,086,611	26,875,303	31,809,532
	₱167,464,596	₱271,986,978	₱802,873,315	₱736,168,043

Others mainly pertain to referral fees paid to unit owners, office and pantry supplies and liquidation of cash advances incurred for the daily operations of the Group.

Details of depreciation expense follow:

	March 31		December 31	
	2014	2013	2013	2012
Cost of real estate	**₱567,756**	₱614,667	₱2,572,741	₱1,698,634
Selling and administrative	**15,540,002**	16,027,507	65,526,279	61,758,616
	₱16,107,758	₱16,642,174	₱68,099,020	₱63,457,250

19. Finance Costs

	March 31		December 31	
	2014	2013	2013	2012
Interest expense on:				
Loans payable (Note 13)	**₱121,394,949**	₱101,434,634	₱381,868,910	₱327,055,276
Pension liabilities (Note 20)	**512,923**	379,678	1,518,714	667,936
	121,907,872	101,814,312	383,387,624	327,723,212
Less amounts capitalized on:				
Real estate development and sale (Note 7)	**116,833,813**	96,452,459	347,678,894	297,407,010
Investment properties (Note 10)	**285,194**	–	18,340,393	15,788,435
	117,119,007	96,452,459	366,019,287	313,195,445
	₱4,788,865	₱5,361,853	₱17,368,337	₱14,527,767

Interest expense for short-term loans amounted to ₱14.14 million, ₱11.20 million, ₱45.51 million and ₱72.56 million for the three-month periods ended March 31, 2014 and 2013 and for the years ended December 31, 2013 and 2012, respectively.

20. Pension Plan

The Group has an unfunded, noncontributory defined benefit plan covering substantially all of its regular employees. The benefits are based on the projected retirement benefit of 22.5 days' pay per year of service in accordance with Republic Act 7641, *Retirement Pay Law*. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the retirement benefit obligation.

The components of the Group's pension costs follow:

	March 31		December 31	
	2014	2013	2013	2012
Current service cost	**₱2,626,574**	₱1,287,100	₱9,551,178	₱6,735,132
Interest cost on benefit obligation (Note 19)	**512,923**	379,678	1,518,714	667,936
	₱3,139,497	₱1,666,778	₱11,069,892	₱7,403,068

Movements in the present value of defined benefit obligations as of March 31, 2014 and December 31, 2013 follow:

	2014	2013
Balance at beginning of period	**₱32,158,186**	₱24,856,210
Net benefit cost in profit or loss		
Current service cost	**2,626,574**	9,551,178
Interest cost	**512,923**	1,518,714
	3,139,497	11,069,892
Remeasurement in other comprehensive income		
Actuarial changes arising from changes in financial assumptions	–	(1,790,467)
Actuarial changes arising from changes in demographic assumptions	–	(1,977,449)
	–	(3,767,916)
Balance at end of period	**₱35,297,683**	₱32,158,186

The assumptions used to determine pension benefits of the Group for the three-month period ended March 31, 2014 and for the year ended December 31, 2013 follow:

Discount rate	6.38%
Salary increase rate	10.00

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

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

	Increase (decrease)	December 31, 2013
Discount rates	+150 basis points	(₱8,163,723)
	-150 basis points	11,551,882
Future salary increases	+1.50%	9,346,792
	-1.50%	(7,695,592)

The Company does not expect to contribute to the defined benefit pension plan in 2014. The average duration of the defined benefit obligation as of the reporting date is 22.8 to 23.2 years.

Shown below is the maturity analysis of the undiscounted benefit payments as of March 31, 2014 and December 31, 2013:

More than 1 year to 2 years	₱323,607
More than 3 years to 4 years	1,120,036
More than 4 years	5,511,872

21. **Income Tax**

Provision for income tax consists of:

	March 31		December 31	
	2014	2013	2013	2012
Current:				
Final	**₱47,190**	₱278,704	₱659,404	₱571,417
RCIT/MCIT	**64,019,103**	23,346,502	302,423,236	200,527,033
	64,066,293	23,625,206	303,082,640	201,098,450
Deferred	**24,150,527**	98,487,864	112,003,463	126,887,261
	₱88,216,820	₱122,113,070	₱415,086,103	₱327,985,711

Current taxes include corporate income tax and final taxes paid at the rate of 7.50% and 20.00%, which is a final withholding tax on gross interest income from cash and cash equivalents.

Details of the carryover NOLCO that can be claimed as deduction from future taxable income and MCIT that can be claimed as tax credits against income tax liabilities follows:

NOLCO

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2011	₱131,988,222	₱86,173,807	₱45,814,415	2014
2012	35,664,830	–	35,664,830	2015
2013	10,874,509	6,700,094	4,174,415	2016
2014	92,722,128	–	92,722,128	2017
	₱271,249,689	₱92,873,901	₱178,375,788	

MCIT

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2011	₱4,148,905	₱1,933,860	₱2,155,045	2014
2012	2,210,912	–	2,210,912	2015
2013	2,533,078	–	2,533,078	2016
2014	102,747	–	102,747	2017
	₱8,995,642	₱1,933,860	₱7,001,782	

Net deferred tax assets of the Group as of March 31, 2014 and December 31, 2013 follow:

	2014	2013
Deferred tax assets on:		
Unamortized discount on installment contracts receivables	**₱16,420,871**	₱17,212,558
NOLCO	**20,960,548**	15,990,827
Pension liabilities recognized in:		
Profit or loss	**9,790,778**	8,017,180
Other comprehensive income	**606,878**	606,878
MCIT	**7,001,782**	6,899,035
Difference between tax and book basis of accounting for real estate transactions	**3,025,412**	3,706,985
Nondeductible expenses	**1,868,518**	1,868,518
Commissions expense per books in excess of actual commissions paid	**208,795**	536,555
	59,883,582	54,838,536

(Forward)

	2014	2013
Deferred tax liabilities on:		
Actual commissions paid in excess of commissions expense per books	**₱3,219,639**	₱–
Difference between tax and book basis of accounting for real estate transactions	**1,196,396**	7,516,761
	4,416,035	7,516,761
	₱55,467,547	₱47,321,775

Net deferred tax liabilities of the Group as of March 31, 2014 and December 31, 2013 follow:

	2014	2013
Deferred tax asset on:		
Unamortized discount on installment contracts receivables	**₱68,650,404**	₱75,049,006
Difference between tax and book basis of accounting for real estate transactions	**58,364,090**	46,211,325
NOLCO	**30,708,489**	9,421,770
Commissions expense per books in excess of actual commissions paid	**17,997,582**	27,060,563
Nondeductible expenses	**724,540**	724,539
	176,445,105	158,467,203
Deferred tax liabilities on:		
Difference between tax and book basis of accounting for real estate transactions	**469,097,009**	419,184,772
Actual commissions paid in excess of commissions expense per books	**18,220,741**	17,683,777
Unamortized discount on loans payable	**2,104,500**	2,279,500
	489,422,250	439,148,049
	₱312,977,145	₱280,680,846

The Group has deductible temporary differences for which deferred tax assets have not been recognized since the management assessed that no sufficient taxable income is available in the future to allow all or part of deferred tax assets on certain temporary differences to be realized and/or utilized. Accordingly, the Group did not set up deferred tax assets on certain temporary differences as follows:

	2014	2013
NOLCO	**₱6,145,665**	₱7,694,814
Pension liabilities	**3,411,326**	3,411,326
	₱9,556,991	₱11,106,140

The Group's unrecognized deferred tax assets amounted to ₱2.87 million and ₱2.67 million as of March 31, 2014 and December 31, 2013, respectively.

Board of Investments (BOI) incentives
The BOI issued Certificates of Registration as a New Developer of Low-Cost Mass Housing Project to PPDC for Solemare Parksuites Phase 1 and ARCI for Admiral Baysuites East Wing and as an Expanding Developer of Low-Cost Mass Housing Project to PPDC for Solemare Parksuites Phase 2 in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the projects have been granted an Income Tax Holiday for a period of three (3) to four (4) years.

Statutory reconciliation
The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	March 31		December 31	
	2014	2013	2013	2012
Statutory income tax rate	**30.00%**	30.00%	30.00%	30.00%
Tax effect of:				
Nondeductible expenses	**0.01**	0.03	0.07	0.51
Interest income subject to final tax	**(0.01)**	(0.03)	(0.02)	(0.02)
Changes in unrecognized deferred tax assets	**0.13**	1.05	0.09	(0.79)
Tax exempt income	**(0.81)**	(1.08)	(2.87)	(5.47)
Applied MCIT	**(0.01)**	–	–	–
Effective income tax rate	**29.31%**	29.25%	27.27%	24.23%

22. Equity

Capital Stock
The movement of the Parent Company's capital stock follows:

	Common shares		Preferred shares	
	No. of shares	Amount	No. of shares	Amount
As at December 31, 2012	693,334,000	₱693,334,000	346,667,000	₱346,667,000
Stock dividends	346,667,000	346,667,000	–	–
As at December 31, 2013 and March 31, 2014	**1,040,001,000**	**₱1,040,001,000**	**346,667,000**	**₱346,667,000**

The details of the Parent Company's capital stock which consists of common and preferred shares follow:

Common shares
Details of the Parent Company's common shares as of March 31, 2014 and December 31, 2013 follow:

Authorized shares	3,500,000,000
Par value per share	₱1.00
Issued and outstanding shares	1,040,001,000

On November 8, 2013, the SEC approved the increase in the Parent Company's capital stock by increasing common stock from ₱2.30 billion divided into 2.30 billion shares with par value of ₱1.00 each to ₱3.50 billion divided into 3.50 billion shares with par value of ₱1.00 each.

On August 8, 2007, the Parent Company launched its Initial Public Offering where a total of 86,667,000 common shares were offered at an offering price of ₱8.93 per share. The registration statement was approved on July 30, 2007. The Parent Company has 114 existing shareholders as of March 31, 2014 and December 31, 2013.

Preferred shares
Details of the Parent Company's preferred shares as of March 31, 2014 and December 31, 2013 follow:

Authorized shares	1,300,000,000
Par value per share	₱1.00
Issued and outstanding shares	346,667,000

Cash dividends
On May 29, 2013, the Parent Company's BOD declared cash dividends as follows:

1. For preferred shares - 8% dividends for the year 2012; and

2. For common shares - ₱0.15 per common share held for common shares issued and outstanding.

The record date is June 28, 2013 and dividends amounting to ₱131.73 million are paid on July 16, 2013.

Stock dividends
On May 29, 2013, the BOD approved the increase of the Parent Company's authorized capital from 2,300.00 million common shares with par value of ₱1 per share to 3,500.00 million common shares with par value of ₱1 per share. Furthermore, the BOD also authorized to issue one common share per two outstanding common share held by stockholders or 50% of the outstanding capital stock of the Parent Company to be issued to the stockholders as of record date to be determined by the SEC, upon approval of the increase in authorized capital stock of the Parent Company. On November 8, 2013, the SEC approved the said increase in authorized capital stock.

On November 8, 2013, the SEC also authorized the issuance of 346,667,000 shares at ₱1.00 par value, to cover the stock dividend declared by the BOD to stockholders on record as of November 25, 2013. The said stock dividends were distributed on December 6, 2013 (see Note 26).

Retained earnings
The retained earnings available for dividend distribution amounted to ₱1,220.27 million and ₱1,220.52 million as of March 31, 2014 and December 31, 2013, respectively. The undistributed earnings from subsidiaries amounting ₱598.55 million and ₱301.12 million in 2014 and 2013, respectively, is not available for dividend distribution until actually declared by the subsidiaries.

Under the Tax Code, publicly-held Corporations are allowed to accumulate retained earnings in excess of capital stock and are exempt from improperly accumulated earnings tax.

On November 25, 2013, the BOD approved the appropriation of earnings amounting to ₱500.00 million for the project development of GRIC's new condominium projects, ₱470.00 million for the project development of Monarch Parksuites, ₱30.00 million for the project development of Oxford Parksuites and ₱12.25 million for working capital of EAGI's future projects. These appropriations are expected to be released gradually up to 2017.

On December 12, 2012, the BOD approved the appropriation of earnings for the project development of Anchor Skysuites amounting to ₱100.00 million, Oxford Parksuites amounting ₱150.00 million and Monarch Parksuites amounting to ₱100.00 million which are expected to be released gradually up to 2015, 2016 and 2017, respectively.

Capital management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The following table shows the components of what the Group considers its capital as of March 31, 2014 and December 31, 2013:

	2014	2013
Capital stock:		
Common stock	**₱1,040,001,000**	₱1,040,001,000
Preferred stock	**346,667,000**	346,667,000
Additional paid-in capital	**632,687,284**	632,687,284
Retained earnings	**3,228,442,790**	3,013,664,382
	₱5,247,798,074	₱5,033,019,666

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt the interest-bearing loans and borrowings, accounts and other payables, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the parent (excluding other comprehensive loss).

	2014	2013
Accounts and other payables	**₱2,719,983,151**	₱2,449,071,857
Loans payable	**8,071,026,114**	7,652,497,261
Liabilities for purchased land	**–**	21,743,280
Customers' advances and deposits	**988,995,586**	1,007,263,684
	11,780,004,851	11,130,576,082
Less cash and cash equivalents	**(853,595,965)**	(533,571,675)
Net debt	**10,926,408,886**	10,597,004,407
Capital (excluding other comprehensive loss)	**5,247,798,074**	5,033,019,666
Total capital and net debt	**₱16,174,206,960**	₱15,630,024,073
Gearing ratio	**68%**	68%

No changes were made in the objectives, policies or processes during the three-month period ended March 31, 2014 and the year ended December 31, 2013.

23. **Financial Instruments**

Fair Value Information

The carrying amounts of the Group's financial assets and financial liabilities approximate their fair values due to their short-term maturities except for the following financial asset and financial liability as of March 31, 2014 and December 31, 2013:

	2014		2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Asset				
Loans and receivables:				
Installment contracts receivable	**₱6,184,123,464**	**₱6,289,883,277**	₱6,053,763,009	₱6,887,326,871
Financial Liability				
Other financial liabilities:				
Loans payable	**₱8,071,026,114**	**₱8,071,981,887**	₱7,652,497,261	₱7,818,062,276

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

Financial asset

Installment contract receivables - Fair value is based on the discounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date based on the remaining terms to maturity. The discount rates used ranged from 1.03% to 5.40% in 2014 and from 0.25% to 5.32% in 2013.

Financial liability

Loans payable - For variable rate loans that reprice every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates. Fair value of fixed-rate loans are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used ranged from 2.62% to 4.20% and 2.30% to 3.73% in 2014 and 2013, respectively.

Fair Value Hierarchy

The following table shows the fair value hierarchy of the Group's assets and liabilities for which fair value are disclosed as of March 31, 2014:

	Quoted Prices in Active Markets (Level 1)	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Assets for which fair value is disclosed:				
Installment contracts receivable	**₱–**	**₱–**	**₱6,289,883,277**	**₱6,289,883,277**
Investment properties	**–**	**–**	**3,215,564,946**	**3,215,564,946**
	₱–	**₱–**	**₱9,505,448,223**	**₱9,505,448,223**
Liability for which fair value is disclosed:				
Loans payable	**₱–**	**₱–**	**₱8,071,981,887**	**₱8,071,981,887**

As of March 31, 2014 and December 31, 2013, the Group has no financial instruments measured at fair value.

There was no change in the valuation techniques used by the Group in determining the fair market value of the assets and liabilities.

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Financial Risk Management Objectives and Policies
The Group's principal financial instruments comprise cash and cash equivalents, receivables, accounts and other payables and loans payable, which arise directly from operations. The main purpose of these financial instruments is to finance the Group's operations.

The main risks arising from the Group's financial instruments are liquidity risk and credit risk. The exposures to these risks and how they arise, as well as the Group's objectives, policies and processes for managing the risks and the methods used to measure the risks did not change from prior years. The main objectives of the Group's financial risk management are as follows:

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

The BOD reviews and agrees policies for managing each of these risks which are summarized below:

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

The Group's objective is to maintain balance between continuity of funding and flexibility through the use of bank loans. The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash deemed sufficient to finance its operations and to mitigate the effects of fluctuation in cash flows. Capital expenditures, operating expenses and working capital requirements are sufficiently funded through cash collections and bank loans. Accordingly, its financial liabilities, obligations and bank loans maturity profile are regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions. As of March 31, 2014 and December 31, 2013, the Group has undrawn facilities amounting ₱6.66 billion and ₱3.16 billion, respectively.

The tables below summarize the maturity profile of the Group's financial assets and liabilities as of March 31, 2014 and December 31, 2013, based on undiscounted cash flows:

	2014			
	On Demand	**Within 1 year**	**More than 1 year**	**Total**
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱845,935,767**	**₱7,660,198**	**₱–**	**₱853,595,965**
Receivables:				
Installment contracts receivable	–	**2,515,164,697**	**4,922,450,263**	**7,437,614,960**
Due from condominium association	–	**14,043,321**	–	**14,043,321**
Advances to employees	–	**144,643**	–	**144,643**
Others	–	**191,792,685**	–	**191,792,685**
Total Financial Assets	**₱845,935,767**	**₱2,728,805,544**	**₱4,922,450,263**	**₱8,497,191,574**
Financial Liabilities				
Other financial liabilities:				
Accounts and other payables:				
Payable to contractors and suppliers	**₱–**	**₱1,610,567,461**	**₱–**	**₱1,610,567,461**
Retention payable	–	**506,948,704**	–	**506,948,704**
Accrued expenses	–	**90,550,119**	–	**90,550,119**
Others	–	**93,377,301**	–	**93,377,301**
Loans payable	–	**3,430,549,059**	**6,470,015,367**	**9,900,564,426**
Total Financial Liabilities	**₱–**	**₱5,731,992,644**	**₱6,470,015,367**	**₱12,202,008,011**

	2013			
	On Demand	Within 1 year	More than 1 year	Total
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	₱525,911,477	₱7,660,198	₱–	₱533,571,675
Receivables:				
Installment contracts receivable	–	2,533,963,762	4,232,221,809	6,766,185,571
Due from condominium association	–	14,024,106	–	14,024,106
Advances to employees	–	1,082,143	–	1,082,143
Others	–	160,241,574	–	160,241,574
Total Financial Assets	₱525,911,477	₱2,716,971,783	₱4,232,221,809	₱7,475,105,069
Financial Liabilities				
Other financial liabilities:				
Accounts and other payables:				
Payable to contractors and suppliers	₱–	₱1,416,646,042	₱–	₱1,416,646,042
Retention payable	–	472,394,482	–	472,394,482
Accrued expenses	–	113,036,986	–	113,036,986
Others	–	91,496,369	–	91,496,369
Loans payable	–	3,806,846,933	5,367,070,347	9,173,917,280
Liabilities for purchased land	–	21,743,280	–	21,743,280
Total Financial Liabilities	₱–	₱5,922,164,092	₱5,367,070,347	₱11,289,234,439

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group trades only with recognized, creditworthy third parties. The Group's receivables are monitored on an ongoing basis resulting to a manageable exposure to bad debts. Real estate buyers are subject to standard credit check procedures, which are calibrated based on the payment scheme offered. The Group's respective credit management unit conducts a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts. In addition, the credit risk for real estate receivables is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject house in case of refusal by the buyer to pay on time the due installment contracts receivable. This risk is further mitigated because the corresponding title to the condominium units sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

As of March 31, 2014 and December 31, 2013, the Group's maximum exposure to credit risk without considering the effects of collaterals and other credit enhancements follows:

	2014	2013
Cash in banks and cash equivalents	**₱853,315,965**	₱533,391,675
Receivables:		
Installment contracts receivable	**6,184,123,464**	6,053,763,009
Due from condominium association	**14,043,321**	14,024,106
Advances to employees	**144,643**	1,082,143
Others	**191,792,685**	160,241,574
	₱7,243,420,078	₱6,762,502,507

As for the cash in banks and cash equivalents, due from condominium association, advances to employees and other receivables, the maximum exposure to credit risk from these financial assets arise from the default of the counterparty with a maximum exposure equal to their carrying amounts.

The subjected condominium units sold are held as collateral for all installment contracts receivables. The maximum exposure to credit risk, before considering credit exposure, from the Group's installment contracts receivable amounted to ₱6,184.12 million and ₱6,053.76 million as of March 31, 2014 and December 31, 2013, respectively. The fair value of the related collaterals amounted to ₱18,863.33 million and ₱16,687.29 million as of March 31, 2014 and December 31, 2013, respectively. The financial effect of the collateral amounted to ₱6,184.12 million and ₱6,053.76 million as of March 31, 2014 and December 31, 2013, respectively, resulting to net exposure amounts of nil as of March 31, 2014 and December 31, 2013. Basis for the fair value of the collaterals is the current selling price of the condominium units.

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk. As of March 31, 2014 and December 31, 2013, the credit quality per class of financial assets is as follows:

	2014				
	Neither Past Due nor Impaired		**Substandard**	**Past Due But**	
	Grade A	**Grade B**	**Grade**	**Not Impaired**	**Total**
Cash in banks and cash equivalents	**₱853,315,965**	**₱–**	**₱–**	**₱–**	**₱853,315,965**
Receivables:					
Installment contracts receivable	**6,174,085,256**	–	–	**10,038,208**	**6,184,123,464**
Due from condominium association	**14,043,321**	–	–	–	**14,043,321**
Advances to employees	**144,643**	–	–	–	**144,643**
Others	**191,792,685**	–	–	–	**191,792,685**
	₱7,233,381,870	**₱–**	**₱–**	**₱10,038,208**	**₱7,243,420,078**

	2013				
	Neither Past Due nor Impaired		Substandard	Past Due But	
	Grade A	Grade B	Grade	Not Impaired	Total
Cash in banks and cash equivalents	₱533,391,675	₱–	₱–	₱–	₱533,391,675
Receivables:					
Installment contracts receivable	6,041,554,948	–	–	12,208,061	6,053,763,009
Due from condominium association	14,024,106	–	–	–	14,024,106
Advances to employees	1,082,143	–	–	–	1,082,143
Others	160,241,574	–	–	–	160,241,574
	₱6,750,294,446	₱–	₱–	₱12,208,061	₱6,762,502,507

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

Cash and cash equivalents - based on the nature of the counterparty and the Group's internal rating system. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency.

Receivables - Grade A installment contract receivables are considered to be of high value where the counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Grade B accounts are active accounts with minimal to regular instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to the Group's collection efforts and update their payments accordingly.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms. In the Group's assessment, there are no financial assets that will fall under this category as the Group transacts with recognized third parties.

Due from condominium association and advances to employees are considered as Grade A. The credit quality rating of Grade A pertains to receivables with no defaults in payment. The Group determines financial assets as impaired when the probability of recoverability is remote and in consideration of the lapse in the period which the asset is expected to be recovered.

As of March 31, 2014 and December 31, 2013, the aging analysis of the Group's past due but not impaired installment contracts receivable follows:

	<30 days	**30-60 days**	**60-90 days**	**>90 days**	**Total**
2014	**₱2,669,021**	**₱2,179,296**	**₱680,905**	**₱4,508,986**	**₱10,038,208**
2013	₱3,018,309	₱1,746,919	₱1,527,722	₱5,915,111	₱12,208,061

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

The Group transacts only with institutions or banks which have demonstrated financial soundness for the past five years.

24. **Segment Information**

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. Accordingly, the segment information is reported based on the nature of service the Group is providing.

As of March 31, 2014 and December 31, 2013, the Group considers the following as its reportable segments:

- Condominium sales - development of high-end condominium units for sale to third parties
- Leasing - development of commercial units and shopping centers for lease to third parties
- Property management - facilities management and consultancy services covering condominium and building administration

The Chairman has been identified as the chief operating decision-maker (CODM). The CODM reviews the Group's internal reports in order to assess performance and allocate resources. Management has determined the operating segment based on these reports. The Group does not report results based on geographical segments because the Group operates only in the Philippines.

The financial information about the operations of the reportable segments for the three-month period ended March 31, 2014 and for the year ended December 31, 2013 follow:

	2014				
	Condominium Sales	Leasing	Property Management	Intersegment Eliminating Adjustments	Total
REVENUE					
Real estate sales	₱1,025,039,535	₱–	₱–	₱–	₱1,025,039,535
Rental income	–	56,901,371	–	–	56,901,371
Management fee	–	–	9,649,224	(1,357,565)	8,291,659
Interest and other	80,324,404	2,015,193	687,656	–	83,027,253
	1,105,363,939	58,916,564	10,336,880	(1,357,565)	1,173,259,818
COSTS AND EXPENSES					
Cost of condominium units	663,259,345	–	–	36,751,181	700,010,526
Selling and administrative	129,621,702	31,315,557	7,884,902	(1,357,565)	167,464,596
	792,881,047	31,315,557	7,884,902	35,393,616	867,475,122
Earnings before interest and taxes	312,482,892	27,601,007	2,451,978	(36,751,181)	305,784,696
Finance costs	7,083,384	–	54,411	(2,348,930)	4,788,865
Income before tax	₱305,399,508	₱27,601,007	₱2,397,567	(34,402,251)	₱300,995,831
ASSETS					
Cash and cash equivalents	₱836,865,749	₱13,406,109	₱3,324,107	₱–	₱853,595,965
Receivables	6,304,365,913	87,475,622	11,883,663	–	6,403,725,198
Real estate for development and sale	5,043,472,333	–	–	286,821,150	5,330,293,483
Other current assets	1,837,612,464	159,865,166	2,080,098	–	1,999,557,728
Investment properties	–	1,939,946,882	–	691,140,567	2,631,087,449
Other noncurrent assets	57,698,331	1,580,921	–	–	59,279,252
	₱14,080,014,790	₱2,202,274,700	₱17,287,868	₱977,961,717	₱17,277,539,075
LIABILITIES					
Accounts and other payables	₱2,183,530,077	₱147,017,922	₱895,586	₱–	₱2,331,443,585
Customers' advances and deposits	436,222,555	552,773,031	–	–	988,995,586
Loans payable	8,071,026,114	–	–	–	8,071,026,114
	₱10,690,778,746	₱699,790,953	₱895,586	₱–	₱11,391,465,285

	2013				
	Condominium Sales	Leasing	Property Management	Intersegment Eliminating Adjustments	Total
REVENUE					
Real estate sales	₱5,079,980,289	₱–	₱–	₱–	₱5,079,980,289
Rental income	–	198,376,603	–	–	198,376,603
Management fee	–	–	29,224,969	(5,917,955)	23,307,014
Interest and other	399,326,472	504,062	776,685	–	400,607,219
	5,479,306,761	198,880,665	30,001,654	(5,917,955)	5,702,271,125
COSTS AND EXPENSES					
Cost of condominium units	3,177,882,877	–	–	181,804,279	3,359,687,156
Selling and administrative	643,311,924	136,635,434	28,843,912	(5,917,955)	802,873,315
	3,821,194,801	136,635,434	28,843,912	175,886,324	4,162,560,471
Earnings before interest and taxes	1,658,111,960	62,245,231	1,157,742	(181,804,279)	1,539,710,654
Finance costs	64,254,339	–	148,612	(47,034,614)	17,368,337
Income before tax	₱1,593,857,621	₱62,245,231	₱1,009,130	(₱134,769,665)	₱1,522,342,317
ASSETS					
Cash and cash equivalents	₱516,608,348	₱13,606,459	₱3,356,868	₱–	₱533,571,675
Receivables	6,216,276,703	20,389,027	9,289,350	–	6,245,955,080
Real estate for development and sale	4,859,895,073	–	–	321,380,910	5,181,275,983
Other current assets	1,584,774,035	153,885,283	1,612,536	–	1,740,271,854
Investment properties	–	1,945,565,921	–	688,836,905	2,634,402,826
Other noncurrent assets	52,172,514	1,900,419	–	–	54,072,933
	₱13,229,726,673	₱2,135,347,109	₱14,258,754	₱1,010,217,815	₱16,389,550,351
LIABILITIES					
Accounts and other payables	1,981,463,648	137,784,250	4,325,981	–	2,123,573,879
Customers' advances and deposits	464,182,354	543,042,571	38,759	–	1,007,263,684
Loans payable	7,652,497,261	–	–	–	7,652,497,261
Liabilities for purchased land	21,743,280	–	–	–	21,743,280
	₱10,119,886,543	₱680,826,821	₱4,364,740	₱–	₱10,805,078,104

1. Segment assets exclude deferred tax asset and property and equipment.
2. Segment liabilities exclude income tax payable, other taxes payable, pension liabilities and deferred tax liabilities.

The Chairman monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Intercompany revenue and cost in amounted to ₱1.36 million and ₱5.92 million for the three-month period ended March 31, 2014 and the year ended December 31, 2013 respectively.

Capital expenditure with an aggregate amount of ₱746.30 million and ₱4.56 billion for the three-month period ended March 31, 2014 and for the year ended December 31, 2013, respectively, consists of condominium project costs, construction and acquisition cost of investment properties and land acquisitions costs. The Group has no revenue from transactions with a single external customer amounting to 5.0% or more of the Group's revenue.

25. Operating Lease Commitments

Operating Leases - Group as Lessor

The Group entered into cancellable lease agreements with third parties covering its investment property portfolio. These leases generally provide for a fixed monthly rental on the Group's warehouse and commercial units. Rent income amounted to ₱56.90 million, ₱45.59 million, ₱198.38 million and ₱171.47 million for the three-month periods ended March 31, 2014 and 2013 and for the years ended December 31, 2013 and 2012, respectively.

Operating Leases - Group as Lessee

The Group has entered into non-cancellable lease agreements for the rental of its offices and showroom for a period of two to five years and exhibit booth, for a period of 1 to 3 months. The lease is renewable upon mutual consent of the contracting parties. Rental expense charged to operations amounted to ₱13.32 million, ₱24.80 million, ₱59.46 million and ₱74.23 million for the three-month periods ended March 31, 2014 and 2013 and for the years ended December 31, 2013 and 2012, respectively.

Future minimum rentals payable as of March 31, 2014 and December 31, 2013 follow:

	2014	2013
Less than one year	**₱15,788,871**	₱16,227,552
After one year but not more than 5 years	**886,395**	1,800,000
	₱16,675,266	₱18,027,552

26. **Earnings Per Share**

Basic/diluted EPS amounts attributable to equity holders of the Parent Company for the three-month periods ended March 31, 2014 and 2013 and for the years ended December 31, 2013 and 2012 follow:

	March 31		December 31	
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)
Net income attributable to equity holders of Anchor Land Holdings, Inc.	**₱214,778,408**	₱294,721,633	₱1,105,031,553	₱1,022,854,491
Less dividends on preferred shares (Note 22)	**6,933,340**	6,933,340	27,733,360	27,733,360
Net income attributable to equity holders of Anchor Land Holdings, Inc. for basic and diluted EPS*	**207,845,068**	287,788,293	1,077,298,193	995,121,131
Weighted average number of common shares for basic and diluted EPS	**1,040,001,000**	1,040,001,000	1,040,001,000	1,040,001,000
Basic/diluted EPS	**₱0.20**	₱0.28*	₱1.04	₱0.96*

**The weighted average number of common shares take into account the effect of declaration of stock dividends in 2013 (See Note 22).*

As discussed in Note 22, the Parent Company distributed 50% stock dividends (or 346,667,000 shares) to the stockholders on December 6, 2013. For purposes of calculating the EPS, the stock dividend is treated retroactively as if the stock dividends occurred at the beginning of the earliest period presented.

27. **Contingencies**

The Parent Company has an ongoing arbitration dispute instituted by SKI Construction Group, Inc. (“Claimant”) with the Construction Industry Arbitration Commission (CIAC) for its allegedly unpaid monetary claims as the general contractor of a condominium building (“the Project”) owned by the Parent Company. The total claims amounted to ₱73.95 million.

The Parent Company has responded to the claims and also made counterclaims amounting to ₱73.27 million for liquidated damages, costs of rectification works, costs to complete the Project, and other damages incident to the Parent Company's take over and completion of the Project after Claimant incurred prolonged unreasonable delay and eventually failed to complete the Project within the agreed timetable and granted extension.

In its decision dated December 14, 2009, the Arbitral Tribunal awarded the Claimant the aggregate amount of ₱28.37 million and the Parent Company the aggregate amount of ₱40.44 million. Both the Claimant and the Parent Company filed their respective appeals with the Court of Appeals (CA) on February 12, 2010. Both appeals were subsequently consolidated.

In the CA's ruling dated August 2, 2013, it affirmed the Arbitral Tribunal's ruling dated December 14, 2009 and dismissed both appeals.

In a resolution dated November 18, 2013, the CA also denied the Claimant's and the Parent Company's respective Motions for Reconsideration. The Parent Company ceased to appeal for the CA's decision and resolution denying the Motion for Reconsideration.

In January 2014, SKI filed its petition for review on certiorari to the Supreme Court to question the CA's ruling in favor of the Parent Company. In a resolution dated February 10, 2014, the Supreme Court resolved to deny the Claimant's petition, finding no reversible error in the challenged decision and resolution.

As of March 31, 2014, the Parent Company is waiting for the Supreme Court resolution to become final and executory.

No provisions were made in 2014 and 2013 for this lawsuit.