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SEC Registration Number

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(Company's Full Name)

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

Venus A. Mejia

(Contact Person)

918-8188 loc 6108

(Company Telephone Number)

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Month Day
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Month Day
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(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

5,874 shareholders

Total No. of Stockholders

Total Amount of Borrowings	
P 36.07 Billion	None
Domestic	Foreign

To be accomplished by SEC Personnel concerned

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File Number

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATIONS CODE
AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPINES

For the calendar year ended **December 31, 2014**

SEC Identification Number **170957**

BIR Tax ID **000-533-224**

Exact name of registrant as specified in its charter

FILINVEST LAND, INC.

Philippines

Province, Country or other jurisdiction of incorporation or organization

Filinvest Bldg., #79 EDSA, Highway Hills, Mandaluyong City, Metro Mla. **1550**
Address of principal office Postal Code

02-918-8188 **02-588-1678**
Registrant 's telephone number, including area code

Former Address:

Former name, former address, and former fiscal year, if changed since last report

Securities registered pursuant to Section 8 and 12 of the SRC

<u>Title of Each Class</u>	<u>Number of shares of Common Stock Outstanding</u>	<u>Amount of Long-Term Debt Outstanding</u>
Common Stock, P 1.00 par value	24,249,759,506	40,306,593,173

Are any or all of these securities listed on the Philippine Stock Exchange

Yes

☒

No

☐

Check whether the issuer:

- (a) has filed reports required to be filed by Section 17 of the SRC Rule 17 thereunder or Section 11 of the RSA Rule 1(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

☒

No

☐

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

Yes

☒

No

☐

State the aggregate market value of the voting stock held by non-affiliates. **₱15.20 Billion**

**APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF
PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEAR:**

Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court of the Commission.

Yes ☐ Not Applicable No ☐

If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-1 into which the document is incorporated.

- a) Any annual report to security holders;
- b) Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1(b);
- c) Any prospectus filed pursuant to SRC Rule 8.1-1

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Part 1 – BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

1. 1. Brief Description and Recent Developments

Filinvest Land Inc. (“FLI” or “the Parent Company”) is one of the leading real estate developers in the country, providing a wide range of real estate products to residential and commercial customers. FLI (including its predecessor’s operations) has over 50 years of real estate expertise and has developed over 2500 hectares of land, having provided home/home sites for over 200,000 families.

FLI is one of the largest nationwide residential developers in 45 cities and towns in 18 provinces in the Philippines. It is the largest mid-rise building (MRB) developer in the country today and the market leader in the affordable and middle-income residential segments. It currently owns a land bank of 2,403 hectares for sustainable future growth.

In 2006, FLI acquired three strategic investment properties, Festival Supermall and a 60% ownership interest in each of Filinvest Asia Corp. (FAC) and Cyberzone Properties, Inc. (CPI). In 2006, FLI also entered into a joint venture agreement with Africa-Israel Investments (Phils.), Inc. (“AIIP”) and incorporated Filinvest AII Philippines Inc. to undertake the development of Timberland Sports and Nature Club (“TSNC”) and approximately 50 hectares of land comprising Phase 2 of FLI’s Timberland Heights township project. TSNC started its commercial operations in October 2008. In February 2010, FLI acquired the remaining 40.0% interest of Africa-Israel Properties (Phils.), Inc. in CPI and 40.0% interest of Africa-Israel Investments (Phils.), Inc. in FAPI to obtain full ownership of the previous joint ventures.

The sale by Africa-Israel of its interests in the two companies was part of Africa-Israel’s global portfolio rebalancing and consolidation activity. On the other hand, the acquisition of Africa-Israel’s interests enabled FLI to consolidate its share in the strong and stable recurring revenue streams from the two companies as well as provide incremental development potential to FLI’s existing revenue streams.

CPI owns and operates the IT buildings in Northgate Cyberzone, a PEZA registered BPO park located on a 10-hectare parcel of land within Filinvest City. Of the 10-hectares, approximately four (4) hectares are available for future development. FLI generates revenues from leasable space in fourteen office buildings with a gross leasable area of 164,959 sq.m. as of December 31, 2014.

As of the date of this report, FLI owns 60% of FAC, which owns 50% of the 52-storey, PBCom Tower which is located in the Makati’s business district. PBCom Tower is a Grade A, PEZA-registered I.T./office building in Ayala Avenue, Makati City, Metro Manila with approximate GLA of 36,000 sq.m.

Festival Supermall is a four-storey premier shopping complex situated on a total land area of 10 hectares and located within FAI’s Filinvest City development in Alabang, Muntinlupa City. FLI has leased from FAI the 10 hectares of land on which the mall and its adjoining structures (such as parking lots) are situated. The lease is for a term of 50 years from October 1, 2006, renewable for another 25 years, with FLI required to pay monthly rent equivalent to 10% of the monthly gross rental revenue generated by the mall. As of this date, the Festival Supermall has a Gross Floor Area (GFA) of approximately 200,000 sq.m. and a Gross Leasable Area (GLA) of approximately 135,163 sq.m. Festival Supermall was designed to allow the construction of an additional wing to the current two-wing structure on two adjacent hectares of land available for development.

In 2013, FLI started the renovations of the Festival Supermall which is expected to be completed in 2015. In addition to the renovation project and to reinforce the mall’s position as the largest regional, dining and entertainment destination in the southern part of Metro Manila, FLI has started the development of the mall’s expansion on another 7 hectares of land wherein an additional 56,705 sq.m. of GLA and 100,255

sq.m GFA will be added. Land development on the expansion started in late 2011 and construction is expected to be completed in stages, starting in 2013. At present the project is 54% complete and target completion for the project is during the last quarter of 2015.

As of this date, FLI has no plans to acquire any additional shopping malls, but intends to undertake commercial and retail projects to complement its residential developments in selected areas.

In 2009, the Parent Company signed an agreement with the Cebu City Government to develop 50.6 hectares of the South Road Properties, a 300-hectare reclaimed land project located in Cebu City. The agreement involves purchase by FLI of the 10.6 hectares of the property to be developed into a modern urban center consisting of residential, office, commercial, hotel and leisure buildings and a public promenade which is a one kilometer long waterfront lifestyle strip that will offer a range of seaside leisure activities and the development of the remaining 40 hectares of the property under a profit-sharing arrangement with the Cebu City Government.

In 2012, FLI started operating its condotel operations (Grand Cenia) and hotel project (Quest Hotel). The operations is being managed by Property Specialist Resources, Inc. (Prosper), a wholly-owned subsidiary of FLI.

On February 4, 2014, Filinvest Cyberparks, Inc. (FCI), a wholly-owned subsidiary of the FLI was incorporated to manage FLI's BPO leasing operations in Cebu, Pasay, Quezon City and Pasig City. Development of these BPO sites are currently on going.

With a more diversified portfolio, FLI expects to generate stable recurring revenue from its retail and office investment properties. These recurring revenues can, in turn, be used to provide internally generated funding for other projects.

The Parent Company is not and has never been a subject of any bankruptcy, receivership, or similar proceedings.

1.2. Form and Date of Organization

FLI was incorporated in the Philippines on November 24, 1989 as Citation Homes, Inc. and later changed its name to FLI on July 12, 1993. It started commercial operations in August 1993 after Filinvest Development Corporation (FDC), the Parent Company, spun off its real estate operations and transferred all related assets and liabilities to FLI in exchange for shares of stock of FLI. FLI was listed on the PSE on October 25, 1993.

As of December 31, 2014, FDC owns 59% of Common Stock and 100% of Preferred Stock of FLI. FDC is the holding company for real estate and other business activities of the Gotianun Family. FDC traces its origin to the consumer finance business established by Mr. Andrew Gotianun Sr. and his family in 1955. The shares of FDC and FLI are both listed in the Philippine Stock Exchange. The ultimate parent company of FLI is A. L. Gotianun, Inc.

1.3. Subsidiaries

FLI has seven wholly-owned subsidiaries and one majority-owned subsidiary:

The wholly-owned subsidiaries are:

- Property Maximizer Professional Corp. (Promax) incorporated on October 3, 1997.
- Homepro Realty Marketing, Inc. (Homepro) incorporated on May 16, 2003 and started commercial operations on January 1, 2004.

- Leisurepro, Inc. (Leisurepro) incorporated on April 21, 2004 and started commercial operations on January 1, 2006.
- Property Specialists Resources, Inc. (Prosper) incorporated on June 10, 2002 and started commercial operations on January 01, 2004.

Promax, Homepro and Leisurepro are engaged in real estate marketing business and handle the marketing and sale of socialized, affordable, middle income, high-end and farm estate property development projects of FLI while Prosper is engaged in the purchase, lease and management of hotel and resort properties. Prosper is currently managing the condotel operations of a high-rise condominium (Grand Cenia) and hotel project (Quest Hotel) of the Parent Company. Prior to Prosper's condotel and hotel management business, Prosper was engaged in the business of real estate marketing. Philippine Securities and Exchange Commission (SEC) approved the amendment of the primary purpose of Prosper on February 20, 2012.

In addition, the following two companies became wholly-owned subsidiaries of FLI in February 2010:

- Cyberzone Properties, Inc. (CPI) was incorporated on January 14, 2000 and began commercial operations on May 1, 2001. CPI is registered with the PEZA as an Economic Zone Facilities Enterprise, which entitles CPI to certain tax benefits and non-fiscal incentives such as paying a 5% tax on its modified gross income in lieu of payment of national income taxes. CPI is also entitled to zero percent value-added tax on sales made to other PEZA-registered enterprises. CPI owns and operates the IT buildings in Northgate Cyberzone, located in a 10-hectare parcel of land within Filinvest City. Among others, Northgate's major tenants are HSBC, Convergys, APAC, GenPact Services LLC, eTelecare Global Solutions, Inc., Capital One, AIG Shared Services, First Source, Verizon Business, Lattice Semiconductor, and Flour Daniel. Its day-to-day operations are handled by FAI. CPI also leases a parcel of land measuring 2,831 sq.m. located in EDSA on which CPI built a 5-storey BPO building with a total GLA of 7,358 sq.m. which is fully occupied by Anthem Solutions Inc.
- Filinvest AII Philippines, Inc. (FAPI) was incorporated on September 25, 2006 as a joint venture corporation with Africa Israel Investments (Philippines), Inc. (AIIPI) to develop the Timberland Nature & Sports Club and Phase 2 of Timberland Heights. On February 8, 2010, FAPI became a wholly-owned subsidiary of FLI with FLI's acquisition of the 40% interest of AIIPI.

Timberland Heights is a 677-hectare township project anchored by the Timberland Sports and Nature Club, which was designed to be a world-class family country club in a mountain resort setting. Timberland Heights is situated at an elevation of 320 meters above sea level and provides panoramic views of the north of Metro Manila. The master plan for Timberland Heights includes Banyan Ridge, a middle-income subdivision; Mandala Farm Estates; The Ranch and Banyan Crest, a high-end subdivision, The Glades, also a middle-income subdivision, The Leaf, a four-building 3-storey condotel development; and, a 50-hectare linear greenway that straddles the entire development which will provide a large outdoor open space for residents.

On May 18, 2012, Countrywide Water Services, Inc. (CWSI), a 100% owned subsidiary of FLI was incorporated. CWSI has the technical expertise and skills in the operation, management, maintenance, and rehabilitation of waterworks and sewerage system. On August 2, 2012, FLI has engaged the services of CWSI in order to maintain and further improve the billing, collection and customer relation services in the waterworks and sewerage system of its residential projects. On September 29, 2014, FDC subscribed to the remaining unissued shares of CWSI for a total consideration at par of ₱7.5 million, giving FDC 75% ownership over CWSI. Furthermore, the Parent Company agreed to sell its investment in CWSI on October 31, 2014 for a total consideration of ₱2.5 million. The sale resulted to FDC having 100% equity interest in CWSI. No gain or loss was recognized from the transaction.

On February 4, 2014, Filinvest Cyberparks, Inc. (FCI), a wholly-owned subsidiary of the Parent Company was incorporated. Its primary purpose is to acquire by purchase, lease, donate and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, hold for investment and deal with real estate of all kinds.

FLI has 60% interest in Filinvest Asia Corporation (FAC) which made it a majority owned subsidiary. FAC is now accounted for as a subsidiary due to adoption of PFRS 10, *Consolidated Financial Statements*.

- FAC was incorporated on January 22, 1997 and as of the date of this report is 60%-owned by FLI and 40%-owned by Reco Herrra Pte.Ltd. (RHPL). RHPL is 100% beneficially owned by the Government of Singapore Investment Corporation Pte. Ltd (GIC). FAC owns 50% of the 52-storey PBCom Tower, which is strategically located at the corner of Ayala Avenue and V. A. Rufino Streets in the Makati City Central Business District. FAC owns 36,000 sq.m. of leasable office space. The remaining 50% of PBCom Tower is owned by the Philippine Bank of Communications.

The PBCom Tower is registered as an information technology building by PEZA. Consequently, tenants occupying space in PBCom Tower are entitled to avail of certain fiscal incentives, such as a 5% tax on modified gross income in lieu of the regular corporate income tax of 30%, income tax holidays and vat exemption in certain cases. As of December 31, 2014, FAC's principal tenants include EastWest Bank, The Nomad Offices, Citibank N.A., Citigroup Business Process Solutions Pte., Ltd., Daksh eServices (Phils.), Inc., Linde Gas, Bayer Philippines, Huawei Technology, and Chartis Technology, ESS Manufacturing Co. and First Cagayan Corporation.

Leases at the PBCom Tower are typically for periods ranging from three to five years, with the lease agreements generally requiring tenants to make a three-month security deposit. Rent is paid on a fixed rate per square meter basis depending on unit size and location.

1.4. Equity Investment in Filinvest Alabang, Inc. (FAI)

FAI was incorporated on August 25, 1993 and started commercial operations in October 1995. FLI has a 20% equity interest in FAI.

FAI's current project is the master-planned development of Filinvest City, a 244-hectare premier satellite city development project which has been designed using modern and state of the art, ecological, urban planning with a mixed-use integrated development with office, retail, residential, institutional, leisure and hospitality projects in southern Metro Manila. Located at the southern end of Metro Manila and adjacent to the South Expressway, Filinvest City is approximately 16 kilometers south of Makati, the central business district in Manila and 10 kilometers from the Ninoy Aquino International Airport. Filinvest City is surrounded by over 2,800 hectares of developed high-end and middle-income residential subdivisions and commercial developments. The said project is under a joint venture agreement with the Government.

1.5. Business Groups, Product Categories, Target Markets and Revenue Contribution

FLI is composed of two business segments with corresponding product categories, target markets and revenue contributions as follows:

1.5.1 Real Estate Sales Segment

FLI's main real estate activity since it started operations has been the development and sale of residential property, primarily housing units and subdivision lots; in certain cases, provision of financing for unit sales.

Residential Projects

FLI is able to tap the entire residential market spectrum with the following range of housing units catering to various income segments:

- *Socialized housing:* These developments are marketed and sold under FLI's Pabahay brand and consist of projects where lots typically sell for ₱160,000 or less per lot and housing units typically sell for ₱450,000 or less per unit. Buyers for these projects are eligible to obtain financing from the Government-mandated PAGIBIG Fund. Maximum sale prices for the Company's specialized housing products do not exceed the Government-mandated ceiling of ₱ 450,000 per unit. Any income realized from the development and improvement of socialized housing sites are exempt from taxation.
- *Affordable housing:* These developments are marketed and sold under FLI's Futura Homes brand and consist of projects where lots are typically sold at prices ranging from above P160,000 to ₱750,000 and housing units from above ₱450,000 to ₱1,500,000. FLI designs and constructs homes in this sector with the capacity and structural strength to give the owner the option to place an additional storey, which can double the available floor area. Affordable housing projects are typically located in provinces bordering Metro Manila, including Bulacan, Laguna, Batangas and Cavite, and in key regional cities such as Tarlac, Cebu and Davao. Construction of a house in this sector is usually completed approximately six months from the completion of the required down payment.
- *Middle-income housing:* These developments are marketed and sold under FLI's Filinvest brand and consist of projects where lots are typically sold at prices ranging from above ₱750,000 to ₱1,200,000 and housing units from above ₱1,500,000 to ₱4,000,000. Middle-income projects are typically located within Metro Manila, nearby provinces such as Rizal, Cavite, Pampanga and Laguna, and major regional urban centers in Cebu, Davao, and Zamboanga.
- *High-end housing:* Marketed under Filinvest Premiere brand, these developments consist of projects where lots are sold at prices above ₱1,200,000 and housing units for above ₱4,000,000. FLI's high-end projects are located both within Metro Manila and in areas immediately outside Metro Manila.

Other Real Estate Projects

In order to achieve product and revenue diversification, FLI has added the following projects so as to cater to other market niches:

a. Entrepreneurial Communities

Because of the anticipated growth of small and medium-sized businesses as well as the Government support for entrepreneurial programs, FLI launched an entrepreneurial community under its "Asenso Village" brand in Laguna province, which forms part of the Company's Ciudad de Calamba township development. Asenso Village currently consists of three phases, with its land being "dual-zoned" to allow both residential and commercial use. The Company has also cooperated with the Government by providing venues for various livelihood and small business seminars and programs conducted by government agencies in Asenso Village. At present, sales in Asenso Village consist of subdivision lot sales as well as shophouses that incorporate living quarters and an area for buyers to set up and operate their small enterprises and home-based businesses. Subject to market conditions, FLI plans to develop additional "Asenso Villages" in other locations.

b. Townships

Townships are master-planned communities to include areas reserved for the construction of anchor facilities and amenities. FLI believes that these facilities and amenities will help attract buyers to the project and will serve as the nexus for the township's community. Anchor developments could include schools, hospitals, churches, commercial centers, police stations, health centers and some other government offices; or in the case of Timberland Heights, a private membership club.

FLI has also master-planned and developed the *Ciudad de Calamba*, *Timberland Heights*, and *Havila township projects* which are respectively located along the southern, northern and eastern boundaries of Metro Manila. FLI has also launched a township project in Cebu called City di Mare, a seaside township project, spanning 50.6 hectares at Cebu's South Road Properties as part of a Joint Venture Agreement between FLI and the Cebu Government. Each township development is designed to include a mix of residential subdivisions from the affordable to the high-end sectors.

Ciudad de Calamba

Ciudad de Calamba is a 350-hectare development located in Calamba, Laguna. This township project is a PEZA-registered special economic zone anchored by the Filinvest Technology Park-Calamba, which provides both industrial-size lots and ready-built factories to domestic and foreign enterprises engaged in light to medium non-polluting industries. FLI also donated to the city government of Calamba a parcel of land located within the Ciudad de Calamba, which will be used for a city health center and police station. The Parent Company also intends to develop the Ciudad de Calamba Commercial Center as part of this township project. The master plan for Ciudad de Calamba includes a mix of affordable and middle-income subdivisions as set out below:

- *Aldea Real*, an affordable subdivision project which has a total developed area of approximately 16.9 hectares. Development for Phase 1 & 2 has been completed.
- *Montebello*, a middle-income subdivision project that is expected to have a total developed area of approximately 12.9 hectares. Three phases have been launched and developed.
-
- *Punta Altezza*, an affordable subdivision project consisting of 3 phases which has a total developed area of approximately 9.7 hectares. Development work for Punta Altezza has been completed.
- *Vista Hills*, an affordable subdivision project which has a total developed area of approximately 5.2 hectares. Development work for Vista Hills has been completed.
- FLI's first "*Asenso Village*" entrepreneurial community development is located within the Ciudad de Calamba and is expected to have a total developed area of approximately 20.2 hectares.
- *La Brisa Townhomes*, La Brisa, which literally means "The Breeze" in Spanish, is located at Brgy. Punta, Calamba City. With its Spanish Mediterranean theme, La Brisa is the first townhouse development at Ciudad De Calamba that offers not just an affordable and quality home to families but also a worthy investment for those who would like to establish a "House for Rent" business. La Brisa is very accessible to industrial estates operating in the vicinity, definitely a valuable venture for companies that provide housing privilege to employees.
- *Pueblo Solana*, this is a 68-hectare portion of Ciudad de Calamba that has been earmarked for low-affordable and socialized housing. "Valle Dulce" will offer low-affordable housing units and the first phase will cover 12.4 hectares. Valle Alegre will offer socialized housing units and the first phase will cover 10.6 hectares.

Havila

Havila, or formerly, Filinvest East County is a 335-hectare township along the eastern edge of Metro Manila, which traverses the municipalities of Taytay, Antipolo and Angono. It is anchored by two educational institutions: San Beda College – Rizal and the Rosehill School. The master plan for Havila provides for a mix of affordable, middle-income and high-end subdivisions on rolling terrain overlooking Metro Manila at an elevation of 200 meters above sea level. Below are the developments completed and ongoing in Havila:

- *Mission Hills* is located in the municipality of Antipolo and consists of seven subdivision projects which are expected to have a total developed area of approximately 77.7 hectares. Three subdivisions (Santa Barbara, Santa Monica and Santa Catalina) were developed as high-end projects while four (Santa Isabel, Santa Cecilia, Santa Clara and Sta. Sophia) have been developed as middle-income projects. Development works for all seven subdivisions have been completed.
- Two subdivision projects were developed in the municipality of Taytay, which has a total developed area of approximately 80 hectares. Development works for one mid-high subdivision (*Highlands Pointe*-60 hectares) and an affordable-segment subdivision (*Villa Montserrat*-20 hectares) have been completed. These subdivision projects are almost sold out.
- *Forest Farms*, which is situated in the municipality of Angono, is a farm estate subdivision project that has a total developed area of 34.9 hectares.
- *Anila Park* expanded Havila's affordable range in Antipolo, with its first phase having 1.4 hectares and its on-going townhouse phase having another 1.6 hectares.
- In 2014, a middle-income subdivision (*Amarilyo Crest*) and a high-end subdivision (*The Peak*) were launched in Taytay and Antipolo, Rizal having a total area of 16.7 hectares. Land development for these projects is expected to be completed in 2015.

Timberland Heights

Timberland Heights is a 677-hectare township project anchored by the Timberland Sports and Nature Club. It is located in the municipality of San Mateo, which is just across the Marikina river from Quezon City, and has been designed to provide residents with leisure facilities and resort amenities while being located near malls, hospitals and educational institutions located in Quezon City. In addition to the Timberland Sports and Nature Club, Timberland Heights currently includes:

- *Banyan Ridge*, a middle-income subdivision which has a total developed area of approximately 6.4 hectares.
- *Mandala II Farm Estates*, a farm estate subdivision which has a total developed area of approximately 39.7 hectares.
- *The Ranch*, a high-end subdivision which has a total developed area of approximately 5.7 hectares.
- *Banyan Crest*, a 14.8 hectare high-end subdivision. Land development for Banyan Crest has been completed.

- *The Glades*, a mountainside open lot development consisting of an 11 hectare middle-income subdivision lots with size ranging from 192 to 300 square meters. The lots are sold inclusive of a share at Timberland Sports and Nature Club. The master plan for *The Glades* has been completed.
- *The Leaf*, a condotel located beside the Timberland Sports and Nature Club, consisting of four (4) mid-rise buildings of three (3) floors each with an average size of 31 sq.m. each unit. The lots are sold inclusive of a share at Timberland Sports and Nature Club.

Around 73 hectares have been earmarked for middle-income housing within Timberland Heights. The first phase covering approximately 11 hectares was launched in 2012 with the introduction to the market of *The Glades* and *The Leaf*.

City di Mare (previously called Città di Mare)

In August 2010, FLI gave Cebu a preview of its most ambitious seaside development when it launched Città di Mare at the Grand Ballroom of Crimson Resort and Spa in Mactan, Cebu. In 2014, it was rebranded as City di Mare, the Lifestyle Capital of Cebu.

Inspired by the world's best-loved coastal cities, City di Mare, which is Italian for "City by the Sea", spans 50.6 hectares at Cebu's South Road Properties. It is a master-planned development composed of different zones catering to a wide array of lifestyles and activities - Il Corso, the 10.6 hectare waterfront lifestyle strip; the 40-hectare residential clusters; and The Piazza, nestled at the heart of the residential enclaves puts lifestyle essentials such as school, church, shops, and restaurants within the neighborhood. City di Mare is envisioned to be a destination in itself, takes full advantage of the coastal ambience featuring seaside shopping, dining, beach and water sports and more, right by the water's edge.

The 8-hectare retail development known as Il Corso shall have a gross leasable area of approximately 32,000 square meters. The whole construction shall be completed in 2015 but FLI already opened the Central Piazza to allow the public to have a glimpse of the exciting things one can expect in City di Mare. City di Mare has four resort-themed residential enclaves inspired by world-class resorts, with each 10-hectare development flaunting a distinct architectural character. With over 65% of the property allocated for wide, open areas and landscaped greens, City di Mare provides the generous amenity of breathing space and a refreshing dose of nature throughout the site. Residences are spread out over the sprawling development, maximizing the abundant sunlight and allowing the invigorating sea air to circulate freely.

- Amalfi Oasis features nine (9) five-storey buildings with luxuriant gardens, resort-style amenities and pedestrian-friendly environs, bask in fresh air, radiant sunshine and charming landscapes. In November 2010, groundbreaking rites for Amalfi Oasis were held, the first residential enclave at City di Mare. The first and second buildings were completed in 2012 and 2013, respectively.
- Sanremo Oasis, the second residential enclave in City di Mare involves the development of 3.4 hectares of land with well-planned living spaces with numerous choice units to choose from to suit anyone's lifestyle. The developments consist of eight (8) five-storey buildings, the first building was completed in 2012 and four more buildings were completed in 2013.

b. Leisure projects

FLI's leisure projects consist of its residential farm estate developments, private membership club and residential resort development.

1. Residential farm estates

FLI's residential farm estate projects serve as alternative primary homes near Metro Manila to customers, such as retirees and farming enthusiasts. Customers can purchase lots (with a minimum lot size of 750 square meters) on which they are allowed to build a residential unit (using up to 25.0% of the total lot area). The remaining lot area can be used for small-scale farm development, such as fish farming or vegetable farming. Residential farm estates are sold on a lot-only basis, with buyers being responsible for the construction of residential units on their lots. To help attract buyers, FLI personnel are available on site to provide buyers with technical advice on farming as well as to maintain demonstration farms.

At present, FLI has three residential farm estates:

- *Nusa Dua Farm Estate ("Nusa Dua")* located in Cavite province just south of Metro Manila. The amenities at the Nusa Dua development include a two-storey clubhouse and a 370 square meter swimming pool.
- *Mandala Residential Farm Estate ("Mandala")* located in Rizal province as part of the FLI's Timberland Heights township project. It offers hobby farmers generous lot cuts and Asian-inspired homes that complement the mountain lifestyle.
- *Forest Farms Residential Farm Estate ("Forest Farms")* located in Rizal province as part of Company's Havila township project. It is an exclusive mountain retreat and nature park, nestled between the hills of Antipolo and forested area of Angono.

2. Private membership club

FLI, through FAPI, has developed the Timberland Sports and Nature Club. This Club includes sports and recreation facilities, fine dining establishments and function rooms that can be used to host corporate and social events. The Parent Company expects that sales of subdivision lots in the high-end subdivision components of Timberland Heights may be tied with the sale of shares in the Timberland Sports and Nature Club, with some lot buyers also acquiring membership shares as part of the purchase of their lots. The *Timberland Sports and Nature Club* was designed to be a world-class family country club in a mountain resort setting. The Club aims to become a social hub with 2,000 sq.m. of full-range of indoor sports, nature oriented amenities, spa, dining, banquet and room facilities with world class standard club management on an 8-hectare elevated and rolling terrain. It started commercial operations in October 2008.

3. Residential resort development

Kembali Coast on Samal Island, Davao is a beachfront residential resort development. This 50-hectare Asian-Balinese inspired island getaway offers low-density exclusivity and comes with a 1.8 km beach line that offers unobstructed view of the sea. To enable buyers and guests to enjoy the facilities at an early stage, three overnight facilities, a multi-purpose hall, changing and shower areas, welcome huts and the guardhouse have been constructed. The swimming pool was completed in 2014. *Kembali Horizons*, three-storey residential buildings, are currently being offered for sale and for public use.

Laeuna de Taal ("Laeuna") is located in Talisay Batangas with a view of the Taal lake and a lakeside residential community, about a ten minute drive from the popular tourist destination of Tagaytay. *Laeuna* is an Asian Tropical-inspired community which offers three (3) residential enclaves (*Arista*, *Bahia* and *Orilla*) with a range of property choices for every family. Located on the water front is the *Lake Club*, a lakeside amenity designed for wellness, recreation and celebration.

c. Medium Rise Buildings

Medium Rise Buildings (MRB) projects are five-storey to ten-storey buildings clustered around a central amenity area. Marketed under the “Oasis” brand, FLI’s MRBs are intended to provide a quiet environment within the urban setting. The buildings occupy 30% to 35% of the land area, providing a lot of open spaces. FLI currently has 17 ongoing MRB projects in Luzon, Visayas and Mindanao. Below is a list of FLI’s ongoing MRB projects:

Project Name	Location
Metro Manila	
One Oasis Ortigas	Pasig City
Bali Oasis	Pasig City
Maui Oasis	Sta. Mesa, Manila
Capri Oasis	Pasig City
Sorrento Oasis	Pasig City
One Spatial	Pasig City
Bali Oasis 2	Pasig City
Asiana Oasis	Paranaque City
Girin Oasis	Cainta, Rizal
Fortune Hill	San Juan City
The Signature	Balintawak, Quezon City
Visayas	
One Oasis Cebu	Mabolo, Cebu City
Amalfi Oasis	City di Mare, Cebu
San Remo Oasis	City di Mare, Cebu
Mindanao	
Eight Spatial	Maa, Davao
One Oasis Davao	Davao City
One Oasis Cagayan de Oro	Cagayan de Oro

The Parent Company is targeting to launch new MRB projects and additional buildings in key cities particularly in Iloilo, Valenzuela, Taguig, Dumaguete and Davao.

d. High Rise Buildings

The Linear

The Linear, a master-planned residential and commercial hub in Makati City. Two-L-shaped towers, each 24 storeys high, comprise this dynamic condominium community that perfectly caters to the needs of young urban professionals.

Studio City

Studio City is a community composed of five-tower residential condominium complex within the Filinvest City to serve the demand for housing of the growing number of professionals working within Filinvest City and in the nearby Madrigal Business Park. Since it is located within the Filinvest City, residents will enjoy proximity to Festival Supermall, Westgate Center, Northgate Cyberzone, Asian Hospital and Medical Center, and other commercial, educational and medical institutions. The development consists of 18 storeys per building with commercial units at the ground floor. All residential floors will have 25 studio units per floor.

The Levels

Located at one of the highest point of Filinvest City at around 23 meters above sea level, The Levels is a one-block, four-tower residential condominium development that features laidback suburban living inside a fast-paced business district. The residential development is set in a tropical landscape, with its four towers uniquely designed with terracing levels, giving it a castle-effect look. The high-rise sections will be set in lush greenery, providing residents with views of the gardens.

Vinia Residences

Vinia is a 25-storey condominium development located along EDSA in Quezon City, right across TriNoma and just steps away from the MRT-North Avenue station. With its coveted location, it offers a world of ease and convenience to yuppies and families looking for quality homes, as well as budding entrepreneurs who want to start a home-based business at the heart of the city.

Studio Zen

Studio Zen is a 21-storey condominium development located along Taft Avenue in Metro Manila. Student-oriented amenities, Zen-inspired features, and functional building facilities makes it an ideal residence for students living independently and a great investment opportunity for entrepreneurs who want to take advantage of the ready rental market in the area.

Studio A

Studio A is a single tower 34-storey hi-rise residential condominium located in Loyola Heights in Quezon City. A community conveniently situated near premier universities, the LRT 2 line and other commercial establishments.

100 West

100 West is a single tower 38-storey high-rise commercial and residential condominium with office spaces located in Gen. Gil Puyat Avenue corner Washington St. in Makati City. 100 West is in the Makati Business District and accessible to both north and south of Metro Manila.

e. Condotel

Grand Cenia

The *Grand Cenia* Hotel and Residences is a 25-storey development located along Archbishop Reyes Avenue in Banilad, Cebu, on the 4,211 sq.m. property strategically located close to the Cebu Business Park. Some unit buyers/owners entered their units into a rental pool to operate collectively as hotel. In January 2012, the hotel started operating as the Quest Hotel and Conference Center, a three-star hotel complete with business and conference facilities. The 25-storey structure has 432 condotel rooms and 119 residential condominium units. One and a half floors have been earmarked for BPO office space with gross leasable area of 3,227 sq.m.

The Leaf

The Leaf is a condotel type development strategically located on a mountainside setting beside the Timberland Sports and Nature Club in Timberland Heights. *The Leaf* consists of eight (8) low density mid-rise buildings of three (3) floors each with an average size of 31 sq.m. each unit. *The Leaf* is approximately 300 meters above sea level with a 180 degrees view of Metro Manila.

Analysis of Real Estate Sales

The table below shows a comparative breakdown of FLI's journalized real estate sales by product categories for the years ended December 31, 2014 and 2013 (in thousands).

Category	Years ended December 31			
	2014		2013	
	Amount	% to total	Amount	% to total
Residential Lots and House & Lot Packages				
Socialized	408,265	3.09%	243,724	2.33%
Affordable	1,367,992	10.36%	1,119,671	10.69%
Middle income	10,490,105	79.44%	8,439,350	80.54%
High end & Others	367,016	2.78%	261,654	2.50%
Industrial Lots	342,584	2.59%	256,868	2.45%
Residential Farm Lots	202,193	1.53%	140,115	1.34%
Leisure	26,288	0.20%	17,095	0.16%
Total	13,204,443	100.00%	10,478,477	100.00%

Analysis of Cost of Sales

The table below shows a comparative breakdown of FLI's journalized cost of sales into various categories for the years ended December 31, 2014 and 2013 (in thousands):

	2014	2013
Land acquisition cost	1,644,851	1,251,423
Land development and construction cost	5,886,718	4,627,338
Housing construction cost	189,470	157,056
Cost of club share	5,125	262
	7,726,164	6,036,079

1.5.2. Leasing Segment

Starting 2007, FLI's acquired investment properties, which are categorized as retail and office, started to generate rental revenues for a full year operations.

Festival Supermall and other Commercial Leasing Properties

The Festival Supermall is a four-storey shopping complex located within FAI's Filinvest City, a commercial business district near the juncture of three major road networks – the South Expressway, the old National Highway and the Alabang-Zapote. In addition to having over 700 retail stores and outlets, the Festival Supermall also features amenities such as a ten-theater movie multiplex with digital surround sound systems, and two themed amusement centers. The mall also has exhibit, trade and music halls which are leased out to organizers of events such as trade fairs sponsored by the Philippine Department of Trade and Industry.

Festival Supermall's current anchor tenants include stores operated by some of the Philippines' largest retailers, such as the J.G. Summit group of companies (Robinsons Department Store and Handyman Do It Best), SM Investments Corporation, (SaveMore Supermarket and Ace Hardware) and the Rustan's Group (Shopwise Supercenter). Festival Supermall also has a group of tenants that are well-known international and domestic retailers, restaurant chains and service companies, such as Bose, Levi's, Bench, Giordano,

The Body Shop, National Bookstore, Starbucks, Seattle's Best Coffee, McDonald's, Chowking, Jollibee and KFC.

To further augment the Group's recurring income stream in the retail segment, land development has commenced on the expansion of Festival Mall at Filinvest Corporate City. The expansion project will add over 56,705 square meters of GLA, and is targeted to be completed in phases, from first quarter of 2013 to the last quarter of 2015. FLI is also developing the first phase of Il Corso lifestyle strip of City di Mare, in the South Road Properties in Cebu, which will contribute a GLA of around 36,346 sq.m. and GFA of 56,613 square meters when fully completed. FLI also started construction of two (2) malls. Fora Mall in Tagaytay City started construction during the second quarter of 2014 and will contribute 31,037 square meters in GLA and 47,756 square meters of GFA. Another project which started construction during the second quarter of 2014 is the Center Square Molino. Located at its Princeton Heights residential projects located in Molino, Bacoar, Cavite, the project will have a GLA of 19,057 square meters and GFA of 27,965 square meters.

PBCom Tower

The PBCom Tower, is a 52 floor, Grade A, PEZA-designated I.T. office building in Ayala Avenue, Makati City, Metro Manila. FLI owns part of the PBCom Tower thru Filinvest Asia Corporation. FLI earns 60% of revenues from the 36,000 sq.m. leasable space owned by Filinvest Asia Corp. in this building. Colliers International had been hired to provide day-to-day property management services for PBCom Tower. In addition, pursuant to a management agreement, FAI provides the following services: general management services, accounting services, operations, legal review and documentation, office rental services and recruitment and training services.

Northgate Cyberzone

Northgate Cyberzone is a PEZA registered BPO park within Filinvest City. FLI earns revenues from approximately 131,000 sq.m. leasable space with Convergys, HSBC, Convergys, APAC, GenPact Services LLC, eTelecare Global Solutions, Inc., Capital One, AIG Shared Services, First Source, Verizon Business, Lattice Semiconductor, and Flour Daniel as major tenants, among others. Of the 10 hectares of land on which the Northgate Cyberzone is situated, approximately four hectares are available for future development.

Construction is ongoing for the following new BPO office buildings located at Northgate Cyberzone:

- Filinvest Two and Three: This is a twin-tower project located along Alabang Zapote Road each building with 14 storeys and GLA of approximately 23,784 sqms each. Target completion is February 2015.

Current buildings with leases are the following:

- Plaza A: This is a six-storey building with an approximate GFA of 11,575 sq.m. and an approximate GLA of 10,860 sq.m. Plaza A was substantially fully leased to GenPact Services LLC and Convergys.
- Plaza B and Plaza C: Plaza B and Plaza C are four-storey buildings, each with an approximate GFA of 7,150 sq.m. and an approximate GLA of 6,540 sq.m. for a combined GLA of 13,080 sq.m. Plaza B and Plaza C were substantially fully leased. Tenants for Plaza B include goFluent, AMS Express, Team Asia, Outboundphil, APPCO Direct Int'l., Treadyne and Seven Global Services, Inc. All of Plaza C has been leased by APAC Customer Services, Inc.

- Plaza D: This is a six-storey building with the same specifications as Plaza A and with an approximate GFA of 11,575 sq.m. and an approximate GLA of 10,860 sq.m. Plaza D had been leased to ICICI First Source Ltd., a 100% owned subsidiary of India's largest private sector bank, and Verizon Communications Phils Inc, the Philippine branch of Verizon Business solutions, a leading communications company in the United States of America.
- Plaza E: This is a twelve-storey building, situated between Plaza A and Plaza D, with approximate GFA of 16,281 sq.m. and an approximate GLA of 14,859 sq.m. The building is 100% leased out with tenants Arvato Corp., Hinduja and EXL Service Phils.
- Convergys Building: This is a three-storey building with an approximate GFA of 6,466 sq.m. and an approximate GLA of 5,839 sq.m. It was a "built-to-suit" (BTS) building to meet the requirements of Convergys.
- HSBC Building: This is another building that was constructed on a BTS basis to meet the requirements of HSBC. The HSBC building has an approximate GLA of 18,000 sq.m. The building is currently occupied by Capital One.
- IT School: This is a three-storey building with an approximate GFA of 3,297 sq.m. and an approximate GLA of 2,595 sq.m. Its major tenants are currently Genpact Services LLC and Informatics.
- Building 5132: This is a six-storey building with an approximate GFA of 10,560 sq.m. and an approximate GLA of 9,408 sq.m. Building 5132 has been fully taken up by GenPact Services LLC.
- iHub I and iHub II: This is a two-tower complex (one with six storeys and the other with nine storeys) iHub I has an approximate GLA of 9,474 sq.m. and has been leased out to numerous tenants which includes GenPact, HSBC, W.R. Grace Philippines and Lattice Semiconductor and Cape East Philippines. iHub II has an approximate GLA of 14,166 sq.m. and has been leased out primarily to Convergys and AIG Shared Services.
- Vector One : an 11-storey building with an approximate GFA of 19,545 sq.m. and an approximate GLA of 17,764 sq.m. It was completed in 2010. Filinvest Alabang, Inc. (FAI) was its first tenant, occupying the fifth to seventh floors for its corporate headquarters. Other tenants of the building are Convergys Firstsource and Flour Daniel.
- Vector Two: This building has the same configuration as with Vector One. It is also 11 storeys high with an approximate GLA of 17,884 sq.m. It was completed in October 2011. Tenants of the building include Infosys, Genpact, GE Money and Flour Daniel.
- Filinvest One (*formerly called AZ Building*): This is a 10-storey building with a GLA of approximately 19,637 sq.m. Tenants of the building include HSBC, Ford Philippines, Denso Phil., AMEC Services, and PHL Center.

With about four hectares of land available for the construction of additional buildings within the Northgate Cyberzone, FLI expects to be able to provide an additional 240,000 sq.m. of leasable office space to accommodate expected increases in demand from BPO companies. These BPO companies usually require significant amounts of office space for their operations. FLI, through CPI, plans to focus on attracting their businesses, including custom-designed office space with call center and BPO design requirements in mind.

EDSA Transcom Building

This five-storey BPO building is located along EDSA in Mandaluyong City and have approximately 7,358 sq.m. of GLA. This is FLI's first BPO office building outside Northgate Cyberzone. EDSA Transcom Building is fully leased out to Anthem Solutions, Inc.

To tap lucrative opportunities in the BPO sector, FLI is expanding its office portfolio in more areas outside of Northgate to meet the demands of the industry. The following are the ongoing new BPO office buildings located in various locations:

- *Filinvest Cyberzone Pasay* is the first development of Filinvest Cyberparks, Inc. and will be the Filinvest Group's first LEED-certified project in Metro Manila outside of Northgate Cyberzone. Rising nine storeys within the Bay Reclamation Area in Pasay City, it will provide a total of 80,000 sqm of office space, supported by street-level retail facilities. Designed by H1 Architecture, the project will add another sleek and modern structure to the growing number of establishments in the vicinity. To be developed in three phases, it is meant to cater to the office accommodation needs of the still growing outsourcing sector, and address retail support requirements of companies and government agencies that will set up shop in the surrounding area. Phase 1 excavation commenced last September 2014. Foundation works are already ongoing this 2015, and the structure completion is expected by 2016. Phase 1 is comprised of Towers 1 and 2 that will offer approximately 36,807 sqm of office GLA.
- In Cebu, construction of the *Filinvest Cebu Cyberzone* Tower 1 is almost complete, first BPO building located at the 1.2 - hectare joint venture project with the Provincial Government of Cebu. This is the first building of the four-building complex with 13 storeys and approximate GLA of 19,937 sqms. When completed, the project is expected to have a GLA of almost 100,000 square meters.
- Meanwhile, in Quezon City, planning activities are presently ongoing for two sites along Epifanio delos Santos Avenue for the development of mixed use complexes that both contain BPO office accommodation. *Studio 7*, a mixed-use project in South Triangle near GMA Network, will have a BPO office component, aside from residential and retail facilities, and will break ground this 4th quarter of 2015. Its office portion, called *Studio 7 Cyberzone*, will provide 36,594 sqm of GLA by 2018. Another dynamic mixed-use development located at the corner of EDSA and Aurora Boulevard, which shall be called *Activa*, will also play host to BPO offices by providing an estimated 49,700 sqm of GLA. Excavation works are projected to commence by 2016 for this project.
- Demolition works of the Philcomcen building in Ortigas Ave, Pasig City is ongoing and is expected to be completed by 2nd half of 2015. Planning activities for the development of a 48,000 sqm GFA structure with traditional office, hotel and retail components are currently underway.

The Group will continue to carry out an intensive marketing campaign so as to maintain a high occupancy rate in Festival Supermall, PBCom Tower and Northgate Cyberzone properties, thereby maximizing its leasing revenues.

The table below shows a breakdown of FLI's recorded gross leasing revenues for the year ended December 31, 2014 & 2013 (amounts in Thousands of Pesos, except percentages).

	Years ended December 31			
	2014		2013	
	Amount	% to total	Amount	% to total
Festival Supermall	875,706	38.69%	867,953	42.67%
Northgate Cyberzone	998,411	44.11%	831,989	40.90%
PB Com Tower	322,093	14.23%	272,262	13.39%
Others	67,341	2.98%	61,874	3.04%
Total	2,263,551	100.00%	2,034,078	100.00%

1.6. Marketing and Sales

1.6.1 Real Estate Sales Segment

The Parent Company develops customer awareness through marketing and promotion efforts and referrals from satisfied customers. The Parent Company has a real estate marketing team, a network of sales offices located in the Philippines and tie-ups with independent brokers in Europe, Hongkong, the Middle East, Japan, and Singapore. FLI's marketing personnel, together with in-house sales agents and accredited agents, gather demographic and market information to help assess the feasibility of new developments and to assist in future marketing efforts for such developments.

The Parent Company conducts advertising and promotional campaigns principally through print and broadcast media, including billboards, fliers, and brochures designed specifically for the target market. Advertising and promotional campaigns are conceptualized and conducted by FLI's marketing personnel and by third-party advertising companies. These campaigns are complemented with additional advertising efforts, including booths at shopping centers, such as Festival Supermall, and other high traffic areas, to promote open houses and other events.

The Parent Company also believes that the OFW population, as well as expatriate Filipinos, constitute a significant portion of the demand for affordable and middle-income housing either directly or indirectly by remitting funds to family members in the Philippines to purchase property. To this end, the Parent Company has appointed and accredited independent brokers in countries and regions with large concentrations of OFWs and expatriate Filipinos, such as Italy, Japan, the United Kingdom and the Middle East. These brokers act as the Parent Company's marketing and promotion agents in these territories to promote the Parent Company and its products. The Parent Company also sponsors road shows to promote its projects, including road shows in Europe and the United States of America, targeting the OFW and Filipino expatriate markets. FLI also markets its properties using the Internet.

Sales for FLI's housing and land development projects are made through both in-house sales agents and independent brokers. Both FLI's in-house sales agents and independent brokers are compensated through commissions on sales. In-house sales agents also receive a monthly allowance and are provided administrative support by FLI, including office space and expense allowances.

In addition to in-house sales agents and independent brokers, FLI also employs representatives who staff its sales offices and provide customers with information about FLI's products, including financing and technical development characteristics. FLI also assigns each project a sales and operations coordinator who will provide customers with assistance from the moment they make their sales reservation, during the process of obtaining financing, and through the steps of establishing title on their new home. FLI also has personnel who can advise customers on financing options, collecting necessary documentation and

applying for a loan. FLI also helps design down payment plans for its low-cost housing customers that are tailored to each customer's economic situation. Further, once a house is sold and delivered, FLI has customer service personnel who are available to respond to technical questions or problems that may occur after delivery of the property.

1.6.2 Leasing Segment

Various professional, multinational commercial real estate leasing agents (including, but not limited to Jones Lang LaSalle, CB Richard Ellis and Colliers) are accredited to find tenants for its PBCom Tower and CPI office space. These brokers work on a non-exclusive basis and earn commissions based on the term of the lease.

FLI also maintains, through its subsidiaries, an in-house leasing team to market its office & commercial spaces.

1.7. Customer Financing for Real Estate Projects

The ability of customers to obtain financing for purchases of subdivision lots or housing units is a critical element in the success of FLI's housing and land development business. Customer financing is particularly important in relation to sales of FLI's socialized housing projects, where most prospective buyers require financing for up to 100% of the purchase price. FLI therefore assists qualified homebuyers in obtaining mortgage financing from government-sponsored mortgage lenders, particularly for its socialized housing projects, and from commercial banks. FLI also provides a significant amount of in-house financing to qualified buyers.

In-house financing

FLI offers in-house financing to buyers who chose not to avail of Government or bank financing. FLI typically finances 80% of the total purchase price, which is secured primarily by a first mortgage over the property sold. The loans are then repaid through equal monthly installments over periods ranging from 5 to 10 years. The interest rates charged by FLI for in-house financing typically range from 11.5% per annum to 19.0% per annum, depending on the term of the loan.

Pag-IBIG Fund

A substantial number of buyers of the Parent Company's socialized housing units finance their purchases through the Home Development Mutual Fund, or PAGIBIG Fund. To provide a liquidity mechanism to private developers, the PAGIBIG Fund has instituted a take-out mechanism for conditional sales, installment contract receivables and mortgages and repurchases of receivables from housing loans of its members.

Mortgage loans

Mortgage loans from commercial banks are usually available to individuals who meet the credit risk criteria set by each bank and who are able to comply with each bank's documentary requirements. In addition to taking security over the property, a bank may also seek repayment guarantees from the Home Guaranty Corporation ("HGC"). To assist prospective buyers obtain mortgage financing from commercial banks, FLI also has arrangements with several banks to assist qualified customers to obtain financing for housing unit purchases.

Deferred cash purchases

In recent years, in addition to the aforementioned financing arrangements, FLI has offered so-called “deferred cash” purchases, particularly for its high-end and leisure developments. Under this arrangement, the entire purchase price is amortized in equal installments over a fixed period, which is typically 24 months. Title to the property passes to the buyer only when the contract price is paid in full or when the buyer executes a real estate mortgage in favor of the Parent Company which can be annotated on the title to the property.

1.8. Real Estate Development

FLI’s real estate development activities principally include the purchase of undeveloped land or entering into joint venture agreements covering undeveloped land, the development of such land into residential subdivisions or other types of development projects, the sale of lots, the construction and sale of housing units and the provision of financing for some sales.

The development and construction work is contracted out to a number of qualified independent contractors on the basis of either competitive bidding or the experience FLI had with a contractor on prior project. FLI weighs each contractor’s experience, financial capability, resources and track record of adhering to quality, cost and time of completion commitments.

FLI maintains relationships with over 100 independent contractors and deals with them on an arm’s length basis.

FLI does not enter into long-term arrangements with contractors. Construction contracts typically cover the provision of contractor’s services in relation to a particular project or phase of a project. FLI also provides, in certain cases, financial guarantees of payment to FLI-specified suppliers for purchases of construction materials. Progress payments are made to contractors during the course of a project development upon the accomplishment of pre-determined project performance milestones. Generally, FLI retains 10% of each progress payment in the form of a guarantee bond or cash retention for up to one year from the date the contracted work is completed and accepted by FLI to meet contingency costs.

FLI is not and does not expect to be dependent upon one or a limited number of suppliers or contractors. Its agreements with its contractors are in the nature of supply of labor and materials for the development and/or construction of its various real estate projects.

During 2014, the Parent Company launched a total of 18 new projects and phases with an estimated sales value of P12.46 billion. This brought to 147 the number of ongoing projects and phases FLI has as of the end of 2014.

1.9. Competition

1.9.1. Real Estate Sales Segment

Real estate development and selling is very competitive. The Parent Company believes it is strongly positioned in the affordable housing income to middle-income residential subdivision market and in the farm estates. Success in these market segments depends on acquiring well-located land at attractive prices often in anticipation of the direction of urban growth. The Parent Company believes that its name and reputation it has built in the Philippine property market contributes to its competitive edge over the other market players. On the basis of publicly available information and its own market knowledge, FLI’s management believes that it is among the leading housing and land project developers in the Philippines, particularly in the socialized to middle-income housing sectors. FLI’s management also believes that FLI is able to offer competitive commissions and incentives for brokers, and that FLI is able to compete on

the basis of the pricing of its products, which encompasses products for different market sectors, as well as its brand name and its track record of successful completed quality projects.

The Parent Company directly competes with other major real estate companies positioned either as a full range developer or with subsidiary companies focused on a specific market segment and geographic coverage. Its direct competitors include Ayala Land Inc., Vista Land, Robinsons Land, and DMCI.

The Parent Company faces significant competition in the Philippine property development market. In particular, the Parent Company competes with other developers in locating and acquiring, or entering into joint venture arrangements to develop, parcels of land of suitable size in locations and at attractive prices. This is particularly true for land located in Metro Manila and its surrounding areas, as well as in urbanized areas throughout the Philippines.

The Parent Company's continued growth also depends in large part on its ability either to acquire quality land at attractive prices or to enter into joint venture agreements with land-owning partners under terms that can yield reasonable returns. Based on the Parent Company's current development plans, the Parent Company believes that it has sufficient land reserves for property developments for the next several years. If the Philippine economy continues to grow and if demand for residential properties remains relatively strong, the Parent Company expects that competition among developers for land reserves that are suitable for property development (whether through acquisitions or joint venture agreements) will intensify and that land acquisition costs, and its cost of sales, will increase as a result.

1.9.2. Leasing Segment

With regard to the Parent Company's assets dedicated to office space leasing and shopping mall operations, the Parent Company competes with property companies such as Ayala Land Inc., Robinsons Land Corp. and SM Prime Holdings in retail space leasing. In office space leasing, particularly to call centers and other BPO operators, the Parent Company competes with companies such as Robinsons Land, Inc., Ayala Land, Inc., Eton Corporation, and Megaworld Corporation.

1.10. Related-Party Transactions

The Parent Company is a member of the Filinvest Group. The Parent Company and its subsidiaries, in their ordinary course of business, engage in transactions with FDC and its subsidiaries. The Parent Company's policy with respect to related-party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

The Parent Company's major related-party transactions include:

FDC's guaranty of the Parent Company's obligations under a ₱2.25 billion credit facility extended by the International Finance Corporation. As of December 31, 2014, the Parent Company had fully availed of this facility with outstanding principal balance amounting to ₱ 225.00 million.

Interest and non-interest bearing cash advances made to and received from FDC, FAPI, and other affiliates in order to meet liquidity and working capital requirements. Interest rates on these cash advances are determined on an arm's-length basis and are based on market rates.

Sharing jointly with other members of the Filinvest Group, expenses relating to common facilities and services used by each member of the Filinvest Group, such as payroll services, supplies and utilities.

A 50-year lease agreement with FAI for the 10-hectare property on which the Festival Supermall and its related structures are located.

FAC and CPI's management contracts with FAI pursuant to which FAI provides accounting, business development and other management services to FAC and CPI.

The Parent Company's contract with FSI, which provides services relating to the operation of the Festival Supermall and other commercial center being built. Under the terms of the contract, FSI is entitled to receive monthly management fees.

Savings and current accounts and time deposits with East West Bank ("EWB"), a member of the Filinvest Group.

Lease agreement between EWB and the Parent Company and with FAC covering an office space for the bank's branches in PBCom Tower in Makati City and in Grand Cenia Hotel and Residences building in Cebu.

A development agreement with GCK Realty Corp. ("GCK"), in which members of the Gotianun family has shareholdings, for the development by FLI of Grand Cenia Hotel and Residences building on certain parcels of land owned by GCK in Brgy. Camputhaw, Cebu City.

A development agreement with Fernandez Hermanos, Inc., which is owned and managed by an officer and stockholder, Mr. Luis T. Fernandez, and his siblings, for the subdivision development of parcels of land owned by the latter company in Brgy. Matanos, Kaputian, Samal Island in the province of Davao.

1.11. Intellectual Property

The "Filinvest" trademark was registered with the Intellectual Property Office on September 15, 2011. "Filinvest" is the brand FLI uses and by which it is known to the public.

Below are FLI servicemarks registered with the Intellectual Property Office:

TRADEMARK	DATE OF REGISTRATION
The Linear Makati & Design	12 Aug 2010
One Oasis Ortigas	10 Dec 2009
One Oasis Ortigas and Design	10 Dec 2009
We Build the Filipino Dream (Slogan)	10 Dec 2009
One Oasis	10 Dec 2009
Filinvest (New Logo)	15 Sept 2011
Studio A	20 Dec 2012
The Signature	17 Apr 2014
Fortune Hill	22 May 2014
Fora Rotunda Tagaytay	14 Aug 2014

The Parent Company has filed an application with the World Intellectual Property Office (WIPO) for the international registration of the “Filinvest” trademark under the Madrid Protocol for the following countries: Austria, Australia, Benelux, Denmark, France, Italy, Norway, Spain, Sweden, Switzerland, United Kingdom and the United States of America. It has also filed separate applications for international registration in UAE, Qatar, Kuwait and Malaysia. The Parent Company has also registered “Filinvest Land, Inc.” as a business name with the Department of Trade and Industry.

The Company has pending applications with the Intellectual Property Office for the following trademarks:

The Glades	Serulyan Mactan
100 West	Citi Di Mare (Logo and Tagline)
Timberland Heights (Horizontal Orientation)	I-Go
Timberland Heights (Stacked Orientation)	Kembali (Reversed Logo)
One Binondo	Kembali
The Leaf	The Veranda
Vinia	

1.12. Government and Environmental Regulations

The real estate business in the Philippines is subject to significant Government regulations over, among other things, land acquisition, development planning and design, construction and mortgage financing and refinancing.

After the project plan for subdivision is prepared, FLI applies for a development permit with the local government. If the land is designated agricultural land, FLI applies with the Department of Agrarian Reform (DAR) for a Certificate of Conversion or Exemption, as may be proper. A substantial majority of FLI’s existing landbank is subject to the DAR conversion process.

Approval of development plans is conditioned on, among other things, completion of the acquisition of the project site and the developer's financial, technical and administrative capabilities. Approvals must be obtained at both the national and local levels. Evidently, the Parent Company's results of operations are expected to continue to be affected by the nature and extent of the regulation of its business, including the relative time and cost involved in procuring approvals for each new project, which can vary for each project.

The Parent Company is also subject to the application of the Maceda Law, which gives purchasers of real property purchased on an installment basis certain rights regarding cancellations of sales and obtaining refunds from developers.

FLI believes that it has complied with all applicable Philippine environmental laws and regulations. Compliance with such laws, in FLI's opinion, is not expected to have a material effect on FLI's capital expenditures, earning or competitive position.

1.13. Employees and Labor

As of December 31, 2014, FLI had a total of 939 employees, including 141 permanent full-time managerial employees, 576 support employees and 7 consultants. Management believes that FLI's current relationship with its employees is generally good and neither FLI nor any of its subsidiaries have experienced a work stoppage or any labor related disturbance as a result of labor disagreements. None of FLI's employees or any of its subsidiaries belongs to a union. FLI currently does not have an employee stock option plan.

FLI anticipates a 19% increase in the number of its employees in 2015.

FLI provides managers, supervisors and general staff the opportunity to participate in both in-house and external training and development programs which are designed to help increase efficiency and to prepare employees for future assignments. FLI has also provided a mechanism through which managers and staff are given feedback on their job performance, which FLI believes will help to ensure continuous development of its employees. FLI also offers employees benefits and salary packages that it believes are in line with industry standards in the Philippines and which are designed to help it compete in the marketplace for quality employees.

1.14. Major Risk Factors

There are major risk factors that may affect the Parent Company or its operations. Property values in the Philippines are influenced by the general supply and demand of real estate as well as political and economic developments in the country. In the event new supply exceeds demand as a result of economic uncertainty or slower growth, political instability, or increased interest rates, the financial condition and results of operations of FLI will be materially affected.

Demand for, and prevailing prices of, developed land and house and lot units are directly related to the strength of the Philippine economy (including overall growth levels and interest rates), the overall levels of business activity in the Philippines and the amount of remittances received from overseas Filipino workers (“OFWs”). Demand for the Parent Company’s housing and land developments is also affected by social trends and changing spending patterns in the Philippines, which in turn are influenced by economic, political and security conditions in the Philippines. The residential housing industry is cyclical and is sensitive to changes in general economic conditions in the Philippines such as levels of employment, consumer confidence and income, availability of financing for property acquisitions, construction and mortgages, interest rate levels, inflation and demand for housing.

The demand for the Parent Company’s projects from OFWs and expatriate Filipinos may decrease as a result of the following possibilities, i.e. reduction in the number of OFWs, the amount of their remittances and the purchasing power of expatriate Filipinos. Factors such as economic performance of the countries and regions where OFWs are deployed, changes in Government regulations such as taxation on OFWs’ income, and, imposition of restrictions by the Government/other countries on the deployment of OFWs may also affect the demand for housing requirements.

There are risks that some projects may not attract sufficient demand from prospective buyers thereby affecting anticipated sales. Stringent government requirements for approvals and permits of new projects may take substantial amount of time and resources. In addition, the time and the costs involved in completing the development and construction of residential projects can be adversely affected by many factors, including unstable prices and supply of materials and equipment and labor, adverse weather conditions, peso depreciation, natural disasters, labor disputes with contractors and subcontractors, accidents, changes in laws or in Government priorities and other unforeseen problems or circumstances. Further, the failure by the Parent Company to substantially complete construction of a project to its planned specifications or schedule may result in contractual liabilities to purchasers and lower returns.

The Parent Company’s cost of sales is affected by volatility in the price of construction materials such as lumber, steel and cement. While the Parent Company, as a matter of policy, attempts to fix the cost of materials component in its construction contracts, in cases where demand for steel, lumber and cement are high or when there are shortages in supply, the contractors the Parent Company hires for construction or development work may be compelled to raise their contract prices. As a result, rising cost of any construction materials will impact the Parent Company’s construction costs, and the price for its products. Any increase in prices resulting from higher construction costs could adversely affect demand for the Parent Company’s products and the relative affordability of such products as compared to competitors’ products. This could reduce the Parent Company’s real estate sales.

The Parent Company is also exposed to risks associated with the ownership and operation of its investment properties. Financial performance of the Parent Company’s leasing segment, which consists of interests in leasable office space in PBCom Tower and the Northgate Cyberzone, and in retail commercial space in Festival Supermall, could be affected by a number of factors, including:

1. the national and international economic climate;
2. changes in the demand for call center and other BPO operations in the Philippines and around the world;

3. trends in the Philippine retail industry, insofar as the Festival Supermall is concerned;
4. changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, environment, taxes and government charges;
5. the inability to collect rent due to bankruptcy of tenants or otherwise;
6. competition for tenants;
7. changes in market rental rates;
8. the need to periodically renovate, repair and re-let space and the costs thereof;
9. the quality and strategy of management; and,
10. the Parent Company's ability to provide adequate maintenance and insurance.

Item 2. PROPERTIES

2.1. Land Bank

Since its incorporation, the Parent Company has invested in properties situated in what the Parent Company believes are prime locations across the Philippines for existing and future housing and land development projects. It is important for the Parent Company to have access to a steady supply of land for future projects. In addition to directly acquiring land for future projects, the Parent Company has also adopted a strategy of entering into joint venture arrangements with landowners for the development of raw land into future project sites for housing and land development projects. This allows FLI to reduce its capital expenditures for land and substantially reduces the financial holding costs resulting from owning land for development.

Under the joint venture agreements, the joint venture partner contributes the land free from any lien, encumbrance, tenants or informal settlers and the Parent Company undertakes the development and marketing of the products. The joint venture partner is allocated either the developed lots or the proceeds from the sales of the units based on pre-agreed distribution ratio.

Potential land acquisitions and participation in joint venture projects are evaluated against a number of criteria, including the attractiveness of the acquisition price relative to the market, the suitability or the technical feasibility of the planned development. The Parent Company identifies land acquisitions and joint venture opportunities through active search and referrals.

As of December 31, 2014, the Parent Company had a land bank of approximately 2,403 hectares of raw land for the development of its various projects, including approximately 324 hectares of land under joint venture agreements, which the Parent Company's management believes is sufficient to sustain several years of development and sales.

Details of the Parent Company's raw land inventory as of December 31, 2014 are set out in the table below:

FLI Land Bank as of December 31, 2014				
Area in Hectares				
Location	Company Owned	Under Joint Ventures	Total	% to Total
Luzon				
Metro Manila	55.78	—	55.78	2.32%
Rizal	774.30	86.22	860.53	35.81%
Bulacan	234.78	—	234.78	9.77%
Pampanga	—	59.19	59.19	2.46%
Cavite	387.50	88.99	476.49	19.83%
Laguna	282.13	1.31	283.44	11.80%

(forward)

Location	Company Owned	Under Joint Ventures	Total	% to Total
Batangas	140.63	43.42	184.05	7.66%
Palawan	–	6.00	6.00	0.25%
Sub-total	1,875.12	285.13	2,160.26	89.90%
Visayas				
Cebu	4.94	31.65	36.59	1.52%
Iloilo	0.92	–	0.92	0.04%
Bacolod	50.85	–	50.85	2.12%
Dumaguete	2.14	–	2.14	0.09%
Sub-total	58.85	31.65	90.50	3.77%
Mindanao				
General Santos	99.56	–	99.56	4.14%
Davao	45.02	7.65	52.68	2.19%
Sub-total	144.58	7.65	152.24	6.34%
Total	2,078.55	324.43	2,403	100.0%

2.2. Current Development Projects

The following table sets out all of FLI's projects with ongoing housing and/or land development or marketing as of December 31, 2014.

Category / Name of Project	Location
SOCIALIZED	
Bellevue Meadows	Tanza, Cavite
Belmont Hills	Gen. Trias, Cavite
Belvedere Townhomes	Tanza, Cavite
Blue Isle	Sto. Tomas, Batangas
Castillion Homes	Gen. Trias, Cavite
Melody Plains	San Jose del Monte, Bulacan
Mistral Plains	Gen. Trias, Cavite
Sandia Homes Ph 1	Tanauan, Batangas
Southern Heights	San Pedro, Laguna
Sunny Brooke	Gen. Trias, Cavite
Sunrise Place	Tanza, Cavite
Sunrise Place Mactan	Mactan, Cebu
AFFORDABLE	
Aldea del Sol	Mactan, Cebu
Aldea Real	Calamba, Laguna
Alta Vida Expansion	San Rafael, Bulacan
Alta Vida Prime	San Rafael, Bulacan
Amare Homes	Tanauan, Batangas
Amarilyo Crest	Taytay, Rizal
Anila Park	Taytay, Rizal

(forward)

Category / Name of Project	Location
Anila Park Townhomes	Taytay, Rizal
Austine Homes	Pampanga
Bluegrass County	Sto. Tomas, Batangas
Brookside Lane	Gen. Trias, Cavite
Claremont Village	Mabalacat, Pampanga
Ocean Cove 2	Davao City
Crystal Aire	Gen. Trias, Cavite
East Bay Palawan	Puerto Princesa, Palawan
Fairway View	Dasmariñas, Cavite
Futura Homes – San Pedro	San Pedro, Laguna
La Brisa Townhomes	Calamba, Laguna
Meridian Place	Gen. Trias, Cavite
Palmridge	Sto. Tomas, Batangas
Parkspring	San Pedro, Laguna
Primrose Hills	Angono, Rizal
Primrose Townhomes	Angono, Rizal
Raintree Prime Residences	Dasmariñas, Cavite
Savannah Fields	Gen. Trias, Cavite
Sommerset Lane	Tarlac City
Springfield View	Tanza, Cavite
Summerbreeze Townhomes	Sto. Tomas, Batangas
The Glens at Park Spring	San Pedro, Laguna
The Peak	Taytay, Rizal
The Residences @ Castillon Homes	Tanza, Cavite
The Villas	Taytay, Rizal
Tierra Vista	San Rafael, Bulacan
Valle Dulce Ph1	Tanza, Cavite
Valle Alegre	Calamba, Laguna
Villa Mercedita	Davao City
Villa Montseratt 1D	Taytay, Rizal
Villa Montseratt 3C	Taytay, Rizal
Villa Montseratt Expansion	Taytay, Rizal
Westwood Mansion Expansion	Tanza, Cavite
Westwood Place	Tanza, Cavite
Woodville	Gen. Trias, Cavite
MIDDLE-INCOME	
Amalfi Oasis	South Road Properties, Cebu
Ashton Fields	Calamba, Laguna
Asiana Oasis	Paranaque, Metro Manila
Bali Oasis 1	Pasig City, Metro Manila

(forward)

Category / Name of Project	Location
Bali Oasis 2	Pasig City, Metro Manila
Capri Oasis	Pasig City, Metro Manila
Corona Del Mar	Talisay, Cebu
Eight Spatial	Maa, Davao
Escala (La Constanera)	Talisay, Cebu
Filinvest Homes - Butuan	Butuan, Agusan Del Norte
Filinvest Homes- Tagum	Tagum City, Davao
Fuente de Villa Abrille	Davao City
Hampton Orchards	Bacolor, Pampanga
Highlands Pointe	Taytay, Rizal
La Mirada of the South	Binan, Laguna
Manor Ridge at Highlands	Taytay, Rizal
Maui Oasis	Sta. Mesa, Manila
Montebello	Calamba, Laguna
Northview Villas	Quezon City
Nusa Dua (Residential)	Tanza, Cavite
Ocean Cove	Davao City
One Oasis Cagayan de Oro	Cagayan de Oro City
One Oasis Cebu	Mabolo, Cebu City
One Oasis Davao	Davao City
One Oasis Ortigas	Pasig City, Metro Manila
One Spatial	Pasig City, Metro Manila
Orange Grove	Davao City
Princeton Heights	Molino, Cavite
San Remo Oasis	South Road Properties, Cebu
Somerset Lane, Ph 2	Tarlac City
Sorrento Oasis	Pasig City, Metro Manila
Southpeak	San Pedro, Laguna
Spring Country	Batasan Hills, Quezon City
Spring Heights	Batasan Hills, Quezon City
Studio A	Quezon City
Studio City	Filinvest Corporate City, Alabang
Studio Zen	Pasay City, Metro Manila
Tamara Lane (formerly Imari)	Caloocan City
The Enclave at Filinvest Heights	Quezon City
The Enclave at Highlands Pointe	Taytay, Rizal
The Glades	Timberland Heights, San Mateo, Rizal
The Levels	Filinvest Corporate City, Alabang
The Linear	Makati City
The Pines	San Pedro, Laguna

(forward)

Category / Name of Project	Location
The Terraces Ph 1B & Ph 2	Taytay, Rizal
The Tropics	Cainta, Rizal
Villa San Ignacio	Zamboanga City
Vinia Residences & Versaflats	Edsa, Quezon City
Viridian at Southpeak	San Pedro, Laguna
West Palms	Puerto Princesa, Palawan
HIGH-END	
Arista	Talisay, Batangas
Bahia	Talisay, Batangas
Banyan Crest	San Mateo, Rizal
Banyan Ridge	San Mateo, Rizal
Brentville International	Mamplasan, Binan, Laguna
Fortune Hill	San Juan City
Highlands Pointe	Taytay, Rizal
Kembali Arista	Samal Island, Davao
Mission Hills - Sta Sophia	Antipolo, Rizal
Mission Hills - Sta. Catalina	Antipolo, Rizal
Mission Hills - Sta. Isabel	Antipolo, Rizal
Orilla	Talisay, Batangas
Prominence 2	Mamplasan, Binan, Laguna
Sunshine Place	Mamplasan, Binan, Laguna
The Arborage at Brentville Int'l	Mamplasan, Binan, Laguna
The Meridien	Mamplasan, Binan, Laguna
The Ranch	San Mateo, Rizal
The Signature	Quezon City
Village Front	Mamplasan, Binan, Laguna
Woodmore Spring A	Mamplasan, Binan, Laguna
LEISURE - FARM ESTATES	
Forest Farms	Angono, Rizal
Mandala Residential Farm	San Mateo, Rizal
Nusa Dua	Tanza, Cavite
LEISURE PRIVATE	
MEMBERSHIP CLUB	
Timberland Sports and Nature Club	San Mateo, Rizal
LEISURE - RESIDENTIAL	
RESORT DEVELOPMENT	
Kembali Coast	Samal Island, Davao
Laeuna De Taal	Talisay, Batangas

(forward)

Category / Name of Project	Location
INDUSTRIAL/COMMERCIAL Filinvest Technology Park The Mercado	Calamba, Laguna Taytay, Rizal
CONDOTEL 100 West Grand Cenia Hotel & Residences The Leaf	Makati City Cebu City San Mateo, Rizal

On-going developments of the abovementioned projects are expected to require additional capital but FLI believes that it will have sufficient financial resources for these anticipated requirements.

In 2015, FLI intends to retain its dominant position as the leader in MRB projects by launching five (5) new projects nationwide and four (4) additional buildings of existing projects, with an estimated sales value of ₱4.21 billion. This will bring the Company's total MRB projects to 21 (excluding condotel). These new MRB projects are part of the total ₱16.19 billion estimated sales value of new projects slated for launch by FLI in 2015.

In 2014, FLI launched the following new MRB/HRB and horizontal projects, and additional buildings/phases of its existing projects with estimated sales value of ₱12.46 billion:

Horizontal	
Valle Alegre Ph 1	Calamba Laguna
Tropics 3	Cainta Rizal
Villa Monserrat 1D	Taytay Rizal
Villa Montserrat 3C	Taytay Rizal
Amarilyo Crest	Taytay Rizal
East Bay	Palawan
Balis Oasis 2 Bldg 4	Pasig City
Somerset Lane 2	Tarlac
The Peak	Taytay, Rizal
MRB	
Eight Spatial Bldg 1	Maa, Davao
Capri Oasis Bldg Vento	Pasig City
Maui Oasis Bldg 4	Sta. Mesa, Manila
One Spatial Hamstead	Pasig City
Sanremo Oasis Bldg 2	South Road Properties, Cebu
Sorrento Oasis Bldg J	Pasig City
HRB	
100 West	Makati City
Studio City 3	Muntinlupa City

In 2015, FLI plans to launch one (1) new and four (4) additional buildings of existing "Oasis" projects. These new projects will follow the success of One Oasis Ortigas, Bali Oasis, Bali Oasis 2, Sorrento Oasis and Capri Oasis in Pasig City, Maui Oasis in Manila, Asiana Oasis in Paranaque City, One Oasis Cebu, Amalfi Oasis and Sanremo Oasis in Cebu, One Oasis Davao and One Oasis Cagayan de Oro. Also, the Parent Company plans to launch three (3) new "Spatial" projects in Iloilo, Dumaguete, and Valenzuela City following the success of One Spatial in Pasig City and 8 Spatial Davao which is recently launched in

2014. FLI also plans to launch new MRBs not under “Oasis” and “Spatial” brands located in Tagaytay and Davao. Estimated sales value of these planned launches is ₱ 4.77 billion.

Aside from the MRB’s, FLI has initially pipelined 10 horizontal residential projects with an estimated revenue of about ₱ 7.34 billion and 2 high-rise buildings (mixed-use) with an estimated sales value of ₱ 4.08 billion.

2.3. Investment Properties

FLI’s acquisition and construction of major assets and equity interests involved four strategic investment properties, namely: Festival Supermall, PBCOM Tower, Northgate Cyberzone and EDSA Transcom Building.

In 2013, FLI purchased a total of 3.25 hectares of land in various strategic locations in Pasay City, Quezon City, and Pasig City.

Please refer to Section 1.5.2 for a detailed discussion of these properties.

2.4. Property and Equipment

FLI used to rent office spaces located at San Juan City, Metro Manila with an aggregate floor area of 4,369 square meters for its head office. The term of the lease is 5 years, subject to renewal upon mutual agreements between FLI and FDC (the lessor). In October 2012, FLI transferred to its new corporate headquarters located along EDSA, Mandaluyong City effectively ending the lease on FDC land and building in San Juan City. In December 2012, FLI purchased from FDC the parcel of land located in San Juan City which was previously being leased as its head office. FLI is also renting spaces for its sales offices in Quezon City, Rizal, Pampanga, Tarlac, Puerto Princesa City, , Davao City, Butuan, Tagum, Cagayan de Oro, and Zamboanga City. The terms of the leases are usually for one year, and thereafter, the terms of the lease shall be on a month-to-month basis or upon the option of both parties, a new contract is drawn. The Parent Company does not intend to acquire properties for the next 12 months except as needed in the ordinary course of business.

Item 3. LEGAL PROCEEDINGS

FLI is subject to lawsuits and legal actions in the ordinary course of its real estate development and other allied activities. However, FLI does not believe that the lawsuits or legal actions to which it is a party will have a significant impact on its financial position or result of operations.

Following are the cases involving certain properties of FLI that may have impact on its financial position, but which it believes will be eventually resolved in its favor:

- a. *FLI vs. Abdul Backy, et al.*, G.R. No. 174715, Supreme Court

This is a civil action for the declaration of nullity of deeds of conditional and absolute sales of certain real properties located in Tumbler, General Santos City executed between FLI and the plaintiffs' patriarch, Hadji Gulam Ngilay. The Regional Trial Court (“RTC”) of Las Piñas City (Br. 253) decided the case in favor of FLI and upheld the sale of properties. On appeal, the Court of Appeals rendered a decision partly favorable to FLI but nullified the sale of some properties involved. FLI’s petition for review on certiorari to question that portion of the decision declaring as void the deeds of sale of properties covered by free patents issued in 1991, is still pending with the Supreme Court.

- b. *Emelita Alvarez, et al. vs. FDC*, DARAB Case No. IV-RI-010-95
Adjudication Board, Department of Agrarian Reform

On or about March 15, 1995 certain persons claiming to be beneficiaries under the Comprehensive Agrarian Reform Program (CARP) of the National Government filed an action for annulment/cancellation of sale and transfer of titles, maintenance of peaceful possession, enforcement of rights under CARP plus damages before the Regional Agrarian Reform Adjudicator, Adjudication Board, Department of Agrarian Reform. The property involved, located in San Mateo, Rizal, was purchased by FDC from the Estate of Alfonso Doronilla. A motion to dismiss is still pending resolution.

- c. *Republic of the Philippines vs. Rolando Pascual, et al.*
Civil Case No. 7059, Regional Trial Court

The National Government through the Office of the Solicitor General filed suit against Rolando Pascual, Rogelio Pascual and FLI for cancellation of title and reversion in favor of the Government of properties subject of a joint venture agreement between the said individuals and FLI. The Government claims that the subject properties covering about 73.33 hectares are not alienable and disposable being part of the forestlands. The case was dismissed by the RTC of General Santos City (Br. 36) on November 16, 2007 for lack of merit. The Office of the Solicitor General has appealed the dismissal to the Court of Appeals, where it is still pending.

- d. *FLI vs. Eduardo Adia, et al*, G.R. 192929, Supreme Court

Various CLOA holders based in Brgy. Hugo Perez, Trece Martirez City filed a complaint with the RTC of Trece Martirez against FLI for recovery of possession with damages, claiming that in 1995 they surrendered possession of their lands to FLI so that the same can be developed pursuant to a joint venture arrangement allegedly entered into with FLI. They now seek to recover possession of said lands pending the development thereof by FLI. The RTC rendered a decision ordering FLI to vacate the subject property. FLI appealed the decision to the Court of Appeals, which affirmed the RTC decision. FLI filed a petition for review on certiorari before the Supreme Court. On 10 January 2011, the Supreme Court granted FLI's motion to admit a supplemental petition and required respondent to comment on the supplemental petition within 10 days from notice. The case is pending resolution at the Supreme Court.

- e. *Antonio E. Cenon and Filinvest Land Inc. vs. San Mateo Landfill,*
Mayor Jose Rafael Diaz,
Brgy. Pintong Bukawe, Director Julian Amador and the Secretary,
Department of Environment and Natural Resources
Civil Case No. 2273-09

On February 09, 2009, FLI filed an action for injunction and damages against the respondents to stop and enjoin the construction of a 19-hectare landfill in a barangay in close proximity to Timberland Heights in San Mateo, Rizal. FLI sought preliminary and permanent injunctive reliefs and damages and is seeking the complete and permanent closure of the dumpsite. Trial for this case is ongoing.

FLI is not aware of any other information as to any other legal proceedings known to be contemplated by government authorities or any other entity.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There was no matter which was submitted to a vote of security holders in 2014.

Part II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET FOR ISSUER’S COMMON EQUITY & RELATED STOCKHOLDER MATTERS

The Parent Company’s common shares were listed in the PSE in 1993. The following table shows, for the periods indicated, the high, low and period-end closing prices of the shares as reported in the PSE.

Period 2014	Share Prices		
	High	Low	Close
4th Quarter	1.65	1.42	1.53
3rd Quarter	1.67	1.45	1.58
2nd Quarter	1.70	1.44	1.63
1st Quarter	1.55	1.23	1.44
2013	High	Low	Close
4th Quarter	1.75	1.18	1.41
3rd Quarter	1.93	1.37	1.60
2nd Quarter	2.27	1.51	1.70
1st Quarter	2.07	1.49	1.98

The number of common shareholders of record as of December 31, 2014 was 5,817. Common shares outstanding as of December 31, 2014 were 24,249,759,506 shares.

Top 20 Common Stockholders as of December 31, 2014:

NAME	NO. OF SHARES	% OF TOTAL
1. Filinvest Development Corporation	14,017,205,735	57.80%
2. PCD Nominee Corporation (Non-Filipino)	6,920,578,378	28.54%
3. PCD Nominee Corporation (Filipino)	3,017,753,854	12.44%
4. Phil. International Life Insurance	50,000,000	00.22%
5. Michael Gotianun	11,235,913	00.05%
6. Lucio W. Yan &/or Clara Y. Yan	10,687,500	00.04%
7. Joseph M. Yap &/or Josephine G. Yap	7,694,843	00.03%
8. Berck Y. Cheng	7,000,000	00.03%
9. Joseph M. Yap	6,444,115	00.03%
10. R Magdalena Bosch	4,877,928	00.02%
11. Luis L. Fernandez	4,064,940	00.02%
12. Luis L. Fernandez Or Veronica P. Fernandez ITF Carlo	4,064,940	00.02%
13. Enrique P. Fernandez	4,064,940	00.02%
14. Luis Rodrigo P. Fernandez	4,064,940	00.02%
15. Luis L. Fernandez Or Veronica P. Fernandez ITF Marco	4,064,940	00.02%
16. Veronica P. Fernandez	4,064,940	00.02%
17. Emily Benedicto	3,468,750	00.01%
18. Alberto Mendoza &/or Jeanie C. Mendoza	3,349,871	00.01%
19. Filinvest Capital, Inc.	2,890,625	00.01%
20. Lucio Yan	2,890,625	00.01%

The Parent Company's entire preferred shares of 8 billion shares were all issued to FDC.

No securities were sold within the past three years which were not registered under the Revised Securities Act and/or Securities Regulation Code.

Dividends

On January 8, 2007, the Board of Directors approved an annual cash dividend payments ratio for the Parent Company's issued shares of twenty percent (20%) of its consolidated net income for the preceding year, subject to compliance with applicable laws and regulations and the absence of circumstances which may restrict the payment of such dividends, including, but not limited to, when Company undertakes major projects and developments requiring substantial cash expenditures, or when the Parent Company is restricted from paying cash dividends by its loan covenants, if any. The Board of Directors may at any time modify such dividend payout ratio depending on the results of operations, future projects and plans of the Parent Company.

On April 27, 2012, the Board of Directors approved the declaration and payment from unappropriated retained earnings of cash dividend of ₱0.048 per share for all shareholders of record as of May 25, 2012. Total dividends paid amounting to ₱1.15 billion, or 39.08% of consolidated net income attributable to equity holder of the Parent Company amounting to ₱2.94 billion.

On May 10, 2013, the BOD approved the declaration from unappropriated retained earnings of cash dividend of ₱0.048 per share for all shareholders of records as of June 7, 2013. Total dividends paid amounting to ₱1.16 billion, or 33.81% of consolidated net income attributable to equity holder of the Parent Company amounting to ₱3.43 billion.

On May 9, 2014, the BOD approved the declaration from unappropriated retained earnings of cash dividend of ₱ 0.050 per share or a total of ₱1.21 billion for all shareholders of records as of June 6, 2014.

Item 6. BOND ISSUANCES

On November 19, 2009, FLI issued fixed rate bonds (the "Bonds") with aggregate principal amount of ₱ 5.00 billion, comprised of three (3)-year fixed rate bonds due in 2012 and five (5)-year fixed rate bonds due in 2014. FLI raised net proceeds of ₱ 4,934,064,000 after deducting fees, commissions and expenses relating to the issuance of the bonds.

The three-year bonds have a fixed interest rate of 7.53% per annum. Interest is payable quarterly in arrears starting on February 19, 2010. The five (5)-year bonds have a fixed interest rate of 8.46% per annum. Interest is payable quarterly in arrears starting on February 20, 2010. The ₱ 0.50 billion and ₱ 4.50 billion three (3)-year fixed rate bond was paid by FLI on November 16, 2012 and November 19, 2014, respectively.

On July 7, 2011, FLI issued another fixed rate bonds with principal amount of ₱ 3.00 billion, to finance its capital requirements in 2011 and 2012. The term of the bonds is five (5) years from the issue date with fixed interest rate of 6.2% per annum, payable quarterly in arrears starting on October 7, 2011. FLI raised net proceeds of ₱2,978,835,000 after deducting fees, commissions and expenses relating to the issuance of the bonds.

On June 8, 2012, FLI issued another fixed rate bonds with aggregate principal amount of ₱ 7.00 billion and term of seven (7) years from the issue date. The fixed interest rate is 6.27% per annum, payable quarterly in arrears starting on September 8, 2012. FLI raised net proceeds of ₱ 6,915,976,960 after deducting fees, commissions and expenses relating to the issuance of the bonds.

On November 8, 2013, the Group issued fixed rate bonds with aggregate principal amount of ₱ 7.00 billion comprised of ₱ 4.30 billion seven (7)-year bonds with interest of 4.86% per annum due in 2020 and ₱ 2.70 billion ten (10)-year bonds with interest of 5.43% per annum due in 2023. Interest for both bonds is payable quarterly in arrears starting on February 8, 2014. FLI raised net proceeds of ₱ 6,917,093,003 after deducting fees, commissions and expenses relating to the issuance of the bonds.

On December 4, 2014, FLI issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱ 7.00 billion comprising of ₱ 5.30 billion seven (7)-year fixed rate bonds due in 2021 and ₱ 1.70 billion ten (10)-year fixed rate bonds due in 2024. The seven-year bonds carry a fixed rate of 5.4% per annum while the ten-year bonds have a fixed interest rate of 5.64% per annum. FLI raised net proceeds of ₱ 6,922,093,063.

These bonds require FLI to maintain certain financial ratios which include maximum debt-to-equity ratio of 2.0x; minimum current ratio of 2.0x; and minimum debt service coverage ratio of 1.0x. As of December 31, 2014 and 2013, FLI is not in breach of any of these debt covenants.

Item 7. MANAGEMENT DISCUSSION AND ANALYSIS AND PLAN OF OPERATION

Plan of Operations for 2015

FLI's business strategy has placed emphasis on the development and sale of affordable and middle-market residential lots and housing units to lower and middle-income markets throughout the Philippines.

FLI expects to remain focused on core residential real estate development business which now includes other new developments such as medium-rise buildings and high-rise condominium projects, residential farm estates, entrepreneurial communities, and leisure developments in response to the demands of the Philippine market. The Parent Company is also expanding its retail and BPO office-building portfolio to generate recurring revenues.

In 2015, FLI intends to retain its dominant position as the leader in mid-rise building (MRB) projects by launching five (5) new projects nationwide (excluding condotel), with an estimated sales value of ₱2.33 billion. This will bring the Parent Company's total MRB projects to 21. FLI also plans to launch three (3) additional buildings of its existing projects with estimated sales value of ₱1.88 billion.

These new MRB projects are part of the total ₱16.19 billion of new projects slated for launch by FLI in 2015. Aside from the MRB's, FLI has initially pipelined 10 horizontal residential projects with an estimated revenue of about ₱7.34 billion, 1 condotel (MRB) with an estimated sales value of ₱0.56 billion, 2 high-rise buildings (mixed-use) with an estimated sales value of ₱4.08 billion.

As part of FLI's strategic goal of tripling the GLA of its BPO office buildings by 2019, FLI is about to complete the first of four BPO office buildings at Filinvest Cebu Cyberzone, a 1.2 hectare joint venture project with the Provincial Government of Cebu. The first building will have a GLA of over 19,937 square meters. When completed, the project will have a total of 4 buildings with a GLA of almost 100,000 square meters.

For its retail portfolio, FLI is expanding the Festival Supermall at Filinvest City by another 46,705 square meters to its gross leasable area, maintaining its position as the biggest mall in South Metro Manila. Land development is ongoing at City di Mare for the Il Corso lifestyle strip, a retail project in South Road Properties in Cebu which will contribute a GLA of around 35,000 sq.m. when fully completed. FLI will also start constructing two (2) malls, one in Tagaytay City, and another at its Princeton Heights residential project located in Cavite.

FLI is targeting to spend ₱24 billion for capital expenditures in 2015. Around ₱7.4 billion is earmarked for residential project development costs, ₱13.2 billion for the construction of office buildings and malls, and ₱2.9 billion for land banking acquisitions.

Results of Operations for 2014

Year ended December 31, 2014 compared to year ended December 31, 2013

For the year ended December 31, 2014, FLI's operating regular net income registered a year on year growth of 15.80% or ₱628.03 million from ₱3,975.95 million in 2013 to ₱4,603.98 million in 2014.

Revenues and other income

Total consolidated revenues went up by 23.62% to ₱15,647.99 million in 2014 from ₱12,512.56 million in 2013. The increase resulted from the continued robust real estate sales that reached ₱13,204.44 million (up by ₱2,725.97 million or by 26.01%) and rental revenue of ₱2,263.55 million (higher by ₱229.47 million or 11.28%). Real estate sales booked during the current period broken down by product type are as follows: Middle Income 79% (inclusive of Medium-Rise Buildings and High-Rise Buildings); Affordable 10%; High-End 3%; Farm Estate 2%; Socialized and others 6%. Major contributors to the good sales performance during the period included the launching of new MRB's and House and Lot projects in diverse new locations, intensive marketing activities and attractive pricing. The increase in rental revenues from the mall and office spaces was brought about mainly by higher rental revenues generated by CPI from Northgate Cyberzone buildings resulting from higher take up rate of "Filinvest One" and "Plaza E" in 2014. FLI currently operates 14 buildings and is completing construction of three more office buildings, "Filinvest Two" and "Filinvest Three" at Northgate Cyberzone and Filinvest Cebu Cyberzone Tower 1, which will increase its office portfolio to 274,971 sq.m.

Interest income increased by ₱202.30 million or by 36.82% in 2014 from ₱549.40 million in 2013 to ₱751.70 million in 2014. The increase was due to higher interest income derived from cash and cash equivalents and from contract receivables. Other income increased by 10.31% or by ₱58.67 million from ₱568.77 million in 2013 to ₱627.43 million in 2014 due to higher income from amusement centers, parking and other lease-related activities, and processing fees.

Costs and Expenses

Cost of real estate sales increased by ₱1,690.08 million or by 28.00% from ₱6,036.08 million in 2013 to ₱7,726.16 million in 2014. The increase was mainly due to higher amount of sales booked during the current period as well as the increased share of sales of MRBs and HRBs which historically had carried relatively lower profit margins. Revenues from MRBs and HRBs significantly grew by ₱1,413.32 million or by 20.86% from ₱6,774.44 in 2013 to ₱8,187.76 million in 2014. Cost of rental services likewise increased by 4.19% from ₱491.40 million in 2013 to ₱511.98 million in 2014.

Total operating expenses increased to ₱2,336.38 million in 2014 from ₱2,071.07 million in 2013.

General and administrative expenses increased by ₱103.74 million or by 8.80% to ₱1,282.33 million in 2014 from ₱1,178.59 million in 2013. The increase was due to higher repairs and maintenance, business taxes and licenses, salaries and wages, recreation and other representation expenses, retirement, rental, transportation and outside services; offset by decrease in communications, light and water, insurance, provision for doubtful accounts, and office supplies recorded for the current period.

Selling and marketing expenses increased by 18.10% to ₱1,054.06 million in 2014 from ₱892.48 million in 2013 mainly due to increases in broker's commission, services fees, sales office direct cost and other sales generation expenses as a result of increasing sales volume and activities.

Interest and other financial charges increased by 36.50% to ₱647.62 million in 2014 from ₱474.45 million in 2013. This was due to increase in loan availment and issuance of ₱7 billion bonds during the year.

Provision for Income Tax

Provision for income tax increased by 47.74% from ₱768.15 million in 2013 to ₱1,073.80 million in 2014. Provision for current income tax increased to ₱712.08 million in 2014 from ₱481.99 million in 2013 or an increase of ₱230.09 million or by 47.74% due to higher taxable income brought about by higher revenues.

Provision for deferred income tax increased by ₱75.56 million or by 26.41% from ₱286.15 million in 2013 to ₱361.72 million in 2014 due to higher capitalization of interest expense.

Financial Condition

As of December 31, 2014, FLI's total consolidated assets stood at ₱109.66 million, higher by 11.78% or by ₱11,560.42 million than the ₱98,097.05 million total consolidated assets as of December 31, 2013. The following are the material changes in account balances:

33.56% Decrease in Cash and cash equivalents

Funds were used for the development of existing and new projects and for the construction and acquisitions of investment properties and raw land for future developments.

29.72% Increase in Contracts receivable

Contracts receivable increased due to additional sales booked during the period. Several attractive financing schemes are being offered by the Group to its real estate buyers to further increase sales.

18.82% Increase in Due from related parties

The increase was due to temporary advances made to affiliates in the regular course of business. These advances are expected to be collected within the following year.

11.61% Increase in other receivables

This account increased due to the additions in advances to joint venture partners and contractors.

33.61% Increase in Financial assets at fair value through other comprehensive income

This account increased due to acquisition of shares from a country club in Cebu.

7.48% Decrease in Land and land development

Decrease in the account is mainly due to transfer of some rawland to real estate inventories, offset by newly acquired raw land for land banking.

34.29% Increase in Investment property

The increase was mainly due to the additional construction costs of Plaza A-E, Vector buildings, Filinvest One, Two & Three buildings, Megablock, and FLI EDSA Transcom building. Also, additional costs were incurred for the expansion of Festival Supermall.

14.98% Increase in Property & equipment

The increase was mainly due to the Company's additional waterworks and equipment used in water services to subdivision projects.

96.95% Increase in Deferred income tax assets

The increase in this account was mainly due to increase in deferred tax related to advance rentals for the period.

33.06% Increase in Other assets

The increase in this account was mainly due to creditable withholding tax, input vat, various rental deposits and construction costs of the non-current assets acquired in relation to BTO agreement with the Government of Cebu.

568.76% Increase in Income tax payable

The increase in income tax payable is due to higher current income tax expense in excess of the creditable withholding taxes.

24.14% Increase in Due to related parties

The increase was due to temporary advances from affiliates which were all in the regular course of business. These advances are expected to be paid or liquidated within the first quarter of the following year.

11.99% Increase in Loans payable

The increase was due to additional borrowings made to finance the various projects of the Group.

11.58% Increase in Bonds payable

The increase was due to the issuance of fixed-rate bonds by the Parent Company with an aggregate principal amount of ₱7 billion in November 2014 to finance the various projects of the Parent Company, offset by full payment of ₱4.5 billion bonds issued in 2009.

26.50% Increase in Retirement Liabilities

The increase was due to the accrual of the liability to the retirement fund for the year, net of cash contributions to the fund.

17.23% Increase in Deferred Income Tax Liabilities

The increase was mainly due to the additional capitalized borrowing cost on long-term loans.

Performance Indicators

Financial Ratios	Particulars	2014	2013
<i>Earnings per Share</i>	<i>Basic¹</i>	0.19	0.16
<i>Earnings per Share</i>	<i>Diluted²</i>	0.19	0.16
<i>Debt to Equity Ratio</i>	<u><i>Notes Payable & Long-term Debt</i></u> <i>Total Stockholder's Equity</i>	0.77	0.74
<i>Debt Ratio</i>	<u><i>Total Liabilities</i></u> <i>Total Assets</i>	0.51	0.50
<i>EBITDA to Total Interest Expense</i>	<u><i>EBITDA</i></u> <i>Total Interest Expense</i>	3.12	3.07
<i>Price Earnings Ratio</i>	<u><i>Closing Price of Share</i></u> <i>Earnings Per share</i>	8.05	8.60

¹Basic earnings per share amounts are calculated by dividing net income for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

²Diluted earnings per share amounts are calculated by dividing the net income attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Other Disclosures

Aside from the possible material increase in interest rates of the outstanding long-term debts with floating rates, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of FLI within the next 12 months. The Parent Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments, or any significant amount in its accounts payable that have not been paid within the stated terms.

There are no known trends, events or uncertainties that have had or are reasonably expected to have favorable or unfavorable impact on net sales or revenues or income from continuing operations of FLI.

Except for income generated from retail leasing, there are no seasonal aspects that have a material effect on FLI's financial conditions or results of operations.

The operating activities of FLI are carried uniformly over the calendar year; there are no significant elements of income or loss that did not arise from the Parent Company's continuing operations.

There are no known events that will trigger the settlement of a direct or contingent financial obligation that is material to the Parent Company.

There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships to the Parent Company with unconsolidated entities or other persons created during the reporting period, except those discussed.

The Group does not have any contingent liability or borrowings wherein financial assets were pledged to secure payment nor does it have borrowings wherein properties were mortgaged to secure a loan.

Results of Operations for 2013

Year ended December 31, 2013 compared to year ended December 31, 2012

For the year ended December 31, 2013, FLI's operating regular net income registered a year on year growth of 13.94% or ₱486.40 million from ₱ 3,489.54 million in 2012 to ₱3,975.95 million in 2013.

Revenues and other income

FLI recorded real estate sales of ₱ 10,478.48 million in 2013, higher by 19.10% than the real estate sales in 2012 of ₱ 8,798.36 million. Recorded sales in 2013 consisted mostly of sales of medium-rise buildings and condominium projects, which are accounted for based on the stage of completion, along with sales of affordable and middle-income lots and housing units.

In 2013, FLI launched a total of 17 new housing and land development projects including additional phases of existing projects as well as new MRBs. FLI is also considering other regions for land acquisitions and development or joint venture arrangements. As of December 31, 2013, FLI had signed joint venture agreements for the development of several properties on a total of approximately 324.44 hectares of raw land with landowners in Metro Manila and selected provinces in the Philippines.

Revenue from rental services increased by ₱ 146.98 million or by 7.79% to ₱ 2,034.08 million in 2013 from ₱ 1,887.09 million in 2012. This increase was brought about by higher rental revenues generated by

CPI from Northgate Cyberzone buildings resulting from higher take up rate of “Filinvest One” in 2013. Other sources of revenue from rental services include the ready-built-factories in Filinvest Technology Park in Calamba, Laguna, and commercial and office spaces in Alabang, Muntinlupa City and Makati City.

Interest income increased by ₱ 32.86 million or by 6.36% in 2013 from ₱ 516.54 million in 2012 to ₱ 549.40 million in 2013. The increase was due to higher interest income derived from cash and cash equivalents and from contract receivables. The Group recorded a foreign exchange loss of ₱ 0.40 million in 2013 compared to a foreign exchange gain of ₱ 2.59 million in 2012 due to the recent strength of the Japanese yen against our local currency in the foreign exchange markets. Other income increased by 8.01% or by ₱ 42.22 million from ₱526.94 million in 2012 to ₱569.16 million in 2013 due to higher income from amusement centers, parking and other lease-related activities, and processing fees.

Costs and Expenses

With the higher sales, the corresponding cost of real estate sales increased by 22.50% from ₱ 4,927.46 million in 2012 to ₱ 6,036.08 million in 2013. Cost of rental services likewise increased by 3.75% from ₱ 473.62 million in 2012 to ₱ 491.40 million in 2013.

Total operating expenses increased to ₱ 2,071.07 million in 2013 from ₱ 1,969.15 million in 2012.

General and administrative expenses increased by ₱ 81.69 million or by 7.45% to ₱ 1,178.59 million in 2013 from ₱ 1,096.90 million in 2012. The increase was due to higher repairs and maintenance, insurance expenses, salaries and wages, recreation and other representation expenses; offset by decrease in rental, taxes and licenses, communications, light and water, transportation and outside services recorded for the current period.

Selling and marketing expenses increased by 2.32% to ₱ 892.48 million in 2013 from ₱ 872.24 million in 2012 mainly due to the increase in broker’s commission, sales office direct cost and other sales generation expenses as a result of increasing sales volume and activities.

Interest and other financial charges increased by 14.89% to ₱ 474.45 million in 2013 from ₱ 412.96 million in 2012. This was due to increase in loan availment and issuance of ₱ 7 billion bonds during the year.

Provision for Income Tax

Provision for income tax increased by 18.89% from ₱ 646.09 million in 2012 to ₱ 768.15 million in 2013. Provision for current income tax increased to ₱ 481.99 million in 2013 from ₱ 353.48 million in 2012 or an increase of ₱ 128.52 million or by 36.36% due to higher taxable income brought about by higher revenues.

Provision for deferred income tax decreased by ₱ 6.50 million or by 2.21% from ₱ 292.61 million in 2012 to ₱ 286.15 million in 2013 due to higher realized gross profit on capitalized interest through cost of sales.

Financial Condition

As of December 31, 2013, FLI’s total consolidated assets stood at ₱98,097.05 million, higher by 18.72% or by ₱15,467.07 million than the ₱82,629.98 million total consolidated assets as of December 31, 2012. The following are the material changes in account balances:

195.12% Increase in Cash and Cash Equivalents

The increase in this account was mainly due to improved cash generation from operations and proceeds from the Parent Company’s issuance of fixed rate retail bonds amounting to P7.0 billion in November

2013. Funds will be used to finance the development of existing and new projects of the Parent Company lined up for the following year.

23.46% Increase in Contracts Receivable

Contracts receivable increased due to additional sales booked during the period. Several attractive financing schemes are being offered by the Group to its real estate buyers to further increase sales.

5.30% Increase in Due from related parties

The increase was due to temporary advances made to affiliates in the regular course of business. These advances are expected to be collected within the following year.

27.51% Decrease in Financial assets at fair value through other comprehensive income

This account decreased due to return of investments received from certain shares from an electric power distributor.

22.29% Increase in Land and Land Development

The increase in this account was mainly due to acquisition of parcels of land in Cavite, and in the cities of Pasig, Quezon, Taguig, and Valenzuela, and Manila.

22.62% Increase in Investment property

The increase was mainly due to the additional construction costs of Plaza E, Vector buildings, Filinvest One, Two & Three buildings, Megablock, and FLI EDSA Transcom building. Also, project costs were increased for the expansion of Festival Supermall. The Company also purchased a lot located in Pasay City which it aims to develop as a BPO center. An additional parcel of land located in SRP, Cebu City was also paid during the year.

13.34% Decrease in Property & equipment

The decrease was mainly due to depreciation during the current period and the reclassification of building into investment properties account.

45.07% Decrease in Deferred income tax assets

The decrease in this account was mainly due to decrease in advance rentals as majority were realized as income for the period.

59.47% Increase in Other assets

The increase in this account was mainly due to creditable withholding tax, input vat, various rental deposits and other non-current assets acquired in relation to BTO agreement with the Government of Cebu.

22.68% Increase in Accounts payable and accrued expenses

The increase is mainly due to acquisitions of raw land and to the increases in deposits from tenants and buyers, retention from billings of contractors, and accrual of interests on loans and bonds.

28.61% Decrease in Income tax payable

The decrease in income tax payable was due to application of creditable withholding taxes on the tax due for the year.

14.02% Increase in Due to related parties

The increase was due to temporary advances from affiliates which were all in the regular course of business. These advances are expected to be paid or liquidated within the first quarter of the following year.

31.30% Increase in Loans payable

The increase was due to additional borrowings made to finance the various projects of the Group.

48.40% Increase in Bonds payable

The increase was due to the issuance of fixed-rate bonds by the Parent Company with an aggregate principal amount of ₱7 billion in November 2013 to finance the various projects of the Parent Company.

16.94% Increase in Retirement Liabilities

The increase was due to the accrual of the liability to the retirement fund for the year, net of cash contributions to the fund, and adoption to PAS 19, *Employee Benefits* (Revised).

14.78% Increase in Deferred Income Tax Liabilities

The increase was mainly due to the additional capitalized borrowing cost on long-term loans.

Performance Indicators

Financial Ratios	Particulars	2013	2012
<i>Earnings per Share</i>	<i>Basic¹</i>	0.16	0.14
<i>Earnings per Share</i>	<i>Diluted²</i>	0.16	0.14
<i>Debt to Equity Ratio</i>	<i>Notes Payable & Long-term Debt</i> <i>Total Stockholder's Equity</i>	0.74	0.55
<i>Debt Ratio</i>	<i>Total Liabilities</i> <i>Total Assets</i>	0.50	0.44
<i>EBITDA to Total Interest Expense</i>	<i>EBITDA</i> <i>Total Interest Expense</i>	3.07	3.59
<i>Price Earnings Ratio</i>	<i>Closing Price of Share</i> <i>Earnings Per share</i>	8.60	10.64

¹Basic earnings per share amounts are calculated by dividing net income for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

²Diluted earnings per share amounts are calculated by dividing the net income attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Other Disclosures

Aside from the possible material increase in interest rates of the outstanding long-term debts with floating rates, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of FLI within the next 12 months. The Parent Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments, or any significant amount in its accounts payable that have not been paid within the stated terms.

There are no known trends, events or uncertainties that have had or are reasonably expected to have favorable or unfavorable impact on net sales or revenues or income from continuing operations of FLI.

Except for income generated from retail leasing, there are no seasonal aspects that have a material effect on FLI's financial conditions or results of operations.

The operating activities of FLI are carried uniformly over the calendar year; there are no significant elements of income or loss that did not arise from the Parent Company's continuing operations.

There are no known events that will trigger the settlement of a direct or contingent financial obligation that is material to the Parent Company.

There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships to the Parent Company with unconsolidated entities or other persons created during the reporting period, except those discussed.

The Group does not have any contingent liability or borrowings wherein financial assets were pledged to secure payment nor it has borrowings wherein properties were mortgaged to secure a loan.

Results of Operations for 2012

Year ended December 31, 2012 compared to year ended December 31, 2011

For the year ended December 31, 2012, FLI's operating regular net income registered a year on year growth of 16.26% or ₱487.97 million from ₱ 3,001.58 million in 2011 to ₱3,489.54 million in 2012.

Revenues and other income

FLI recorded real estate sales of ₱ 8,798.36 million in 2012, higher by 26.53% than the real estate sales in 2011 of ₱ 6,953.47 million. Recorded sales in 2012 consisted mostly of sales of affordable and middle-income lots and housing units including the medium-rise buildings and condominium projects, which are accounted for based on the stage of completion.

In 2012, FLI launched a total of 20 new housing and land development projects including additional phases of existing projects as well as new MRBs. FLI is also considering other regions for land acquisitions and development or joint venture arrangements. As of December 31, 2012, FLI had signed joint venture agreements for the development of several properties on a total of approximately 379.2 hectares of raw land with landowners in Metro Manila and selected provinces in the Philippines.

Revenue from rental services increased by ₱ 249.76 million or by 15.25% to ₱ 1,887.09 million in 2012 from ₱ 1,637.34 million in 2011. This increase was brought about by higher rental revenues generated by CPI from Northgate Cyberzone buildings resulting from higher take up rate of Vector 1 in 2012. Other sources of revenue from rental services include the ready-built-factories in Filinvest Technology Park in Calamba, Laguna.

Equity in net earnings from an associate also increased to ₱ 187.30 million in 2012 from ₱ 63.41 million in 2011 or by 195.38% due to higher earnings of Filinvest Alabang, Inc. (FAI) where FLI is a 20% equity holder.

Interest income went down by ₱ 26.68 million in 2012 from ₱ 543.23 million in 2011 or by 4.91% to ₱ 516.54 million in 2012. The decrease was due to lower interest income derived from cash and cash equivalents and from contract receivables brought about by the sale of certain contract receivables to a banking institution. The Group recorded a foreign exchange gain of ₱ 2.59 million in 2012 compared to a foreign exchange gain of ₱ 1.30 million in 2011 due to higher foreign currency deposits in 2012. Other income decreased by 10.17% or by ₱ 59.68 million from ₱586.62 million in 2011 to ₱526.94 million in 2012 due to lower amusement and other sales of the mall and service fees.

Costs and Expenses

With the higher sales, the corresponding cost of real estate sales increased by 36.41% from ₱ 3,612.28 million in 2011 to ₱ 4,927.46 million in 2012. Cost of rental services likewise increased by 3.78% from ₱ 456.37 million in 2011 to ₱ 473.62 million in 2012.

Total operating expenses increased to ₱ 1,969.15 million in 2012 from ₱ 1,676.13 million in 2011.

General and administrative expenses increased by ₱ 185.59 million or by 20.36% to ₱ 1,096.90 million in 2012 from ₱ 911.32 million in 2011.

The following are the significant movements in the general and administrative expense accounts which resulted primarily from the increased volume of business and higher revenues in 2012:

65.67% increase in rent expense

60.08% increase in repairs and maintenance

30.86% increase in taxes and licenses

32.88% increase in dues and subscription

22.81% increase in outside services

25.15% increase in retirement cost, from ₱ 19.88 million in 2011 to ₱ 24.88 million in 2012.

113.78% increase in insurance expenses, from ₱ 26.86 million in 2011 to ₱ 57.41 million in 2012.

Selling and marketing expenses increased by 14.05% to ₱ 872.25 million in 2012 from ₱ 764.81 million in 2011 mainly due to the increase in broker's commission, advertising, promotion and sales generation expenses as a result of increasing sales volume and activities.

Interest and other financial charges decreased by 13.75% to ₱ 412.96 million in 2012 from ₱ 478.82 million in 2011. This was due to higher capitalization of borrowing costs in 2012, and brought about by payment of loans and fixed-rate retail bonds amounting to ₱ 2,504.75 million and ₱ 500.00 million, respectively.

Provision for Income Tax

Provision for income tax increased by 15.34% from ₱ 560.18 million in 2011 to ₱ 646.09 million in 2012. Provision for current income tax decreased to ₱ 353.48 million in 2012 from ₱ 505.42 million in 2011 or a decrease of ₱ 151.94 million or by 30.06% due to higher revenues generated from tax-exempt projects and other projects with income tax holiday.

Provision for deferred income tax increased by ₱ 237.85 million or by 434.30% from ₱ 54.77 million in 2011 to ₱ 292.61 million in 2012 due to higher capitalized borrowing costs.

Financial Condition

As of December 31, 2012, FLI's total consolidated assets stood at ₱ 82.63 billion, higher by 19.89% than the ₱ 68.92 billion as at the previous year-end.

81.04% Increase in Cash and cash equivalents

The increase represents mainly proceeds from the Parent Company's issuance of fixed rate retail bonds amounting to ₱7.0 billion in June 2012. Funds will be used to finance the development of existing and new projects of the Parent Company lined up for the following year.

25.38% Increase in Contracts receivable

Contracts receivable increased due to additional sales booked during the current period.

21.28% Decrease in Due from related parties

The decrease was due to collections of temporary advances made to affiliates in the regular course of business.

24.23% Increase in Other receivables

This account increased due to down payments made to contractors which are to be applied against their billings and ordinary advances to joint venture partners which will be offset against the proceeds from sales of the joint venture inventories.

24.20% Increase in Real estate inventories

The upward movement of this account mainly comprised of development and construction costs set up for projects during the year and additional phases of existing projects.

9.06% Increase in Land and land development

The increase in this account was mainly due to acquisition of new properties in various parts of the country which are intended for development of housing projects and payment made to Cebu City Government for the purchase of part of the 10.6 hectare SRP property.

2.96% Increase in Investment in an associate

The increase in this account represents the equity share of the Group in the current net earnings of FAI.

24.47% Increase in Investment properties

The increase was mainly due to the transfer of a building under construction to Investment properties account upon completion of its construction.

2.95% Increase in Property and equipment

The increase in this account was mainly due to the new corporate headquarters of the Parent Company located in Mandaluyong City and leasehold improvements and acquisition of additional equipment.

5.43% Decrease in Deferred tax assets

The decrease was mainly due to decrease of advance rentals from Northgate Cyberzone buildings and from PBCom Tower in Makati City.

103.69% Increase in Other assets

The increase in this account was mainly due to higher creditable withholding tax and input vat for the year.

36.61% Increase in Accounts payable and accrued expenses

The increase is mainly due to increase in deposits from tenants and buyers, retention from billings of contractors, and accrual of interests on loans and bonds.

63.96% Decrease in Income tax payable

The decrease in income tax payable was due to application of creditable withholding taxes on the tax due for the year.

276.39% Increase in Due to related parties

The increase was due to temporary advances from affiliates which were all in the regular course of business. These advances are expected to be paid or liquidated within the first quarter of the following year.

27.70% Increase in Loans payable

The increase was due to additional borrowings made to finance the various projects of the Parent Company.

80.08% Increase in Bonds payable

The increase was due to the issuance of fixed-rate retail bonds by the Parent Company with an aggregate principal amount of ₱7 billion in June 2012 to finance the various projects of the Parent Company.

66.89% Increase in Retirement liabilities

The increase was due to the accrual of the liability to the retirement fund for the year, net of cash contributions to the fund, and due to early adoption by the Parent Company of revised PAS 19, *Employee Benefits*.

13.03% Increase in Deferred income tax liabilities

The increase in this account was mainly due to the capitalization of part of interests on long-term loans.

17.01% Increase in Retained earnings

This was brought about by the Parent Company's net income of ₱ 3.43 billion for the year net of cash dividends paid in 2012.

Performance Indicators

Financial Ratios	Particulars	2012	2011
<i>Earnings per Share</i>	<i>Basic¹</i>	0.14	0.12
<i>Earnings per Share</i>	<i>Diluted²</i>	0.14	0.12
<i>Debt to Equity Ratio</i>	<i><u>Notes Payable & Long-term Debt</u></i> <i>Total Stockholder's Equity</i>	0.55	0.38
<i>Debt Ratio</i>	<i><u>Total Liabilities</u></i> <i>Total Assets</i>	0.44	0.36
<i>EBITDA to Total Interest Expense</i>	<i><u>EBITDA</u></i> <i>Total Interest Expense</i>	3.59	5.20
<i>Price Earnings Ratio</i>	<i><u>Closing Price of Share</u></i> <i>Earnings Per share</i>	10.64	8.25

¹Basic earnings per share amounts are calculated by dividing net income for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

²Diluted earnings per share amounts are calculated by dividing the net income attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Other Disclosures

Aside from the possible material increase in interest rates of the outstanding long-term debts with floating rates, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of FLI within the next 12 months. The Parent Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments, or any significant amount in its accounts payable that have not been paid within the stated terms.

There are no known trends, events or uncertainties that have had or are reasonably expected to have favorable or unfavorable impact on net sales or revenues or income from continuing operations of FLI.

Except for income generated from retail leasing, there are no seasonal aspects that have a material effect on FLI's financial conditions or results of operations.

The operating activities of FLI are carried uniformly over the calendar year; there are no significant elements of income or loss that did not arise from the Parent Company's continuing operations.

There are no known events that will trigger the settlement of a direct or contingent financial obligation that is material to the Parent Company.

There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships to the Parent Company with unconsolidated entities or other persons created during the reporting period, except those discussed.

The Group does not have any contingent liability or borrowings wherein financial assets were pledged to secure payment nor does it have borrowings wherein properties were mortgaged to secure a loan.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANT ON ACCOUNTING AND FINANCIAL DISCLOSURE

SyCip, Gorres, Velayo & Co (SGV) has been the duly appointed independent auditors for the years covered by this report.

SGV is being recommended for election as external auditor for the year 2015. FLI, in compliance with SRC Rule 68(3)(b)(iv) relative to the five-year rotation requirement of its external auditors, has designated Ms. Dhonabee B. Seneres as its engagement partner starting CY 2013. Thus, Ms. Seneres is qualified to act as such until year 2018. The representatives of SGV are expected to be present at the annual meeting where they will have the opportunity to make a statement if they desire to do so. They are expected to be available to respond to appropriate questions at the meeting.

There has been no disagreement with FLI's independent accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND PRINCIPAL OFFICERS OF THE REGISTRANT

Andrew L. Gotianun, Sr.
Chairman Emeritus

Mr. Gotianun, 87, Filipino, is the founder of the Filinvest Group of Companies and is presently serving in various capacities in the member companies of the Filinvest Group. He was first elected as Director of the Company on November 24, 1989. He is Chairman Emeritus and Director of Filinvest Development Corporation ("FDC") and East West Banking Corporation ("EWBC"), both publicly-listed companies, and a Director in FDC Utilities, Inc. ("FDCUI") and its subsidiaries. He is also the Chairman and President of Pacific Sugar Holdings Corporation ("PSHC"). He also worked for the Insular Bank of Asia and America from 1980 to 1985 and for Filinvest Credit Corporation from 1970 to 1985. He is a graduate of San Beda College with an Associate Degree in Commercial Science.

Jonathan T. Gotianun
Chairman of the Board

Mr. Gotianun, 61, Filipino, was first elected as a Director of FLI on June 17, 1994. He also serves as the Chairman of the Board of Directors of FDC and EWBC, both publicly-listed companies. He is also the President of Davao Sugar Central Co., Inc. and Cotabato Sugar Central Co., Inc., and Director and Chairman of the Executive Committee of FDCUI and its subsidiary power companies. He served as Director and Senior Vice President of Family Bank & Trust Co. until 1984. He obtained his Master's Degree in Business Administration from Northwestern University in 1976.

Lourdes Josephine G. Yap
President and Chief Executive Officer

Mrs. Yap, 59, Filipino, was first elected as a Director of FLI on November 24, 1989. Mrs. Yap, who was elected as the President and CEO of FLI on October 31, 2012, is also a Director and the President and CEO of FDC, a publicly-listed company, The Palms Country Club, Inc. ("TPCCI"), Timberland Sports and Nature Club, Inc. ("TSNC") and FAI, and a Director in FDCUI and EWBC, a publicly-listed company. She obtained her Master's Degree in Business Administration from the University of Chicago in 1977.

Mercedes T. Gotianun
Director

Mrs. Gotianun, 86, Filipino, was a Director of FLI from 1991 to 2010 and its Chief Executive Officer from 1997 to 2007. She was first elected as a Director of FLI on November 24, 1989. She serves as a Director of EWBC and FDC, both publicly-listed companies, and also a Director of FAI, PSHC, FDCUI and TPCCI. She was involved in the operations of Family Bank and Trust Co. since its founding in 1970 and was President and Chief Executive Officer of the bank from 1978 to 1984. She obtained her university degree from the University of the Philippines.

Andrew T. Gotianun, Jr.
Co-Vice Chairman

Mr. Gotianun, 63, Filipino, was first elected as a Director of FLI on November 24, 1989. He is also a Director of FDC, a publicly-listed company, and a Director in FAI, FDCUI and TSNC. He served as director of Family Bank and Trust Co. from 1980 to 1984. He has been in the realty business for more than 16 years. He obtained his Bachelor of Science (Major in Accounting) degree from Republican College in 1981.

Joseph M. Yap
Director

Mr. Yap, 64, Filipino, was first elected as a member of FLI's Board on June 4, 1997. He was appointed Chief Executive Officer in 2007 and served as such until October 31, 2012. He served as First Vice President of Family Bank & Trust Co. in charge of credit and collection from 1982 to 1984. Prior to that, he held financial management positions with Nestle with assignments in New York, Switzerland and Manila from 1976 to 1982. He obtained his Master's Degree in Business Administration from Harvard University in 1976. He is not a Director of any other publicly-listed company.

Efren C. Gutierrez
Director

Mr. Gutierrez, 79, Filipino, was a Director of FLI from 1994 to 2001, and was re-elected to FLI's Board in 2006. He was first elected as a Director of FLI on June 17, 1994. He served as the President of FAI from 1999 to 2005. He is a Director of The Palms Country Club, Inc. He is not a Director of any other publicly-listed company. He obtained his Bachelor of Laws degree from the University of the Philippines.

Lamberto U. Ocampo
Independent Director

Mr. Ocampo, 89, Filipino, was an independent director of FLI from 2002 to 2008, having been first elected as an independent director of FLI on May 30, 2002. In 2012, Mr. Ocampo was re-elected as an independent director of FLI. He is a Civil Engineer by profession. He served as director of DCCD Engineering Corporation from 1957 to April 2001, as its Chairman of the Board from 1993 to 1995, and President from 1970 to 1992. He is not a Director of any other publicly-listed company. He obtained his Master's Degree in Engineering from the University of California-Berkeley.

Cirilo T. Tolosa
Independent Director

Mr. Tolosa, 75, Filipino, was first elected as an independent director of FLI on May 25, 2007. He was a partner at Sycip Salazar Hernandez and Gatmaitan, retiring from the said law firm in February 2005. He is at present a partner in the law firm Tolosa Romulo Agabin and Flores. He has been the chairman of the boards of Daystar Commercial Enterprises, Inc., Daystar Development Corporation, Lou-Bel Development Corporation and GMA Lou-Bel Condominium Corporation for at least 10 years, and corporate secretary of De La Salle University System, Inc. and De La Salle Philippines, Inc. since 2003 and 2005, respectively. He received his L.L.B. degree, cum laude and class salutatorian, from Ateneo de Manila University and his L.L.M. degree from the University of Michigan Law School on a De Witt Fellowship Grant.

Nelson M. Bona
Chief Financial Officer

Mr. Bona, 64, Filipino, was appointed as FLI's Chief Financial Officer in January 2007. He was formerly an Executive Vice President of EWBC and Managing Director of Millenia Broadband Communications, Inc. and Filinvest Capital, Inc.

Ana Venus A. Mejia
Treasurer/Deputy Chief Financial Officer

Ms. Mejia, 49, Filipino, has been with the Filinvest Group for 17 years, joining in January 1996 as Assistant Controller of Filinvest Development Corp and has served the Group in various capacities. She was appointed as Treasurer of FLI on 2012. Prior to joining Filinvest, she worked with Shoemart and Sycip, Gorres, Velayo & Company. She is a Certified Public Accountant and a Magna Cum Laude from Pamantasan ng Lungsod ng Maynila.

Elma Christine R. Leogardo
*Acting Corporate Secretary
and Acting Compliance Officer*

Atty. Leogardo, 56, Filipino, was appointed by the Board of Directors as Acting Corporate Secretary and Acting Compliance Officer on July 15, 2014. She concurrently serves as a Vice President of the Legal Department of the Company. Prior to joining the Company, she was a senior partner at Villaraza Cruz Marcelo & Angangco. She is a fellow of the Institute of Corporate Directors, a trustee of the Legal Management Council of the Philippines, was former President and current trustee of the Maritime Law Association of the Philippines, and a member of the Integrated Bar of the Philippines and the Philippine Bar Association. She holds a Bachelor of Arts degree, *cum laude*, from the University of the Philippines, and a Bachelor of Laws degree from the same university.

The members of the Nomination Committee of FLI are Andrew L. Gotianun, Sr. (Chair), Mercedes T. Gotianun, Josephine G. Yap, Lamberto U. Ocampo (Independent Director) and Rizal Angela L. Reyes. Ms. Reyes sits in the committee in an ex-officio capacity as the head of FLI's Human Resources Department.

The Audit Committee of FLI is composed of Cirilo T. Tolosa (Chair/Independent Director), Jonathan T. Gotianun and Efren C. Gutierrez.

Mr. Andrew L. Gotianun, Sr. is the spouse of Ms. Mercedes T. Gotianun and the father of Mr. Andrew T. Gotianun Jr., Mr. Jonathan T. Gotianun, Mr. Michael Edward T. Gotianun and Ms. Josephine G. Yap. Ms. Yap is married to Mr. Joseph M. Yap.

The directors of FLI are elected at the annual stockholders' meeting to hold office until their respective successors have been duly appointed or elected and qualified. Officers and committee members are appointed or elected by the Board of Directors typically at its first meeting following the annual stockholders' meeting, each to hold office until his successor shall have been duly elected or appointed and qualified.

There is no person who is not an executive officer of the Parent Company who is expected to make a significant contribution to the business. The Parent Company, however, engages the regular services of consultants. At December 31, 2014, the Parent Company had 7 consultants in the area of business development, marketing, planning and design and construction management.

Except as discussed in section 1.10, there are no transactions or any proposed transactions during the last two years, to which the Parent Company was or is to be a party, in which any director or officer, any nominee for election as a director, any security holder or any member of the immediate family or any of the persons mentioned in the foregoing had or is to have a direct or indirect material interest.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

Except for (a) criminal cases filed in 2007 before the DOJ in I.S. Nos. 2007-001 and 2007-011 and which were dismissed by the DOJ on March 26, 2009 and April 7, 2009, respectively; (b) criminal complaints in Prosecutor's Office (filed against Mr. Joseph M. Yap and other FLI officers) arising from alleged unlawful collection and application of subdivision dues and other charges being collected by a homeowners' association which was dismissed on January 23, 2012, none of the members of FLI's Board nor its executive officers are involved in any criminal, bankruptcy or insolvency investigations or proceedings for the past five years and up to December 31, 2014, nor have they been found by judgment or decree to have violated securities or commodities law and enjoined from engaging in any business, securities, commodities or banking activities.

Item 10. EXECUTIVE COMPENSATION

The aggregate compensation paid or incurred during the last two fiscal years and the estimate for this year are as follows:

	Estimate 2015			2014			2013		
Name & Principal Position	Salaries	Bonus	Total	Salaries	Bonus	Total	Salaries	Bonus	Total
L. Josephine G. Yap <i>President/Chief Exec. Officer</i>									
Steve Chien Liang Ta <i>Senior Vice President</i>									
Nelson M. Bona <i>CFO/Senior Vice President</i>									
Venus A. Mejia <i>Senior Vice President</i>									
Francis V. Ceballos <i>Senior Vice President</i>									
Total for the Chief Exec. And the four highest paid officials	P23.1M	P4.83M	P27.93M	P21.953M	P4.563M	P25.516M	P19.07M	P4.33M	P23.4M
Total of all Officers & Directors as a group	P44.78M	P7.77M	P52.55M	P42.648M	P 7.40M	P50.048M	P38.02M	P7.39M	P45.41M

Except for a per diem of P50,000 being paid to each director for every meeting attended, there are no other arrangements for the payment of compensation or remuneration to the directors in their capacity as such.

There is no action to be taken at the annual meeting of the stockholders on May 8, 2015 with respect to any bonus, profit sharing or other compensation plan, contract or arrangement, and pension or retirement plan, in which any director, nominee for election as a director, or executive officer of FLI will participate. Neither is there any proposed grant or extension to any such person of any option, warrant or right to purchase any securities of FLI.

Item 11. Security Ownership of Certain Beneficial Owners and Management

11.1. Security Ownership of Certain Beneficial Owners as of December 31, 2014:

<i>Title of Class of Securities</i>	<i>Name/ Address of Record Owner and Relationship with FLI</i>	<i>Name of Beneficial Owner/Relationship with Record Owner</i>	<i>Citizenship</i>	<i>No. of Shares Held</i>	<i>% of Ownership</i>
Preferred	Filinvest Development Corporation <i>The Beaufort, BGC, Taguig City, MM</i>	N.A.	Filipino	8,000,000,000 (R)	100%
Common	Filinvest Development Corporation <i>The Beaufort, BGC, Taguig City, MM</i>	N.A.	Filipino	14,017,205,735 (R)	57.80%
Common	PCD Nominee Corporation (Non-Filipino) <i>G/F, Philippine Stock Exchange Tower, Ayala Ave., Makati City</i>	Invesco Hong Kong Limited (more than 5%)	Non-Filipino	6,920,578,378 (R)	28.54%
Common	PCD Nominee Corporation (Filipino) <i>G/F, Philippine Stock Exchange Tower, Ayala Avenue, Makati City</i>	(No single shareholder owns at least 5% of total shares)	Filipino	3,017,753,854 (R)	12.44%

Total number of shares of all record and beneficial owners as a group is 8,000,000,000 preferred shares representing 100% of the total outstanding preferred shares, and 24,249,759,506 common shares representing 100% of the total outstanding common shares.

Ms. Josephine G. Yap is usually appointed by Filinvest Development Corporation (“FDC”) as its representative with authority to vote FDC’s shares in stockholders’ meetings of FLI.

11.2. Security Ownership of Management as of December 31, 2014

Class of Securities	Name and Address	Amount and Nature of Ownership		Citizenship	% of Ownership
Common	Andrew L. Gotianun, Sr.	76	(D)		Negligible
	c/o #79 EDSA, Highway Hills, Mandaluyong City	1,039	(I)	Filipino	
Common	Mercedes T. Gotianun	76	(D)		"
	c/o #79 EDSA, Highway Hills, Mandaluyong City	2,194,493	(I)	Filipino	
Common	Andrew T. Gotianun Jr.	406,571	(D)		"
	c/o #79 EDSA, Highway Hills, Mandaluyong City	1,107	(I)	Filipino	
Common	Joseph M. Yap	6,444,115	(D)		"
	c/o #79 EDSA, Highway Hills, Mandaluyong City	–	(I)	Filipino	
Common	Lourdes Josephine G. Yap	76	(D)		"
	c/o #79 EDSA, Highway Hills, Mandaluyong City	6	(I)	Filipino	
Common	Jonathan T. Gotianun	61	(D)		"
	c/o #79 EDSA, Highway Hills, Mandaluyong City	6	(I)	Filipino	
Common	Michael Edward T. Gotianun	11,235,913	(D)		"
	c/o #79 EDSA, Highway Hills, Mandaluyong City	27,243,603	(I)	Filipino	
Common	Efren C. Gutierrez	13,083	(D)		"
	c/o #79 EDSA, Highway Hills, Mandaluyong City	802	(I)	Filipino	
Common	Lamberto U. Ocampo	1	(D)		"
	c/o #79 EDSA, Highway Hills, Mandaluyong City	–		Filipino	
Common	Cirilo T. Tolosa	1	(D)		"
	c/o #79 EDSA, Highway Hills, Mandaluyong City	–		Filipino	
Common	Joseph and Josephine Yap	7,694,843	(D)		"
	c/o #79 EDSA, Highway Hills, Mandaluyong City	30,786,345	(I)	Filipino	
Common	Luis L. Fernandez	4,064,940	(D)		"
	c/o #79 EDSA, Highway Hills, Mandaluyong City	1,107	(I)	Filipino	

Total ownership of all directors and officers as a group is 0.33%.

- No person holds more than 5% of the common stock under a voting trust or similar agreement.
- There has been no change in control of FLI since the beginning of last year.

11.3. Voting Trust Holders of 5% or more

There are no persons holding 5% or more of a class of shares under any voting trust or similar agreement.

11.4. Changes in Control

There are no arrangements that may result in change in control of the Parent Company.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Parent Company and its subsidiaries, in their normal course of business, have certain related party transactions with affiliates principally consisting of advances and intercompany charges.

Please refer to the Detailed Discussion on the Parent Company's Subsidiaries, Joint Ventures, Affiliate and Related Party Transactions in Section 1.3, 1.4, 1.5 and 1.10, respectively.

PART IV – COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

Item 13. CORPORATE GOVERNANCE

Please refer to attached Annual Corporate Governance Report (ACGR).

FLI is in full compliance with its Revised Manual for Corporate Governance as demonstrated by the following: (a) the election of two (2) independent directors to the Board; (b) the appointment of members of the audit, nomination and compensation committees; (c) the conduct of regular quarterly board meetings and special meetings, the faithful attendance of the directors at these meetings and their proper discharge of duties and responsibilities as such directors; (d) the submission to the SEC of reports and disclosures required under the Securities Regulation Code; (e) FLI's adherence to national and local laws pertaining to its operations; and (f) the observance of applicable accounting standards by FLI.

In order to keep itself abreast with the leading practices on corporate governance, FLI encourages the members of top level management and the Board to attend and participate at seminars on corporate governance initiated by accredited institutions.

FLI welcomes proposals, especially from institutions and entities such as the SEC, PSE and the Institute of Corporate Directors, to improve corporate governance.

There is no known material deviation from FLI's Revised Manual on Corporate Governance.

PART V – EXHIBITS AND SCHEDULES

Item 14. EXHIBITS AND REPORTS ON SEC Form 17-C

a) Exhibits

Exhibits as indicated in the Index to Exhibits are either not applicable to the Parent Company or require no answer.

b) Reports on SEC Form 17-C

The following reports on SEC Form 17-C were filed during the last six months of 2014:

Report Date	Items Reported
19-Dec-14	Clarification/confirmation of the news article entitled "Cebu sets land auction" published in the December 19, 2014 issue of the Manila Standard Today. The article reported in part that: Filinvest Land, Inc. confirms that it is interested in looking at and evaluating the two lots (45 hectare) land in SRP for auction/bidding, in the same manner that the Company is looking at other opportunities in Cebu.
14-Dec-14	Announcement of completion of the Offering of Filinvest land, Inc.'s Unsecured Fixed-Rate Peso Retail Bonds with an aggregate principal amount of Php 5.0 billion with an over-subscription option of up to Php 2.0 billion due 2021 & 2024.

(Forward)

Report Date	Items Reported
1-Dec-14	Confirmation that the Company raised P7 billion from the issuance of seven and ten-year fixed rate peso bonds, the details of which are as follows: P5.3 billion 7-year bonds with a fixed rate of 5.4% per annum, and P1.7 billion 10-year bonds with a fixed rate of 5.6389% per annum; and Issue and Listing Date: December 4, 2014.
24-Nov-14	Confirmation that the SEC has approved the P7-billion unsecured fixed rate peso retail bond sale, subject to the Company's submission of the documentary requirements as required by the SEC.
21-Nov-14	Disclosure that FLI has completed the payment on 20 November 2014 of FLI's 5-year and 1 day fixed-rate bonds (FLI 11-14) in the aggregate amount of Php4,500,000,000. The FLI 11-14 Bonds, which forms part of the Php5,000,000,000 fixed-rate bonds that were issued by FLI on 19 November 2009 matured on 20 November 2014 and was paid on the same day through FLI's paying agent, the Philippine Depository & Trust Corporation.
11-Nov-14	Press release on Filinvest Land, Inc.'s Q3 2014 earnings report.
29-Oct-14	Confirmation/confirmation of the news article entitled "Filinvest sets rates for P7-b retail bonds" posted in Manila Standard Today (Internet Edition) on October 28, 2014. FLI confirms that the rates reported were the indicative rates set by Filinvest Land, Inc. and the Joint Issue Managers and Lead Underwriters for the seven-year fixed-rate bonds due 2021 and the ten-year fixed-rate bonds due 2024 as indicated in the prospectus filed with the Securities and Exchange Commission.
29-Oct-14	Announcement of Analysts' Briefing on the financial results for Third Quarter of 2014 on Tuesday, November 11, 2014
7-Oct-14	<p>Clarification that Mr. Joseph M. Yap is a member of the Board of Directors of Filinvest Land, Inc. (FLI), while Ms. Josephine Gotianun-Yap is the President and CEO of both FLI and Filinvest Development Corporation (FDC).</p> <p>FLI also clarifies that it is FLI's parent company, FDC which intends to bid for the Php24.4B Bulacan bulk water supply project. For this bid, FDC is partnering with a Spanish firm.</p> <p>FLI confirms that FLI purchased bid documents for the Php123B Laguna Lakeshore project. As part of exploring this opportunity, FLI and FDC are indeed looking at forming a consortium to bid for this project.</p> <p>While FDC will serve as the investment vehicle for the group's water investments, operations will be managed by a subsidiary for its future water ventures.</p>
23-Sept-14	Disclosure that the Board of Investments ("BOI") cancelled Certificate of Registration No. 2007-035, which was issued by the BOI to Filinvest Land, Inc. ("FLI") on 07 March 2007 as New Developer of Business Park, i.e. Micro, Small and Medium Enterprises for its project, Asenso Village located in General Trias, Cavite (the "Project"), effective 15 July 2014.
15-Sept-14	Disclosure that Filinvest Land, Inc.'s (FLI) proposed bond issuance, with an aggregate principal amount of P 5.0 billion, with an over-subscription option of up to P 2.0 billion and with a tenor of seven and/or 10 years, was assigned a PRS Aaa issue credit rating by Philippine Rating Services Corporation (PhilRatings).
15-Sept-14	Clarification that the amount of P7-B captioned in the article entitled "FLI sets P7-B capex up to Q2 2015" pertains to the funding requirement of Filinvest Land, Inc. ("FLI") in 2014 up to the second quarter of 2015, and does not refer to FLI's capital expenditure ("capex") requirement or program. The capex requirement of FLI for 2014 is set at P20 billion for project development, as well as selective land acquisition. Almost half of the P20 billion capex is intended for the development of FLI's recurring business, i.e., office and retail.

(Forward)

Report Date	Items Reported
4-Sept-14	Informing SEC that Atty. Elsa R. Divinagracia tendered her resignation as Vice-President, Acting Corporate Secretary and Acting Compliance Officer of Filinvest Land, Inc. ("FLI") effective July 15, 2014 and appointment of Atty. Elma Christine R. Leogardo as Acting Corporate Secretary and Acting Compliance Officer at the special meeting of the Board of Directors (the "Board") of FLI on July 15, 2014.
20-Aug-14	Confirmation that Filinvest Land, Inc. bought the bid documents for the Laguna Lakeshore project as mentioned in the news article entitled "Laguna Lakeshore project draws 14 potential bidders" published in the 20 August 2014 issue of the Manila Times.
18-Aug-14	Confirmation of the veracity of the news article entitled "FLI pledges more developments" published in Sun.Star Cebu on August 18, 2014
12-Aug-14	Press release on Filinvest Land, Inc.'s Q2 2014 earnings report.
5-Aug-14	Announcement that Filinvest Land, Inc. will conduct an Analysts' Briefing on the financial results for Second Quarter of 2014 on August 12, 2014
4-Aug-14	Clarification that Filinvest Land, Inc. ("FLI") purchased the Bid Documents for the Integrated Transport System – Southwest Terminal Project ("Project") and it is currently conducting its due diligence to determine the viability of the Project.
15-Jul-14	Informing SEC that Atty. Elsa R. Divinagracia tendered her resignation as Vice-President, Acting Corporate Secretary and Acting Compliance Officer of Filinvest Land, Inc. ("FLI") effective July 15, 2014 and appointment of Atty. Elma Christine R. Leogardo as Acting Corporate Secretary and Acting Compliance Officer at the special meeting of the Board of Directors (the "Board") of FLI on July 15, 2014.

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Form 17 A, Item 7

Consolidated Financial Statements

Statement of Management's Responsibility for Financial Statements
Report of Independent Public Accountant
Consolidated Balance Sheets as of December 31, 2014 and 2013
Consolidated Statements of Income and Retained Earnings for the years
 ended December 31, 2014, 2013, and 2012
Consolidated Statements of Cash Flows for the years
 ended December 31, 2014, 2013, and 2012
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Report of Independent Auditors on Supplementary Schedules
Group Supplementary Information and Disclosures Required by SRC Rule 38,
 As Amended (2011)
Schedule of All Effective Standards and Interpretations under PFRS as of December 31, 2014
Schedule of Bond Issuances – Securities Offered to the Public
Group Unappropriated Retained Earnings Available for Dividend Distribution
Financial Soundness Indicators
Group Structure

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong, Metro Manila on March 17, 2015.

By:

Jonathan T. Gotianun
Chairman

Lourdes Josephine G. Yap
President and CEO

Nelson M. Bona
Chief Financial Officer

Sharon P. Pagaling-Refuerzo
Corporate Information Officer

SUBSCRIBED AND SWORN to before me this _____ day of _____ affiants exhibiting to me their Competent evidence of identity as follows:

Name	Competent evidence of Identity	Issue Date	Expiry Date	Place issued
Jonathan T. Gotianun	Passport no. EB9194744	20-Sept-13	19-Sept-20	DFA/Manila
L. Josephine G. Yap	Passport no. EB6037431	27-Jul-12	26-Jul-17	DFA/Manila
Nelson M. Bona	Drivers License no. NII-70-029982	13-Jul-13	27-Jul-16	LTO/Quezon City
Atty. Sharon P. Pagaling-Refuerzo	Drivers License no. A10-10-000513	31-May-12	18-June-15	LTO/Quezon City

Doc No. _____
Page No. _____
Book No. _____
Series of 2015

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	7	0	9	5	7				
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Company Name

F	I	L	I	N	V	E	S	T		L	A	N	D	,		I	N	C	.		A	N	D		S	U	B	S	I
D	I	A	R	I	E	S																							

Principal Office (No./Street/Barangay/City/Town/Province)

7	9		E	D	S	A	,		B	r	g	y	.		H	i	g	h	w	a	y		H	i	l	l	s	,	
M	a	n	d	a	l	u	y		o	n	g		C	i	t	y													

Form Type

A	A	C	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

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Company's Telephone Number/s

Mobile Number

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

No. of Stockholders

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Annual Meeting
Month/Day

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Fiscal Year
Month/Day

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Email Address

Telephone Number/s

Mobile Number

Contact Person's Address

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Filinvest Land, Inc.
79 EDSA, Brgy. Highway Hills
Mandaluyong City

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Filinvest Land, Inc. and its subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Dhonabee B. Señeres

Partner

CPA Certificate No. 97133

SEC Accreditation No. 1196-A (Group A),

March 8, 2012, valid until March 31, 2015

Tax Identification No. 201-959-816

BIR Accreditation No. 08-001998-98-2015,

January 5, 2015, valid until January 5, 2018

PTR No. 4751326, January 5, 2015, Makati City

March 11, 2015



FILINVEST LAND, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****(Amounts in Thousands of Pesos)**

	December 31, 2014	December 31, 2013
ASSETS		
Cash and cash equivalents (Notes 7, 19 and 30)	₱4,245,687	₱6,390,732
Contracts receivable (Notes 8 and 30)	16,972,347	13,083,775
Due from related parties (Notes 19 and 30)	243,033	204,538
Other receivables (Notes 9 and 30)	3,500,956	3,136,739
Financial assets at fair value through other comprehensive income (Notes 11 and 30)	23,852	17,852
Real estate inventories (Notes 3 and 10)	24,238,988	24,426,958
Land and land development (Notes 3 and 10)	17,388,474	18,794,686
Investment in an associate (Notes 3 and 12)	3,974,854	4,018,058
Investment properties (Notes 3 and 13)	26,311,332	19,592,830
Property and equipment (Notes 3 and 14)	1,323,190	1,150,822
Deferred income tax assets - net (Notes 3 and 28)	24,264	12,320
Goodwill (Notes 3 and 4)	4,567,242	4,567,242
Other assets (Notes 3 and 15)	3,593,361	2,700,494
	₱106,407,580	₱98,097,046
LIABILITIES AND EQUITY		
Liabilities		
Accounts payable and accrued expenses (Notes 8, 16 and 30)	₱10,844,998	₱10,441,412
Income tax payable (Note 28)	120,431	17,235
Loans payable (Notes 17, 26 and 30)	16,519,797	14,751,209
Bonds payable (Notes 18, 26 and 30)	23,786,796	21,318,016
Due to related parties (Notes 19 and 30)	259,694	209,201
Retirement liabilities (Notes 3 and 24)	236,322	186,817
Deferred income tax liabilities - net (Note 28)	2,557,968	2,187,244
Total Liabilities	54,326,006	49,111,134
Equity		
Common stock (Note 26)	24,470,708	24,470,708
Preferred stock (Note 26)	80,000	80,000
Additional paid-in capital	5,612,321	5,612,321
Treasury stock (Note 26)	(221,041)	(221,041)
Retained earnings (Note 26)	21,758,564	18,437,398
Revaluation reserve on financial assets at fair value through other comprehensive income (Note 11)	(2,619)	(2,619)
Remeasurement losses on retirement plan - net of tax (Note 24)	(112,884)	(105,686)
Share in other components of equity of an associate (Note 12)	361,794	361,794
Equity attributable to equity holders of the parent	51,946,843	48,632,875
Noncontrolling interest (Note 6)	134,731	353,037
Total Equity	52,081,574	48,985,912
TOTAL LIABILITIES AND EQUITY	₱106,407,580	₱98,097,046

See accompanying Notes to Consolidated Financial Statements.



FILINVEST LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands of Pesos, Except Earnings Per Share Figures)

	Years Ended December 31		
	2014	2013	2012
REVENUE			
Real estate sales (Note 3)	₱13,204,443	₱10,478,477	₱8,798,358
Rental services (Notes 13 and 25)	2,263,551	2,034,078	1,887,094
EQUITY IN NET EARNINGS OF AN ASSOCIATE (Note 12)	52,796	186,366	187,295
OTHER INCOME			
Interest income (Notes 7, 8 and 22)	751,696	549,398	516,541
Others - net (Notes 19 and 23)	627,433	568,765	529,525
	16,899,919	13,817,084	11,918,813
COSTS			
Real estate sales (Note 10)	7,726,164	6,036,080	4,927,456
Rental services (Note 13)	511,982	491,398	473,619
OPERATING EXPENSES			
General and administrative expenses (Note 20)	1,282,328	1,178,588	1,096,902
Selling and marketing expenses (Note 21)	1,054,056	892,482	872,245
INTEREST AND OTHER FINANCE CHARGES (Notes 17, 18 and 22)	647,617	474,446	412,961
	11,222,147	9,072,994	7,783,183
INCOME BEFORE INCOME TAX	5,677,772	4,744,090	4,135,630
PROVISION FOR INCOME TAX (Note 28)			
Current	712,083	481,993	397,474
Deferred	361,712	286,152	248,612
	1,073,795	768,145	646,086
NET INCOME	₱4,603,977	₱3,975,945	₱3,489,544
Attributable to:			
Equity holders of the parent	₱4,533,654	₱3,918,215	₱3,431,435
Noncontrolling interest (Note 6)	70,323	57,730	58,109
	₱4,603,977	₱3,975,945	₱3,489,544
Basic/Diluted Earnings Per Share (Note 27)	₱0.19	₱0.16	₱0.14

See accompanying Notes to Consolidated Financial Statements.



FILINVEST LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands of Pesos)

	Years Ended December 31		
	2014	2013	2012
NET INCOME	₱4,603,977	₱3,975,945	₱3,489,544
OTHER COMPREHENSIVE LOSS			
Other comprehensive income not to be reclassified to profit or loss			
Remeasurement losses on retirement plan, net of tax (Notes 24 and 28)	(7,198)	—	(56,322)
TOTAL COMPREHENSIVE INCOME	₱4,596,779	₱3,975,945	₱3,433,222
Attributable to:			
Equity holders of the parent	₱4,526,456	₱3,918,215	₱3,375,113
Noncontrolling interest	70,323	57,730	58,109
	₱4,596,779	₱3,975,945	₱3,433,222

See accompanying Notes to Consolidated Financial Statements.



FILINVEST LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands of Pesos)

	Attributable to Equity Holders of the Parent										
	Common Stock (Note 26)	Preferred Stock (Note 26)	Additional Paid-in Capital	Treasury Stock (Note 26)	Retained Earnings (Note 26)	Revaluation Reserve on Financial Assets at FVTOCI (Note 11)	Remeasurement Losses on Retirement Plan (Note 24)	Share in Other Components of Equity of an Associate (Note 12)	Total	Noncontrolling Interest (Note 6)	Total Equity
For the Year Ended December 31, 2014											
Balances as of December 31, 2013	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱18,437,398	(₱2,619)	(₱105,686)	₱361,794	₱48,632,875	₱353,037	₱48,985,912
Net income	—	—	—	—	4,533,654	—	—	—	4,533,654	70,323	4,603,977
Other comprehensive income (Notes 24 and 28)	—	—	—	—	—	—	(7,198)	—	(7,198)	—	(7,198)
Total comprehensive income	—	—	—	—	4,533,654	—	(7,198)	—	4,526,456	70,323	4,596,779
Dividends declared (Note 26)	—	—	—	—	(1,212,488)	—	—	—	(1,212,488)	—	(1,212,488)
Dividend distribution to noncontrolling interest (Note 6)	—	—	—	—	—	—	—	—	—	(100,000)	(100,000)
Redemption of shares attributable to noncontrolling interest (Note 6)	—	—	—	—	—	—	—	—	—	(188,629)	(188,629)
Balances as of December 31, 2014	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱21,758,564	(₱2,619)	(₱112,884)	₱361,794	₱51,946,843	₱134,731	₱52,081,574
For the Year Ended December 31, 2013											
Balances as of December 31, 2012	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱15,683,170	(₱2,619)	(₱105,686)	₱361,794	₱45,878,647	₱367,307	₱46,245,954
Total comprehensive income	—	—	—	—	3,918,215	—	—	—	3,918,215	57,730	3,975,945
Dividends declared (Note 26)	—	—	—	—	(1,163,987)	—	—	—	(1,163,987)	—	(1,163,987)
Dividend distribution to noncontrolling interest (Note 6)	—	—	—	—	—	—	—	—	—	(72,000)	(72,000)
Balances as of December 31, 2013	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱18,437,398	(₱2,619)	(₱105,686)	₱361,794	₱48,632,875	₱353,037	₱48,985,912



Attributable to Equity Holders of the Parent											
	Common Stock (Note 26)	Preferred Stock (Note 26)	Additional Paid-in Capital	Treasury Stock (Note 26)	Retained Earnings (Note 26)	Revaluation Reserve on Financial Assets at FVTOCI (Note 11)	Remeasurement Losses on Retirement Plan (Note 24)	Share in Other Components of Equity of an Associate (Note 12)	Total	Noncontrolling Interest (Note 6)	Total Equity
For the Year Ended December 31, 2012											
Balances as of January 1, 2012	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱13,403,599	(₱2,619)	(₱49,364)	₱361,794	₱43,655,398	₱363,056	₱44,018,454
Net income	—	—	—	—	3,431,435	—	—	—	3,431,435	58,109	3,489,544
Other comprehensive income	—	—	—	—	—	—	(56,322)	—	(56,322)	—	(56,322)
Total comprehensive income	—	—	—	—	3,431,435	—	(56,322)	—	3,375,113	58,109	3,433,222
Dividends declared (Note 26)	—	—	—	—	(1,151,864)	—	—	—	(1,151,864)	—	(1,151,864)
Dividend distribution to noncontrolling interest (Note 6)	—	—	—	—	—	—	—	—	—	(53,858)	(53,858)
Balances as of December 31, 2012, as restated	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱15,683,170	(₱2,619)	(₱105,686)	₱361,794	₱45,878,647	₱367,307	₱46,245,954

See accompanying Notes to Consolidated Financial Statements.



FILINVEST LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands of Pesos)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱5,677,772	₱4,744,090	₱4,135,630
Adjustments for:			
Interest income (Note 22)	(751,696)	(549,398)	(516,541)
Interest expense (Note 22)	571,169	384,491	348,108
Depreciation and amortization (Notes 13 and 14)	396,959	365,384	322,727
Equity in net earnings of an associate (Note 12)	(52,796)	(186,366)	(187,294)
Dividend income	—	(3,757)	(3)
Net pension expense (contribution) (Note 24)	39,222	27,061	(17,181)
Operating income before changes in operating assets and liabilities	5,880,630	4,781,505	4,085,446
Changes in operating assets and liabilities			
Decrease (increase) in:			
Contracts receivable	(3,888,572)	(2,485,825)	(2,145,042)
Due from related parties	(38,495)	(10,295)	52,514
Other receivables	(364,217)	(36,452)	(604,636)
Real estate inventories	1,301,940	262,579	(3,884,972)
Other assets	(1,106,233)	(967,029)	(781,596)
Increase (decrease) in:			
Accounts payable and accrued expenses	1,155,968	900,463	1,693,292
Net cash generated from (used for) operations	2,941,021	2,444,946	(1,584,994)
Income taxes paid	(395,368)	(523,369)	(516,434)
Interest received	751,696	549,398	516,541
Dividends received	—	3,757	3
Net cash provided by (used in) operating activities	3,297,349	2,474,732	(1,584,884)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of raw land (Note 10)	(2,712,937)	(2,901,861)	(2,488,561)
Acquisitions of investment properties and property and equipment (Notes 13 and 14)	(3,408,854)	(2,971,951)	(1,457,348)
Dividends received from associate (Note 12)	96,000	80,400	75,000
Subscription of shares of stock (Note 11)	(6,000)	6,774	—
Net cash used in investing activities	(6,031,791)	(5,786,638)	(3,870,909)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Loans payable	9,500,000	7,199,000	4,950,000
Bonds payable (Note 18)	7,000,000	7,000,000	7,000,000
Payments of:			
Loans payable	(7,745,000)	(3,669,167)	(2,504,750)
Bonds payable (Note 18)	(4,500,000)	—	(500,000)
Cash dividend (Note 26)	(1,212,488)	(1,163,987)	(1,151,864)
Interest and transaction costs	(2,214,979)	(1,782,380)	(1,449,163)
Dividends paid to noncontrolling interest (Note 6)	(100,000)	(72,000)	(53,858)
Increase in amounts due to related parties	50,493	25,716	134,737
Redemption of shares attributable to noncontrolling interest	(188,629)	—	—
Net cash provided by financing activities	589,397	7,537,182	6,425,102
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,145,045)	4,225,276	969,309
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,390,732	2,165,456	1,196,147
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	₱4,245,687	₱6,390,732	₱2,165,456

See accompanying Notes to Consolidated Financial Statements.



FILINVEST LAND, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Filinvest Land, Inc. (the “Parent Company” or “FLI”) is a property developer engaged mainly in the development of residential subdivisions, construction of housing units and leasing activities. It was incorporated and is domiciled in the Philippines where its shares are publicly traded. Formerly Citation Homes, Inc., the Parent Company was incorporated on November 24, 1989 and later changed to its present name on July 12, 1993. The Parent Company and its subsidiaries (collectively referred to as “the Group”) offer a range of real estate products from socialized and affordable housing to middle-income and high-end housing, various types of subdivision lots, medium-rise residential buildings, farm estates, industrial parks, residential resort projects, a private membership club, condotels, and condominium buildings. The Group also leases out commercial and office spaces in Alabang, Muntinlupa City and Makati City, its major locations for leasing.

The Group’s parent company is Filinvest Development Corporation (FDC), a publicly listed entity. A.L. Gotianun, Inc. (ALG) is the Group’s ultimate parent company.

On February 4, 2014, Filinvest Cyberparks, Inc. (FCI), a wholly-owned subsidiary of the Parent Company was incorporated. Its primary purpose is to acquire by purchase, lease, donate and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, hold for investment and deal with real estate of all kinds.

On May 18, 2012, Countrywide Water Services, Inc. (CWSI), then a wholly-owned subsidiary of the Parent Company was incorporated and started commercial operations on June 6, 2012. CWSI has the technical expertise and skills in the operation, management, maintenance, and rehabilitation of waterworks and sewerage system. On August 2, 2012, the Parent Company has engaged the services of CWSI in order to maintain and further improve the billing, collection and customer relation services in the waterworks and sewerage system of its residential projects. On September 29, 2014, FDC subscribed to the remaining unissued shares of CWSI for a total consideration at par of ₱7.5 million, giving FDC 75% ownership over CWSI. Furthermore, the Parent Company agreed to sell its investment in CWSI on October 31, 2014 for a total consideration of ₱2.5 million. The sale resulted to FDC having 100% equity interest in CWSI. No gain or loss was recognized from the transaction.

The Parent Company’s registered business address is at 79 E. Delos Santos Ave. (EDSA), Brgy. Highway Hills, Mandaluyong City.

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 11, 2015.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements are prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVTOCI) that are measured at fair value.

The Group’s consolidated financial statements are presented in Philippine Peso (Peso), which is also the functional currency of the Parent Company and its subsidiaries, and an associate.



Amounts are in thousand Pesos except as otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries. The nature of business and the corresponding percentages of ownership over these entities as at December 31, 2014, 2013 and 2012 are as follows. The voting rights held by the Group in these subsidiaries are in proportion to its ownership interest.

Subsidiaries	Nature of Business	2014	2013	2012
Filinvest AII Philippines, Inc. (FAPI)	Real estate developer	100%	100%	100%
Cyberzone Properties, Inc. (CPI)	Leasing	100%	100%	100%
Homepro Realty Marketing, Inc. (Homepro)	Marketing	100%	100%	100%
Property Maximizer Professional Corp. (Promax)	Marketing	100%	100%	100%
Property Specialist Resources, Inc. (Prosper)	Property management	100%	100%	100%
Leisurepro, Inc. (Leisurepro)	Marketing	100%	100%	100%
Filinvest Asia Corporation (FAC)	Leasing	60%	60%	60%
Countrywide Water Services, Inc. (CWSI)*	Waterworks and sewerage system	—	100%	100%
Filinvest Cyberparks, Inc. (FCI)	Leasing	100%	—	—

**As discussed in Note 1, in 2014, FDC subscribed to the remaining unissued shares of and acquired the Parent Company's interest in CWSI, resulting to FDC having 100% interest in CWSI as of December 31, 2014.*

All of the Parent Company's subsidiaries were incorporated in the Philippines. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company using consistent accounting policies.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has: (a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee); (b) exposure, or rights, to variable returns from its involvement with the investee, and, (c) the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and, (c) the Group's voting rights and potential voting rights.

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



Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling 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
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Noncontrolling Interest

Noncontrolling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Noncontrolling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the noncontrolling interests are allocated against the interests of the noncontrolling interest even if this results to the noncontrolling interest having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the noncontrolling interest is recognized in equity of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Group's financial statements are consistent with those of the previous financial years except for the adoption of the following amended standard which became effective beginning January 1, 2014.

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

- *Investment Entities (Amendments to PFRS 10, Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities, and PAS 27, Separate Financial Statements)*, amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Group since it has no investment which will qualify as an investment entity under PFRS 10.



- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*, clarifies the meaning of ‘currently has a legally enforceable right to set-off’ and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.
- 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 and retrospective application is required. These amendments have no impact on the Group as the Group has not entered into any hedging arrangement.
- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*, remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The application of these amendments has no material impact on the disclosure in the Group’s financial statements.
- Philippine Interpretation IFRIC 21, *Levies (IFRIC 21)*, clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements to PFRSs (2010-2012 cycle)

In the 2010 - 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Group.

Annual Improvements to PFRSs (2011-2013 cycle)

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



Future Changes in Accounting Policies

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 the following relevant standards and interpretations to have a significant impact on its financial statements.

- PFRS 9, *Financial Instruments - Classification and Measurement (2010 version)*, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through 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 FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA). The Group had early adopted the first phase of PFRS 9 effective January 1, 2011.

Effective 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*, requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)

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



- PFRS 2, *Share-based Payment - Definition of Vesting Condition*, applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions.
- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*. The Group shall consider this amendment for future business combinations.
- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*, applied retrospectively and clarifies that: (a) an entity must disclose the judgments made by management in applying the aggregation criteria in the standard including a brief description of operating segments that have been aggregated and the economic characteristics (e.g. sales and gross margins) used to assess whether the segments are "similar"; and, (b) reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*, amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.
- PAS 24, *Related Party Disclosures - Key Management Personnel*, applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management.

Annual Improvements to PFRSs (2011-2013 cycle)

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

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*, applied prospectively and clarifies that (a) the joint arrangements, not just joint ventures, are outside the scope of PFRS 3; and, (b) this scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- PFRS 13, *Fair Value Measurement - Portfolio Exception*, applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PFRS 9.
- PAS 40, *Investment Property*, applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).



Effective 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments), clarifies the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments), change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments), will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's financial statements.

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

- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments), require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition



of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group shall consider this amendment in future acquisition of interest in joint operation.

- PFRS 14, *Regulatory Deferral Accounts*, an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)

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

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal (Amendment)*, is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*, requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements (Amendment)*, is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- PAS 19, *Employee Benefits - regional market issue regarding discount rate (Amendment)*, is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.



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

Effective 2018

- PFRS 9, *Financial Instruments - Hedge Accounting* and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version), already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. PFRS 9 also requires more extensive disclosures for hedge accounting. PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

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

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

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

Effectivity to be determined

- IFRS 15, *Revenue from Contracts with Customers*, issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.



- 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, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The Group is currently assessing the impact of this interpretation on its financial statements.

Cash and Cash Equivalents

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

Financial Instruments

Date of recognition

Financial assets and liabilities are recognized in the consolidated statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery or assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition of financial instruments

Financial assets and liabilities are recognized initially at fair value. The fair value of financial instruments that are actively traded in organized financial markets are determined by reference to quoted market bid prices at the close of the business at the reporting date.

Determination of fair value

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market prices at the close of business on the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length market transactions, reference to the current market value of another instrument which is substantially the same, and discounted cash flow analysis or other valuation models. In the absence of a reliable basis of determining fair value, investments in unquoted equity securities are carried at cost net of impairment, if any.

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of income. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized.

For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.



Classification, Reclassification and Measurement of Financial Assets and Financial Liabilities

For purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a nonderivative and meets the definition of 'equity' for the issuer (under PAS 32), except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial instruments are 'debt instruments'.

Financial assets at amortized cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows; and,
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as interest income in the consolidated statement of income. The Group classified cash and cash equivalents, contracts receivable, due from related parties, other receivables and deposits (included in other assets) as financial assets at amortized cost (see Note 29).

The Group may irrevocably elect, at initial recognition, to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. As of December 31, 2014 and 2013, the Group has not made such designation.

Financial assets at FVTOCI

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Equity investments as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in "Revaluation reserve on financial assets at FVTOCI" in the consolidated statement of financial position. Where the asset is disposed of, the cumulative gain or loss previously recognized in "Revaluation reserve on financial assets at FVTOCI" is not reclassified to profit or loss, but is reclassified to Retained earnings.

Included under this category are the Group's investments in quoted and unquoted shares of stocks (see Notes 11 and 29).



Dividends earned on holding these equity instruments are recognized in the consolidated statement of income when the Group's right to receive the dividends is established in accordance with PAS 18, *Revenue*, unless the dividends clearly represent recovery of a part of the cost of the investment.

Financial assets at FVTPL

Debt instruments that do not meet the amortized cost criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL.

Equity investments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at FVTOCI at initial recognition.

The Group has no financial assets at FVTPL as of December 31, 2014 and 2013.

Reclassification of financial assets

The Group can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Group is required to reclassify the following financial assets:

- from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and
- from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria.

Reclassification of financial assets designated as at FVTPL at initial recognition is not permitted.

A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Financial liabilities

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Management may designate a financial liability at FVTPL upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or



- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

As of December 31, 2014 and 2013, the Group has no financial liability at FVTPL.

Financial liabilities at amortized cost

Financial liabilities are measured at amortized cost using the effective interest method, except for:

- a. financial liabilities at fair value through profit or loss which are measured at fair value; and
- b. financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

Financial liabilities at amortized cost consist primarily of accounts payable and accrued expenses, loans payable, bonds payable and due to related parties (see Notes 16, 17, 18 and 19).

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.

Assets Carried at Amortized Cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e. the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income.

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

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

Fair Value Measurement

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

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



The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, 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 the end of each reporting period.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset is derecognized when:

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

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



Offsetting Financial Instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, where the related assets and liabilities are presented at gross in the consolidated statement of financial position.

Real Estate Inventories

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as real estate inventory and is measured at the lower of cost and net realizable value (NRV). It also includes investments in club shares accounted as inventory when the Group acts as the developer and its intent is to sell the developed property.

Cost includes:

- Land acquisition costs and expenses directly related to acquisition
- Amounts paid to contractors for development and construction
- Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs

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

Land and Land Development

Land and land development consists of properties for future development that are carried at the lower of cost or NRV. The cost of land and land development include the following: (a) land acquisition costs, (b) costs incurred relative to acquisition and transfer of land title in the name of the Group such as transfer taxes and registration fees (c) costs incurred on initial development of the raw land in preparation for future projects, and (d) borrowing costs. They are transferred to subdivision lots and housing units for sale under “real estate inventories” when the project plans, development and construction estimates are completed and the necessary permits are secured.

Investment in an Associate

The Group’s investment in an associate is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group’s share of net assets of the associate. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group’s net investment in the associate. The consolidated statement of income reflects the share of the results of operations of the associate.

The Group recognizes its share of the losses of the associate until its share of losses equals or exceeds its interest in the associate, at which point the Group discontinues recognizing its share of further losses.

Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.



The reporting dates of the associate and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on investment in an associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in the associate and its carrying value and recognize the amount in the consolidated income statement.

Investment Properties

Investment properties consist of commercial mall, land and other properties that are held for long term rental yields and capital appreciation. Investment properties, except for land, are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Land is carried at cost less accumulated impairment losses, if any.

Depreciation of investment properties is computed using the straight-line method over the useful lives of these assets as follows:

	Years
Buildings and improvement	20-50
Machinery and equipment	5

The useful life and the depreciation method is reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefit from items of investment properties.

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

Transfers are 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. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

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

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and accumulated impairment losses, if any. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use including borrowing cost.

Construction-in-progress, is stated at cost. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time as the relevant assets are completed and ready for operational use.



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

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, as follows:

	Years
Buildings	20-50
Machinery and equipment	5
Transportation equipment	5
Furniture and fixtures	3-5

Leasehold improvements are amortized over the estimated useful lives of the improvements or the lease term, whichever is shorter.

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

When an item of property and equipment is derecognized, the cost of the related accumulated depreciation and amortization and accumulated impairment losses, if any, is removed from the account. Any gain or loss arising from derecognition of the asset is included in the consolidated statement of income in the year the asset is derecognized.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the consideration transferred over the net fair value of the acquiree's identifiable assets, liabilities and any contingent liabilities. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Other Assets

Other assets pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group.

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 expense item.

The net amount of VAT recoverable and payable from the taxation authority is included as part of "Other assets" and "Accounts payable and accrued expenses" in the consolidated statement of financial position, respectively.

Impairment of Nonfinancial Assets

The carrying values of investment in an associate, property and equipment, investment properties and other assets are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying



values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of income.

For nonfinancial assets excluding goodwill, 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 Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor 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 the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually or more frequent if events or changes of circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating unit) is less than their carrying amount of cash-generating unit (or group of cash-generating unit) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

Revenue and Income Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. In arrangements where the Group is acting as principal to its customers, revenue is recognized on a gross basis. However, if the Group is acting as an agent to its customers, only the amount of net commission retained is recognized as revenue.

The following specific recognition criteria must also be met before revenue is recognized:

Real Estate Sales

Revenue from sales of substantially completed projects where collectability of sales price is reasonably assured is accounted for using the full accrual method. The percentage-of-completion method is used to recognize revenue from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.



Any excess of collections over the recognized receivables are included in the “Accounts payable and accrued expenses” account in the liabilities section of the consolidated statement of financial position.

Collections from accounts which are not yet qualified for revenue recognition are treated as customer deposits included in the “Accounts payable and accrued expenses” account in the consolidated statement of financial position.

Sale of Club Shares

Sale of club shares is recognized when the risk and rewards of ownership of the shares have passed to the buyer and the amount of revenue can be reliably measured. Sale of club shares is included in “Real estate sales” account in the consolidated statement of income.

Rental Income

Rental income arising from investment properties are recognized in the consolidated statement of income either on a straight-line basis over the lease term or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Leases under contingent rents are recognized as income in the period in which they are earned.

Interest Income

Interest is recognized as it accrues taking into account the effective yield on the underlying asset.

Income from Forfeited Reservations and Collections

Income from forfeited reservation and collections is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

Other Income

Other income is recognized when services are rendered and when goods are delivered.

Cost and Expense Recognition

Costs and expenses are recognized in the consolidated statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized in the consolidated statement of income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or,
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.



Cost of Real Estate Sales

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision lots and housing units 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 sale is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

Expenses

"General and administrative expenses" and "Selling and marketing expenses" are expenses that are incurred in the course of the ordinary operations of the Group. These usually take the form of an outflow or depletion of assets such as cash and cash equivalents, property and equipment and investment properties. Selling and marketing expenses are costs incurred to sell real estate inventories, which include commissions, advertising and promotions, among others. General and administrative expenses constitute costs of administering the business.

Expenses are recognized in the consolidated statement of income as incurred.

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. Commission expense is included in the "Selling and marketing expenses" account in the consolidated statement of income.

Retirement Costs

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.



Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements recognized in other comprehensive income account "Remeasurement on retirement plan" are not reclassified to another equity account in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information.

When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Borrowing Costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. They are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. Interest and other financing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of development costs 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 sale are completed. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.



All other borrowing costs are expensed as incurred.

Foreign Currency-Denominated Transactions

The functional and presentation currency of the Parent Company and its subsidiaries and associate is the Philippine Peso. Transactions denominated in foreign currencies are recorded in Philippine Peso based on the exchange rates prevailing at the transaction dates. Foreign currency denominated monetary assets and liabilities are translated to Philippine Peso at exchange rates prevailing at the reporting date. Foreign exchange differentials between rate at transaction date and rate at settlement date or reporting date of foreign currency denominated monetary assets or liabilities are credited to or charged against current operations.

Equity

Common and Preferred Stock

The Group records common and preferred stocks at par value and additional paid-in capital as the excess of the total contributions received over the aggregate par values of the equity shares. The Group considers the underlying substance and economic reality of its own equity instrument and not merely its legal form in determining its proper classification. When any member of the Group purchases the Parent Company's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in consolidated equity.

Treasury Stock

Own equity instruments which are reacquired are carried at cost and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid in capital when the shares were issued and to retained earnings for the remaining balance.

Retained Earnings

Retained earnings represent accumulated earnings of the Group, and any other adjustments to it as required by other standards, less dividends declared. The individual accumulated earnings of the subsidiaries and accumulated equity earnings from an associate included in the consolidated retained earnings are available for dividend declaration when these are declared as dividends by the subsidiaries and associate as approved by their respective Board of Directors.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of common shares held in treasury.

Dividends on common and preferred shares are deducted from retained earnings when declared and approved by the BOD of the Parent Company. Dividends payable are recorded as liability until paid. Dividends for the year that are declared and approved after reporting date, if any, are dealt with as an event after reporting date and disclosed accordingly.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.



Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options and dilutive convertible preferred shares. If the required dividends to be declared on convertible preferred shares divided by the number of equivalent common shares, assuming such shares are converted would decrease the basic EPS, and then such convertible preferred shares would be deemed dilutive.

Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Income Tax

Current Income Tax

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

Deferred Income Tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences, except; (a) where deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefit of the excess of minimum corporate income tax (MCIT) over 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 MCIT and unused NOLCO can be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year 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. Income tax relating to items recognized directly in other comprehensive income is recognized in consolidated statement of comprehensive income and not in the consolidated statement of income.

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



Operating Leases

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

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

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

Group as Lessor

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Rental income on operating leases is recognized on a straight line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

Group as Lessee

Operating lease payments are recognized as an expense on a straight line basis over the lease term, except for contingent rental payments which are expensed when they arise.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 5 to the consolidated financial statements.

Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects part or all of provision to be reimbursed or recovered, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

Contingencies

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



Events after the Reporting Date

Any post year-end event up to the date of the auditor's report that provides additional information about the Group's position at reporting date (adjusting event) is reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed, when material, in notes to the consolidated financial statements.

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the consolidated financial statements as they become reasonably determinable. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

Determination of the Group's functional currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of each entity within the Group has been determined to be the Peso. It is the currency that mainly influences the Group's operations.

Classification of Financial Instruments

The Group classifies financial instruments, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definition of the instruments. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial position. The Group determines the classification at initial recognition and re-evaluates this designation at every reporting date.

Real Estate Revenue Recognition

Selecting an appropriate revenue recognition method for a real estate sale transaction requires certain judgments based on, among others:

- Buyer's commitment on sale which may be ascertained through the significance of the buyer's initial payments in relation to the total contract price; and,
- Stage of completion of the project development.

Operating Lease Commitments - The Group as Lessor

The Group has entered into various property leases on its investment property portfolio. The Group has determined that it retains all significant risks and rewards of ownership on these properties hence classified as operating leases.



Operating Lease Commitments - The Group as Lessee

The Group has entered into various leases for its occupied offices. The Group has determined that all significant risks and rewards of ownership are retained by the respective lessors and therefore account for these leases as operating lease.

Determining Classification of Investment in Club Project

Being a real estate developer, the Group determines how investment in club project shall be accounted for. In determining whether this shall be accounted for as inventories or as financial instruments, the Group considers its role in the development of the Club and its intent for holding the related club shares.

The Group classifies such shares as inventories when the Group acts as the developer and its intent is to sell the developed property, together with the related club shares.

Determining control over FAC

The Group determined that it has control over FAC as the Group has the power to direct the relevant activities of FAC despite the existence of a contractual arrangement which grants the other investor rights over certain activities of FAC. Management assessed that the rights held by the investor through contractual arrangement are only designed to protect the other investor's interest and are merely held to prohibit fundamental changes in the activities of FAC rather than bestow the power to direct the relevant activities over FAC. Accordingly, the Group accounted for its investment in FAC as an investment in subsidiary.

Determining significant influence over FAI

The Group determined that it has significant influence over Filinvest Alabang, Inc. (FAI). Management assessed that it has the power to participate in the financial and operating policy decisions of the investee, but does not have control or joint control over those policies. Accordingly, FAI is considered an associate.

Contingencies

In the normal course of business, 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 based upon analysis of potential results. The Group currently does not believe these proceedings will have material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the assessment of probability and estimates of potential outflow or in the effectiveness of the strategies relating to these proceedings (see Note 31).

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:

Estimate on When the Buyer's Investment is Qualified for Revenue Recognition on Real Estate Sales

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



Revenue and cost recognized based on percentage of completion are as follows:

	2014	2013	2012
		(In Thousands)	
Real estate sales	₱8,187,763	₱6,560,947	₱5,861,298
Cost of real estate	4,946,913	4,062,544	3,220,847

Evaluation of Impairment of Financial Assets at Amortized Cost

The Group reviews financial assets at amortized cost, other than cash and cash equivalents, at each reporting date to assess whether an allowance for impairment should be recorded in the consolidated statements of income. If there is objective evidence that an impairment loss on financial assets at amortized cost, other than cash and cash equivalents, has been incurred, the carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income.

The Group maintains allowance for doubtful accounts based on the result of the individual and collective assessment. Under the individual assessment, impairment loss is determined as the difference between the receivables carrying balance and recoverable amount. Factors considered in individual assessment include payment history, account status and term. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (customer type, payment history, account status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile adjusted on the basis of current observable data to reflect the effects of current conditions.

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 period. Based on the Group's experience, its financial assets at amortized cost are highly collectible or collectible on demand.

The contracts receivables are collateralized by the corresponding real estate properties sold. In few cases of buyer defaults, the Group can repossess the collateralized properties and resell them at the prevailing market prices.

The carrying values of financial assets at amortized cost, other than cash and cash equivalent, in 2014 and 2013 amounted to ₱17.99 billion and ₱14.13 billion, respectively (see Note 30). The Group has an outstanding allowance for impairment loss on its other receivables amounting to ₱109.83 million and ₱98.64 million as of December 31, 2014 and 2013, respectively (see Note 9).

Estimating Useful Lives of Investment Properties and Property and Equipment

The Group estimates the useful lives of its depreciable investment properties and property and equipment based on the years over which these assets are expected to be available for use. The estimated useful lives of depreciable investment properties and property and equipment are reviewed at least annually; and, are updated if expectations differ from previous estimates due to physical wear and tear, as well as 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 estimates brought about by changes in factors mentioned above.



The carrying value of depreciable investment properties amounted to ₱15.19 billion and ₱12.21 billion as of December 31, 2014 and 2013, respectively (see Note 13). The carrying value of property and equipment amounted to ₱1.22 billion and ₱1.06 billion as of December 31, 2014 and 2013, respectively (see Note 14).

Estimating NRV of real estate inventories

The Company adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of the inventories. In determining the recoverability of the inventories, management considers whether those inventories are damaged or if their selling prices have significantly declined. Likewise, management also considers whether the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

As of December 31, 2014 and 2013, the carrying amount of real estate inventories amounted to ₱24.24 billion and ₱24.43 billion, respectively and land and land development amounted to ₱17.39 billion and ₱18.79 billion, respectively (see Note 10).

Evaluation of Impairment on Nonfinancial Assets

The Group reviews its investment in an associate, property and equipment, investment properties and other assets (excluding short-term deposits) for impairment of value. This includes consideration of certain indicators of impairment such as significant change in asset usage, significant decline in asset's market value, obsolescence or physical damage of an asset, plans of discontinuing the real estate projects, and significant negative industry or economic trends. If such indicators are present, and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to recoverable amount. The recoverable amount is the asset's fair value less cost to sell, except for investment in an associate, which have recoverable value determined using value-in-use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction while value-in-use is the present value of estimated future cash flows expected to arise from the investment in an associate. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

As at December 31, 2014 and 2013, the Group did not record impairment on any of its nonfinancial assets. The carrying values of the Group's nonfinancial assets (excluding goodwill) as of December 31 follow:

	2014	2013
	(In Thousands)	
Investment in an associate (Note 12)	₱3,974,854	₱4,018,058
Investment properties (Note 13)	26,311,332	19,592,830
Property and equipment (Note 14)	1,323,190	1,150,822
Other assets - net of short-term deposits (Note 15)	3,574,599	2,557,112

Evaluation of Impairment on Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. The Group's impairment test for goodwill on acquisition of CPI and Festival Supermall structure is based on value-in-use calculations that uses a discounted cash flow model. For the Group's impairment test for goodwill on acquisition of FAC, the Group availed of the services of an independent appraiser to compute the value-in-use using income capitalization approach. The cash flows are derived from budget period of ten (10) years and do not include restructuring activities that the Group is not yet committed to nor significant future investments that will enhance the asset base of the cash generating unit being tested.



The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash-inflows and the growth rates used. The pre-tax discount rates used in 2014 and 2013 was 10% and 12%, respectively. The growth rates used beyond the forecast period for different cash-generating units ranges from 5% to 10%.

As of December 31, 2014 and 2013, the Group has determined that its goodwill is not impaired. The carrying value of goodwill amounted to ₱4.57 billion as of December 31, 2014 and 2013 (see Note 4).

Estimating Retirement Liabilities

The determination of the Group's obligation and cost for retirement is dependent on selection of certain assumptions used by the actuary in calculating such amounts.

Those assumptions used are described in Note 24 and include among others, discount rates and rates of salary increase. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the retirement obligations.

Retirement liabilities amounted to ₱236.32 million and ₱186.82 million as at December 31, 2014 and 2013, respectively. Retirement costs included under "General and administrative expenses" account amounted to ₱39.22 million, ₱28.94 million and ₱24.88 million in 2014, 2013 and 2012, respectively (see Notes 20 and 24).

Recognition of Deferred Income Tax Assets

The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Group will generate sufficient future taxable profit to allow all or part of its deferred income tax assets to be utilized.

The Group's recognized deferred tax assets amounted to ₱121.43 million and ₱103.49 million as of December 31, 2014 and 2013, respectively (see Note 28). The tax effect of the Group's carryforward benefits of NOLCO and MCIT, for which no deferred income tax assets were recognized amounted to ₱2.14 million and ₱0.77 million as of December 31, 2014 and 2013, respectively (see Note 28).

Fair Values of Financial Instruments

The preparation of consolidated financial statements in compliance with PFRS requires certain financial assets and financial liabilities to be carried at fair value, the determination of which requires the use of extensive accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., interest rate), the amount of changes in fair value would differ due to usage of different valuation methodology. Any changes in fair value of these financial assets and financial liabilities would affect directly the Group's consolidated net income and other comprehensive income (see Note 29).



4. Goodwill

Goodwill arising from business combinations in the Group's consolidated statements of financial position as of December 31, 2014 and 2013 consists of (amounts in thousands):

Festival Supermall structure	₱3,745,945
FAC	494,744
CPI	326,553
	<u>₱4,567,242</u>

In September 2006, the Group entered into a series of transactions pursuant to which it acquired: (1) 60% ownership interest in FAC from FDC; (2) 60% ownership interest in CPI from FAI; and (3) Festival Supermall structure from FAI. In exchange for acquiring these assets, the Group issued a total of about 5.64 billion common shares to FDC and FAI and assumed ₱2.50 billion outstanding debts of FDC and FAI. The business combinations resulted in the recognition of goodwill amounting to ₱4.24 billion, which comprises the fair value of expected synergies arising from the acquisitions.

Subsequently in February 2010, the Parent Company acquired the remaining 40% interests in CPI from Africa-Israel Properties (Phils.), Inc. to obtain full control of the then joint venture. The acquisition resulted in CPI becoming wholly-owned subsidiary of the Parent Company. The acquisition of the joint venture partner's interests was accounted for as business combination and resulted to recognition of goodwill amounting to ₱326.55 million.

5. Segment Reporting

For management purposes, the Group is organized into the following business units:

Real Estate

This involves the acquisition of land, planning and development of large-scale, fully integrated residential communities, as well as the development and sale of residential lots, housing units, medium-rise residential buildings, farm estates, industrial parks, residential resort projects, a private membership club and condominium buildings.

Leasing

This involves the operations of Festival Supermall (the "Mall") and the leasing of office spaces in Makati City and Alabang, Muntinlupa City.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss, which in certain respects, are measured similarly as net income in the consolidated financial statements.

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

No operating segments have been aggregated to form the above reportable segments.



Transfer prices between segments are on an arm's length basis and have the terms equivalent to transactions entered into with third parties.

The financial information about the financial position and result of operations of these business segments for the years ended December 31, 2014, 2013 and 2012 are summarized below (amounts in thousands).

	2014				
	Real Estate Operations	Leasing Operations	Combined	Adjustments and Eliminations	Consolidated
Revenue and other income except equity in net earnings of an associate:					
External	₱15,005,751	₱2,252,014	₱17,257,765	(₱410,642)	₱16,847,123
Inter-segment	132,230	—	132,230	(132,230)	—
	15,137,981	2,252,014	17,389,995	(542,872)	16,847,123
Equity in net earnings of an associate	52,796	—	52,796	—	52,796
	₱15,190,777	₱2,252,014	₱17,442,791	(542,872)	₱16,899,919
Net income	₱3,711,936	₱1,304,058	₱5,015,994	(₱412,017)	₱4,603,977
Adjusted EBITDA	₱5,307,929	₱1,808,684	₱7,116,613	(₱447,061)	₱6,669,552
Segment assets	₱73,776,744	₱31,491,689	₱105,268,433	₱1,139,147	₱106,407,580
Less deferred tax assets	478	23,786	24,264	—	24,264
Net segment assets	₱73,776,266	₱31,467,903	₱105,244,169	₱1,139,147	₱106,383,316
Segment liabilities	₱46,304,859	₱7,854,514	₱54,159,373	₱166,633	₱54,326,006
Less deferred tax liabilities	2,386,976	27,047	2,414,023	143,945	2,557,968
Net segment liabilities	₱43,917,883	₱7,827,467	₱51,745,350	₱22,688	₱51,768,038
Cash flows from (used in):					
Operating activities	₱2,252,262	₱1,866,622	₱4,118,884	(₱821,535)	₱3,297,349
Investing activities	(4,117,238)	(1,914,553)	(6,031,791)	—	(6,031,791)
Financing activities	(1,588,753)	2,148,539	559,796	29,611	589,397
2013					
	Real Estate Operations	Leasing Operations	Combined	Adjustments and Eliminations	Consolidated
Revenue and other income except equity in net earnings of an associate:					
External	₱11,960,456	₱2,042,443	₱14,002,899	(₱372,181)	₱13,630,718
Inter-segment	103,563	—	103,563	(103,563)	—
	12,064,019	2,042,443	14,106,462	(475,744)	13,630,718
Equity in net earnings of an associate	438,074	—	438,074	(251,708)	186,366
	₱12,502,093	₱2,042,443	₱14,544,536	(₱727,452)	₱13,817,084
Net income	₱3,133,458	₱1,069,064	₱4,202,522	(₱226,577)	₱3,975,945
Adjusted EBITDA	₱4,254,031	₱1,529,092	₱5,783,123	(₱385,569)	₱5,397,554
Segment assets	₱73,083,324	₱24,406,563	₱97,489,887	₱607,159	₱98,097,046
Less deferred tax assets	—	12,320	12,320	—	12,320
Net segment assets	₱73,083,324	₱24,394,243	₱97,477,567	₱607,159	₱98,084,726
Segment liabilities	₱44,164,786	₱5,127,761	₱49,292,547	(₱181,413)	₱49,111,134
Less deferred tax liabilities	2,030,724	—	2,030,724	156,520	2,187,244
Net segment liabilities	₱42,134,062	₱5,127,761	₱47,261,823	(₱337,933)	₱46,923,890
Cash flows from (used in):					
Operating activities	₱1,539,970	₱1,692,111	₱3,232,081	(₱757,349)	₱2,474,732
Investing activities	(3,738,835)	(2,047,803)	(5,786,638)	—	(5,786,638)
Financing activities	6,562,623	1,004,295	7,566,918	(29,736)	7,537,182



	2012				
	Real Estate Operations	Leasing Operations	Combined	Adjustments and Eliminations	Consolidated
Revenue and other income except equity in net earnings of an associate:					
External	₱10,118,138	₱1,908,543	₱12,026,681	(₱295,163)	₱11,731,518
Inter-segment	93,681	—	93,681	(93,681)	—
	10,211,819	1,908,543	12,120,362	(388,844)	11,731,518
Equity in net earnings of an associate	187,295	—	187,295	—	187,295
	₱10,399,114	₱1,908,543	₱12,307,657	(₱388,844)	₱11,918,813
Net income	₱2,565,329	₱1,067,965	₱3,633,294	(₱143,750)	₱3,489,544
Adjusted EBITDA	₱3,507,500	₱1,478,921	₱4,986,421	(₱302,398)	₱4,684,023
Segment assets	₱61,067,526	₱20,658,502	₱81,726,028	₱903,952	₱82,629,980
Less deferred tax assets	—	22,427	22,427	—	22,427
Net segment assets	₱61,067,526	₱20,636,075	₱81,703,601	₱903,952	₱82,607,553
Segment liabilities	₱32,624,587	₱3,723,807	₱36,348,394	₱35,632	₱36,384,026
Less deferred tax liabilities	1,752,427	—	1,752,427	153,155	1,905,582
Net segment liabilities	₱30,872,160	₱3,723,807	₱34,595,967	(₱117,523)	₱34,478,444
Cash flows from (used in):					
Operating activities	(₱2,239,914)	₱1,105,867	(₱1,134,047)	(₱450,837)	(₱1,584,884)
Investing activities	(2,454,566)	(1,416,343)	(3,870,909)	—	(3,870,909)
Financing activities	8,345,841	(2,047,127)	6,298,714	126,388	6,425,102

The following table shows a reconciliation of the adjusted earnings before interest and other finance charges, income taxes, depreciation and amortization (EBITDA) to income before income tax in the consolidated statements of income:

	2014	2013	2012
		(In Thousands)	
Adjusted EBITDA	₱6,669,552	₱5,397,554	₱4,684,023
Depreciation and amortization (Notes 13 and 14)	(396,959)	(365,384)	(322,727)
Operating profit	6,272,593	5,032,170	4,361,296
Interest and other finance charges (Note 22)	(647,617)	(474,446)	(412,961)
Equity in net earnings of an associate (Note 12)	52,796	186,366	187,295
Income before income tax	₱5,677,772	₱4,744,090	₱4,135,630

6. Noncontrolling Interest in FAC

As of December 31, 2014 and 2013, noncontrolling interest amounting to ₱134.73 million and ₱353.04 million, respectively, represents 40% equity interest in FAC.

On July 17, 2014, FAC redeemed all the outstanding preferred shares proportionately from the Parent Company and from noncontrolling interest amounting to ₱282.94 million and ₱188.63 million, respectively.



The summarized financial information of FAC is provided below. This information is based on amounts after consolidation but before intercompany elimination.

Summarized statements of financial position as of December 31:

	2014	2013
	(In Thousands)	
Assets:		
Cash and cash equivalents	₱171,421	₱133,689
Other current assets	138,391	179,389
Other noncurrent assets excluding goodwill	1,387,355	1,452,090
Goodwill	494,744	494,744
Liabilities:		
Current liabilities	(₱388,361)	(₱274,985)
Noncurrent liabilities	(971,978)	(607,592)
Total Equity	₱831,572	₱1,377,335
Attributable to:		
Equity holders of the Parent	₱696,841	₱1,024,298
Noncontrolling interest	134,731	353,037

Summarized statements of comprehensive income for the years ended December 31:

	2014	2013	2012
	(In Thousands)		
Revenue	₱355,094	₱315,521	₱296,024
Costs	(95,747)	(95,211)	(80,618)
Interest and other finance charges	(33,075)	(31,523)	(32,280)
Income before income tax	226,272	188,787	183,126
Provision for income tax	(50,465)	(44,462)	(37,853)
Net income/Total comprehensive income	₱175,807	₱144,325	₱145,273
Attributable to noncontrolling interest	₱70,323	₱57,730	₱58,109
Dividends paid to noncontrolling interest	100,000	72,000	53,858

Summarized statements of cash flows information for the years ended December 31:

	2014	2013	2012
	(In Thousands)		
Operating	₱333,376	₱205,094	₱290,773
Investing	(15,910)	(8,795)	–
Financing	(279,734)	(210,121)	(250,363)
	₱37,732	(₱13,822)	₱40,410



7. Cash and Cash Equivalents

This account consists of:

	2014	2013
	(In Thousands)	
Cash on hand and in banks	₱3,121,211	₱2,890,059
Short-term deposits	1,124,476	3,500,673
	₱4,245,687	₱6,390,732

Cash in bank earns interest at the prevailing bank deposit rates. Short-term deposits are made for varying periods up to three (3) months and earn interest at the respective short-term deposit rates. Interest income earned on the Group's cash and cash equivalents amounted to ₱13.36 million, ₱37.24 million and ₱54.56 million in 2014, 2013 and 2012, respectively (see Note 22).

There is no cash restriction on the Group's cash and cash equivalents as at December 31, 2014 and 2013.

8. Contracts Receivable

This account consists of:

	2014	2013
	(In Thousands)	
Contracts receivable	₱16,457,256	₱12,602,877
Receivables from government and financial institutions	515,091	480,898
	₱16,972,347	₱13,083,775

Contracts receivable are collectible over varying periods within two to 10 years. The receivables arising from real estate sales are collateralized by the corresponding real estate properties sold.

Receivables from government and financial institutions pertain to government and bank financed real estate sales. Receivables from government and financial institutions are collectible within one year.

The following table presents the breakdown of contracts receivable by maturity dates:

	2014			2013		
	Due Within One Year	Due After One Year	Total	Due Within One Year	Due After One Year	Total
	(In Thousands)					
Contracts receivable	₱4,061,378	₱12,395,878	₱16,457,256	₱3,983,705	₱8,619,172	₱12,602,877
Receivables from government and financial institutions	515,091	—	515,091	480,898	—	480,898
	₱4,576,469	₱12,395,878	₱16,972,347	₱4,464,603	₱8,619,172	₱13,083,775



Interest income recognized on contracts receivable amounted to ₱672.37 million, ₱465.22 million and ₱420.37 million in 2014, 2013 and 2012, respectively (see Note 22). Interest rates per annum on contracts receivable range from 11.5% to 19.0% for these years.

The Group entered into various agreements with financial institutions whereby the Group rediscounted its contracts receivable with a provision that the Group should buy back these receivables when certain conditions happen such as receivables becoming overdue for two to three consecutive months, when the contract to sell has been cancelled, when the accounts remain outstanding after the lapse of five (5)-year holding period, when property covering the receivables becomes subject to complaint or legal action and the account's interest rate becomes lower than the bank's interest rate. These receivables are therefore retained in the books. The proceeds from the sale were used to fund development and construction of various projects. The Group's related liability for receivables discounted included under "Accounts payable and accrued expenses" account amounted to ₱8.50 million and ₱37.24 million as of December 31, 2014 and 2013, respectively (see Note 16).

The Group has a mortgage insurance contract with Home Guaranty Corporation (HGC), a government insurance company for a retail guaranty line. As of December 31, 2014 and 2013, the contracts covered by the guaranty line amounted to ₱0.23 billion and ₱0.58 billion, respectively, including receivables sold with buy back provisions. As of December 31, 2014 and 2013, the remaining unutilized guaranty line amounts to ₱4.63 billion.

On January 3, 2012, the Group entered into a Receivable Purchase Agreement with East West Banking Corporation (EW), an entity under common control of the ultimate parent. The Group agreed to sell, assign, transfer and convey to EW all of its rights, titles and interest on certain contracts receivables. The contracts receivables sold to EW will be serviced by the Group under an Accounts Servicing Agreement. Under this agreement, the Group shall be responsible for the monitoring and collection of contracts receivables sold to EW, including safekeeping of the collections in trust until these are remitted to EW, 10 days after the beginning of each month.

For the performance of the said services, the Group will charge EW a service fee equivalent to a certain percentage of amounts actually received and collected. Although the Group retains the contractual rights to receive cash flows from the contracts receivables sold to EW, this will be subsequently distributed to EW under a "pass-through arrangement".

In the above transaction, the risk of default and non-payment of buyers of contracts receivable is assumed by EW and the Group has no liability to EW for such events. Due to this, the Group derecognized the contracts receivables sold and did not recognize any liability in its consolidated financial statements.

In 2013 and 2012, the Parent Company has sold contracts receivable amounting to ₱266.96 million and ₱849.59 million, recognizing a gain on sale of contracts receivable amounting to ₱58.4 million and ₱113.74 million, respectively. There were no contracts receivable sold to EW in 2014 (see Notes 19 and 23).



9. Other Receivables

This account consists of:

	2014	2013
	(In Thousands)	
Advances to contractors and suppliers	₱2,180,422	₱1,280,253
Advances to joint venture partners	397,986	1,035,469
Receivables from tenants	339,705	295,593
Receivables from homeowners' associations	228,811	246,581
Receivables from buyers	239,141	179,045
Advances to employees	169,328	118,403
Others	55,388	80,038
	3,610,781	3,235,382
Less: Allowance for doubtful accounts	109,825	98,643
	₱3,500,956	₱3,136,739

“Advances to contractors and suppliers” pertain to down payment made by the Group which are applied against future billings for development and construction contracts.

“Advances to joint venture partners” are advances (e.g., property taxes and permits) which are normally applied against the share of the joint venture partners from sale of the joint venture properties.

“Receivables from tenants” represent charges to tenants for rentals and utilities normally collectible within a year. Allowance for doubtful accounts related to these receivables amounted to ₱23.81 million and ₱20.63 million as of December 31, 2014 and 2013, respectively.

Provision for doubtful accounts recorded in 2014 and 2012 amounted to ₱3.18 million and ₱6.39 million, respectively, while reversal of provision for doubtful accounts recorded in 2013 amounted to ₱4.54 million.

“Receivables from homeowners' associations” represent claims from the homeowners' association of the Group's projects for the payment of the expenses on behalf of the association. Allowance for doubtful accounts related to these receivables amounted to ₱86.01 million and ₱78.01 million as of December 31, 2014 and 2013. Provision for doubtful accounts amounting to ₱8.00 million, ₱30.00 million and ₱12.00 million were recognized in 2014, 2013 and 2012, respectively

“Receivables from buyers” include receivables relating to insurance and registration of properties advanced by the Group.

“Advances to employees” represent advances for project costs, marketing activities, travel and other expenses arising from the ordinary course of business which are liquidated upon the accomplishment of the purposes for which the advances were granted.

“Others” represents advances for selling, marketing, and administrative expenses of international sales offices, arising from the ordinary course of business which are liquidated upon the accomplishment of the purposes for which the advances were granted.



As of December 31, 2014 and 2013, all other receivables, except for a portion in advances to joint venture partners and contractors amounting to ₱397.99 million and ₱1.04 billion, respectively, are due within one year.

Below is the movement of the allowance for doubtful accounts:

	2014	2013
	(In Thousands)	
Balance at beginning of year	₱98,643	₱73,180
Provisions - net of reversals (Note 20)	11,182	25,463
Balance at end of year	₱109,825	₱98,643

10. Real Estate Inventories and Land and Land Development

This account consists of:

	2014	2013
	(In Thousands)	
Subdivision lots and housing units for sale	₱23,449,876	₱23,657,594
Investment in club project	789,112	769,364
Real estate inventories	₱24,238,988	₱24,426,958
Land and land development	₱17,388,474	₱18,794,686

In February 2009, the Parent Company signed an agreement with the Cebu City Government to develop 50.6 hectares of the South Road Properties, a 300-hectare reclaimed land project located in Cebu City (see Note 31). The agreement involves:

- (a) purchase by the Group of 10.6 hectares of the property to be developed into a modern urban center consisting of residential, office, commercial, hotel and leisure buildings and a public promenade which is a one kilometer long waterfront lifestyle strip that will offer a range of seaside leisure activities. Payments made to the Cebu City Government in 2014 and 2013 amounted to ₱224.4 million and ₱234.8 million, respectively, with the remaining balance of the total purchase price payable in 2015.

As of December 31, 2014, the Group plans to complete the first two phases of the waterfront lifestyle strip covering seven hectares in 2015.

- (b) development of the remaining 40 hectares of the property under a profit-sharing arrangement with the Cebu City Government. The profit sharing of the Parent Company and the Cebu City Government is 90% and 10%, respectively. The 40 hectares will be developed in four (4) phases over a 20-year period, with the Group contributing the development costs, as well as the marketing and management services. The Group plans to develop the 40 hectares mainly into a residential resort town composed of Italian-inspired residential communities.



A summary of the movement in subdivision lots and housing units for sale is set out below:

	2014	2013
	(In Thousands)	
Balance at beginning of year	₱23,657,594	₱22,985,107
Land costs transferred from land and land development	637,550	289,704
Construction/development costs incurred	6,399,351	5,773,075
Capitalized borrowing costs	476,420	645,537
Cost of real estate sales	(7,721,039)	(6,035,829)
	₱23,449,876	₱23,657,594

Capitalization rate for the capitalized borrowing costs is 2%, 3% and 5% in 2014, 2013 and 2012, respectively.

A summary of the movement in investment in club project is set out below:

	2014	2013
	(In Thousands)	
Balance at beginning of year	₱769,364	₱692,349
Cost of sale of club shares	(5,125)	(251)
Site development and incidental costs	24,873	77,266
	₱789,112	₱769,364

A summary of the movement in land and land development is set out below:

	2014	2013
	(In Thousands)	
Balance at beginning of year	₱18,794,686	₱15,368,369
Land acquisitions	1,808,824	3,654,647
Land costs transferred to real estate inventories	(637,550)	(289,704)
Transfers to investment property (Note 13)	(3,022,900)	(1,051,602)
Site development and incidental costs	445,414	1,112,976
	₱17,388,474	₱18,794,686

Borrowing costs capitalized as part of land and land development, where activities necessary to prepare it for its intended use is ongoing, amounted to ₱272.66 million and ₱366.43 million for the years ended December 31, 2014 and 2013, respectively. Capitalization rate is 1.36% and 2.20% for the years ended December 31, 2014 and 2013, respectively.

As of December 31, 2014 and 2013, the Group is committed to pay land acquisition costs amounting to ₱141.80 million and ₱791.77 million as of December 31, 2014 and 2013, respectively. There are no other purchase commitments as of December 31, 2014 and 2013.



11. Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets at fair value through other comprehensive income account as of December 31, 2014 and 2013 consist of:

	2014	2013
	(In Thousands)	
Investment in shares of stock		
Quoted	₱9,321	₱3,321
Unquoted	14,531	14,531
	₱23,852	₱17,852

Unquoted investments in shares of stock include unlisted preferred shares in a public utility company which the Group will continue to carry as part of the infrastructure that it provides for its real estate development projects. These investments are carried at cost less accumulated impairment, if any.

In 2013, the Group's unquoted shares of stock amounting to ₱6.77 million were redeemed. There was no redemption in 2014 and 2012.

12. Investment in an Associate

This account consists of:

	2014	2013
	(In Thousands)	
At equity:		
Acquisition cost	₱800,000	₱800,000
Accumulated equity in net earnings:		
Balance at the beginning of year	979,842	873,876
Dividends received	(96,000)	(80,400)
Equity in net earnings for the year	52,796	186,366
Balance at end of year	936,638	979,842
	1,736,638	1,779,842
Share in revaluation increment on land at deemed cost	1,876,422	1,876,422
Share in other components of equity	361,794	361,794
	₱3,974,854	₱4,018,058

The Parent Company has a 20% interest in FAI which is involved primarily in the development of commercial buildings, residential condominiums and land. FAI is also involved in leasing of commercial real estate, marketing, managing mall and theater operations in the Philippines.

On December 10, 2014, FAI declared and distributed from its unappropriated retained earnings cash dividend of ₱0.08 per share or a total of ₱480.0 million to all shareholders of record as of December 31, 2013. The Group received its 20% share in the dividends amounting to ₱96.00 million.



On September 6, 2013, FAI declared and distributed from its unappropriated retained earnings cash dividend of ₱0.067 per share or a total of ₱402.00 million for all shareholders of record as of September 6, 2013. The Group received its 20% share in the dividends amounting to ₱80.40 million.

On November 28, 2012, FAI declared and distributed from its unappropriated retained earnings cash dividend of ₱0.0625 per share or a total of ₱375.00 million for all shareholders of record as of December 14, 2012. The Group received its 20% share in the dividends amounting to ₱75.00 million.

The Group does not restrict profit distribution of its associate. The associate has no contingent liabilities outside of the ordinary course of business or capital commitments as at December 31, 2014 and 2013.

Summarized financial information and reconciliation of investment in FAI is as follows:

	2014	2013
	(In Thousands)	
Assets		
Cash and cash equivalents	₱741,320	₱1,317,114
Receivables	1,780,624	1,809,896
Real estate inventories	10,177,214	9,032,472
Investment properties	18,554,794	18,542,472
Property and equipment	1,995,574	1,988,598
Other assets	431,043	303,322
Total assets	33,680,569	32,993,874
Liabilities		
Accounts payable and accrued expenses	3,828,179	2,714,729
Loans payable	2,306,667	2,339,159
Retirement liability	102,245	84,050
Income tax payable	3,959	182,353
Deferred tax liabilities	4,584,570	4,602,614
Total liabilities	10,825,620	9,922,905
Equity	₱22,854,949	₱23,070,969
Proportion of the Group's ownership	20%	20%
Equity in net assets of associate	₱4,570,990	₱4,614,194
Less upstream sales	596,136	596,136
Carrying amount of the investment	₱3,974,854	₱4,018,058

	2014	2013
	(In Thousands)	
Sales and other revenue	₱1,750,706	₱3,291,086
Cost and other expenses	(1,110,828)	(1,394,201)
Depreciation	(179,962)	(151,633)
Interest expense	(67,157)	(56,169)
Interest income	5,873	7,580
Income before tax	398,632	1,696,663
Income tax expense	134,654	513,127
Net income for the year	263,978	1,183,536
Less upstream sales (Note 19)	—	251,708
Net income after elimination of upstream sales	₱263,978	₱931,828
Group's equity in net earnings of associate	₱52,796	₱186,366



13. Investment Properties

The rollforward analysis of this account as of December 31 follows:

	2014			
	Land	Buildings and Improvements	Machinery and Equipment	Total
	(In Thousands)			
Cost				
Balances at beginning of year	₱7,383,967	₱14,685,228	₱67,691	₱22,136,886
Additions and transfers (Note 10)	3,739,096	3,357,584	3,262	7,099,942
Balances at end of year	11,123,063	18,042,812	70,953	29,236,828
Accumulated Depreciation				
Balances at beginning of year	—	2,502,589	41,467	2,544,056
Depreciation and transfers (Note 20)	—	374,621	6,819	381,440
Balances at end of year	—	2,877,210	48,286	2,925,496
Net Book Value	₱11,123,063	₱15,165,602	₱22,667	₱26,311,332

	2013			
	Land	Buildings and Improvements (Note 14)	Machinery and Equipment	Total
	(In Thousands)			
Cost				
Balances at beginning of year	₱5,985,751	₱12,241,008	₱63,338	₱18,290,097
Additions and transfers (Note 10)	1,398,216	2,444,220	4,353	3,846,789
Balances at end of year	7,383,967	14,685,228	67,691	22,136,886
Accumulated Depreciation				
Balances at beginning of year	—	2,280,266	31,320	2,311,586
Depreciation and transfers (Note 20)	—	222,323	10,147	232,470
Balances at end of year	—	2,502,589	41,467	2,544,056
Net Book Value	₱7,383,967	₱12,182,639	₱26,224	₱19,592,830

Investment properties consist mainly of the commercial mall and buildings acquired as part of the exchange transaction in September 2006 (see Note 4).

Borrowing costs capitalized as part of investment properties amounted to ₱856.07 million and ₱380.66 million in 2014 and 2013, respectively. Capitalization rate used ranges from 2.0% to 5.10% in 2014, 2.1% to 3.1% in 2013 and 2.4% to 6.0% in 2012.

The aggregate fair value of the Group's investment properties amounted to ₱40.86 billion and ₱28.11 billion as of December 31, 2014 and 2013, respectively, based on the market data approach for land and income approach using discounted cash flow analysis for buildings. The values used by the Group are based on a third party appraisal performed in 2010 and were updated using December 31, 2014 and 2013 year-end values and assumptions.

In the market data approach, the value of investment properties is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires establishing comparable property by reducing reasonable comparative sales and listing to a common denominator. This is done by adjusting the difference between the subject properties and those actual sales and listing regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject properties. While in the income approach, all expected cash flows from the use of the assets were projected and discounted using the appropriate discount rate reflective of the market expectations.



Rental income from investment properties amounted to ₱2.26 billion, ₱2.03 billion and ₱1.89 billion in 2014, 2013 and 2012, respectively. Operating expenses from investment properties amounted to ₱511.98 million, ₱491.40 million and ₱473.62 million in 2014, 2013 and 2012, respectively.

14. Property and Equipment

The rollforward analysis of this account as of December 31 follows:

2014							
	Land and Buildings	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
(In Thousands)							
Cost							
Balances at beginning of year	₱1,106,749	₱202,712	₱91,061	₱71,899	₱34,399	₱30,735	₱1,537,555
Additions and transfers	31,762	137,557	5,909	21,631	959	19,078	216,896
Balances at end of year	1,138,511	340,269	96,970	93,530	35,358	49,813	1,754,451
Accumulated Depreciation and Amortization							
Balances at beginning of year	70,277	175,677	65,479	47,898	27,402	—	386,733
Depreciation and amortization - net of transfers (Note 20)	20,205	12,838	7,897	1,926	1,662	—	44,528
Balances at end of year	90,482	188,515	73,376	49,824	29,064	—	431,261
Net Book Value	₱1,048,029	₱151,754	₱23,594	₱43,706	₱6,294	₱49,813	₱1,323,190

2013							
	Land and Buildings	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress (Note 13)	Total
(In Thousands)							
Cost							
Balances at beginning of year	₱464,440	₱188,668	₱78,741	₱50,199	₱32,614	₱845,147	₱1,659,809
Additions and transfers (Note 12)	642,309	14,044	12,320	21,700	1,785	(814,412)	(122,254)
Balances at end of year	1,106,749	202,712	91,061	71,899	34,399	30,735	1,537,555
Accumulated Depreciation and Amortization							
Balances at beginning of year	27,743	169,920	62,912	46,218	25,073	—	331,866
Depreciation and amortization - net of transfers (Note 20)	42,534	5,757	2,567	1,680	2,329	—	54,867
Balances at end of year	70,277	175,677	65,479	47,898	27,402	—	386,733
Net Book Value	₱1,036,472	₱27,035	₱25,582	₱24,001	₱6,997	₱30,735	₱1,150,822

As of December 31, 2014 and 2013, cost of fully depreciated property and equipment still used in operations amounted to ₱12.38 million and ₱6.98 million, respectively.

15. Other Assets

This account consists of:

	2014	2013
	(In Thousands)	
Input taxes	₱1,316,635	₱1,012,981
Prepaid expenses	445,997	599,935
Deposits	389,325	179,159
Creditable withholding taxes	107,410	320,776

(Forward)



	2014	2013
	(In Thousands)	
Construction materials and supplies	₱65,493	₱56,639
Short-term deposits (Note 30)	18,762	143,382
Other noncurrent assets	1,249,739	387,622
	₱3,593,361	₱2,700,494

“Input taxes” represent the VAT due or paid on purchases of goods and services subjected to VAT that the Group can claim against any output VAT on sale of goods and services.

“Prepaid expenses” include commissions paid to brokers relating to the sales of real estate inventories which do not qualify yet for revenue recognition. Such amount will be recognized as expense when the qualification for recognition has been met for the related revenue.

“Deposits” include advances to sellers for the purchase of raw land prior to issuance of Contract to Sell. These also include utility and security deposits.

“Creditable withholding taxes” are the taxes withheld by the withholding agents from payments to the sellers which is creditable against the income tax payable.

“Other noncurrent assets” pertain to the cost related to the Build Transfer and Operate (BTO) agreement with The Province of Cebu (Cebu Province) entered into on March 26, 2012. The BTO project relates to the development, construction and operation of Business Process Outsourcing (BPO) Complex by the Group at the land properties owned by Cebu Province located at Salinas, Lahug Cebu City (see Note 31).

16. Accounts Payable and Accrued Expenses

This account consists of:

	2014			2013		
	Due Within One Year	Due After One Year	Total	Due Within One Year	Due After One Year	Total
	(In Thousands)					
Accounts payable	₱5,043,378	96,668	₱5,140,046	₱5,761,215	₱165,756	₱5,926,971
Deposits for registration and insurance	189,855	1,359,327	1,549,182	138,167	989,253	1,127,420
Advances and deposits from customers	1,410,239	—	1,410,239	1,247,252	—	1,247,252
Retention fees payable	813,933	490,687	1,304,620	596,338	359,508	955,846
Deposits from tenants	495,596	164,462	660,058	230,246	292,494	522,740
Accrued expenses	322,975	—	322,975	267,193	—	267,193
Accrued interest on bonds and loans (Notes 17 and 18)	254,278	—	254,278	215,193	—	215,193
Liabilities on receivables sold to banks (Note 8)	5,585	2,919	8,504	23,325	13,915	37,240
Other payables	195,096	—	195,096	141,557	—	141,557
	₱8,730,935	₱2,114,063	₱10,844,998	₱8,620,486	₱1,820,926	₱10,441,412

“Accounts payable” includes the outstanding balance of the costs of raw land acquired by the Group and is payable on scheduled due dates or upon completion of certain requirements (see Note 10). This account also includes amount payable to contractors and suppliers for the construction and development costs and operating expenses incurred by the Group.

“Deposits for registration and insurance” pertain to amounts collected from buyers for payment of registration and insurance of real estate properties.



“Advances and deposits from customers” include collections from accounts which do not qualify yet for revenue recognition as real estate sales and any excess of collections over the recognized receivables on sale of real estate inventories.

“Deposits from tenants” are advance payments received for rentals, utilities and other fees. These are applied against rental obligations of tenants once due.

“Retention fees payable” pertains to the amount withheld from the progress billings of the contractors and is released generally one year from the completion of the construction agreement.

“Accrued expenses” pertain to various operating expenses incurred by the Group in the course of business such as salaries and wages, professional fees and utilities expense, among others.

“Other payables” pertain mainly to withholding taxes and output VAT payables.

17. Loans Payable

This account consists of:

	2014	2013
	(In Thousands)	
Term loans from a financial institution (Note 19)	₱225,000	₱675,000
Developmental loans from local banks	16,294,797	14,076,209
	16,519,797	14,751,209
Less current portion of loans	2,284,109	1,541,914
Long term portion of loans payable	₱14,235,688	₱13,209,295

a. *Term Loans from a Financial Institution*

On June 17, 2005, the Group entered into a Local Currency Loan Agreement with a foreign financial institution whereby the Group was granted a credit line facility amounting to ₱2.25 billion. In October 2005, the Group availed of ₱1.13 billion or half of the total amount granted. The loan is payable in 10 semi-annual installments commencing December 2010 and ending June 2015. This loan carries a fixed interest rate of 7.72% per annum.

In July 2007, the Group availed of the remaining balance of the facility amounting to ₱1.12 billion. The loan is also payable in 10 semi-annual installments commencing December 2010 and ending June 2015. This loan has a fixed annual interest rate of 7.90%.

Both loans were guaranteed by FDC (see Note 19). Principal payments made in 2014 and 2013 amounted to ₱450.00 million in each year. Interest incurred on these loans (gross of related capitalized borrowing costs) amounted to ₱42.22 million and ₱78.73 million in 2014 and 2013, respectively.



b. Developmental Loans from Local Banks

Below are the details of the loans presented at gross of unamortized deferred charges amounting to ₱25.45 million and ₱39.04 million, as of December 31, 2014 and 2013, respectively. These are recorded under “Loans payable”.

	2014	2013
	(In Thousands)	
Unsecured loan obtained in July 2013 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT 5 years (fixed rate) 5.07% per annum, payable quarterly in arrears. The principal is payable at maturity on July 2018.	₱1,500,000	₱1,500,000
Unsecured loan obtained in June 2013 with a fixed interest rate of 4.98% per annum inclusive of GRT, payable quarterly in arrears. The principal is payable in twelve (12) equal quarterly installments starting September 2015 up to June 2018.	1,148,500	1,148,500
Unsecured loan obtained in August 2013 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum GRT 5 years (fixed rate) 4.28% per annum, payable quarterly in arrears. The 50% balance is payable in twenty (20) equal quarterly installments starting August 2015 up to May 2020 and the remaining 50% balance is payable in August 2020.	1,000,000	1,000,000
Unsecured loan obtained in November 2012 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT 5 years (fixed rate) 5.50% per annum, payable quarterly in arrears. The principal is payable at maturity on November 2017.	1,000,000	1,000,000
Unsecured loan obtained in January 2012 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum GRT 5 years (fixed rate) 6.39% per annum, payable quarterly in arrears. The principal is payable at maturity on January 2017.	1,000,000	1,000,000
Unsecured loan obtained in April 2012 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT 5 years (fixed rate) 6.12% per annum, payable quarterly in arrears. The principal is payable at maturity on January 2017.	1,000,000	1,000,000
Unsecured loan obtained in September 2014 with interest at prevailing market rate 3.00%, payable quarterly in arrears. The principal is payable at maturity on August 2015.	1,000,000	—
Unsecured loan obtained in February 2013 with interest at prevailing market rate plus GRT, payable quarterly in arrears. The principal is payable in twelve (12) equal quarterly installments starting May 2015 to February 2018.	750,000	750,000
Unsecured loan obtained in December 2013 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT (Fixed rate of 4.62% per annum), payable quarterly in arrears. The 50% of principal payable in 20 equal quarterly amortization to commence on March 2016 and 50% payable at maturity on December 2020.	700,000	700,000
Unsecured loan obtained in July 2014 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT (Fixed rate) 4.30% per annum, payable quarterly in arrears. The 50% of principal payable in 20 equal quarterly amortization to commence on October 2016 and 50% payable at maturity on July 2021.	700,000	—
Unsecured loan obtained in July 2014 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT (Fixed rate) 5.52% per annum, payable quarterly in arrears. The 50% of principal payable in 20 equal quarterly amortization to commence on October 2016 and 50% payable at maturity on July 2021.	600,000	—

(Forward)



	2014	2013
	(In Thousands)	
Unsecured loans obtained in August 15, 2012 with interest of 5.79% per annum (inclusive of GRT), subject to repricing and payable quarterly in arrears. The loan has a term of 7 years, inclusive of 2 year grace period on principal repayment, 50% principal balance is payable in 20 equal quarterly installments to commence on November 2014 and 50% payable at maturity on August 2019.	₱585,000	₱600,000
Unsecured loan obtained in October 2013 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT (Fixed rate of 4.21% per annum), payable quarterly in arrears. The 50% of principal payable in 20 equal quarterly amortization to commence on January 2016 and 50% payable at maturity on October 2020.	550,000	550,000
Unsecured loan obtained in March 2011 with interest rate equal to 91-day PDS Treasury Fixing (PDST-F) rate plus a spread of up to 1% per annum, payable quarterly in arrears. The 50% of principal payable in 12 equal quarterly amortization to commence on June 2013 and 50% payable at maturity on March 2016.	531,250	656,250
Unsecured loan obtained in December 2012 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT 5 years (fixed rate) 5.29% per annum, payable quarterly in arrears. The principal is payable at maturity on December 2017.	500,000	500,000
Unsecured loan obtained in August 2013 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT 5 years (fixed rate) 4.28% per annum, payable quarterly in arrears. The 50% balance is payable in twenty (20) equal quarterly installments starting August 2015 up to May 2020 and the remaining 50% balance is paid in August 2020.	500,000	500,000
Unsecured loan obtained in March 2014 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT (Fixed rate) 4.27% per annum, payable quarterly in arrears. The 50% of principal payable in 20 equal quarterly amortization to commence on November 2015 and 50% payable at maturity on August 2020.	500,000	—
Unsecured loan obtained in November 2014 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT (Fixed rate) 4.80% per annum, payable quarterly in arrears. The principal is payable upon maturity in November 2019.	500,000	—
Unsecured loan obtained in June 2011 with interest rate equal to 91-day PDST-F rate plus a spread of 1% per annum, payable quarterly in arrears. The 50% balance is paid in July 2011 and the remaining 50% balance is payable in twelve (12) equal quarterly installments starting September 2013 up to June 2016.	375,000	625,000
Unsecured loan obtained in October 2012 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT (fixed rate of 6.03% per annum), payable quarterly in arrears. The principal is payable at maturity on October 2017.	300,000	300,000
Unsecured loan obtained in May 2013 with interest rate equal to BSP overnight reverse repurchase agreement plus 1% per annum plus GRT (Fixed rate of 4.74% per annum), payable quarterly in arrears. The principal is payable in twelve (12) equal quarterly installments starting August 2015 up to May 2018.	300,000	300,000
Unsecured loan obtained in May 17, 2012 with interest at prevailing market rate, subject to repricing and payable quarterly in arrears. The loan has a term of 7 years, inclusive of 2 year grace period on principal repayment, 50% principal balance is payable in 20 equal quarterly installments to commence on August 2014.	285,000	300,000

(Forward)



	2014	2013
	(In Thousands)	
Unsecured loan obtained in May 2013 with interest rate equal to BSP overnight reverse repurchased agreement plus 1% per annum plus GRT (fixed rate of 4.74% per annum), payable quarterly in arrears. The principal is payable in twelve (12) equal quarterly installments starting August 2015 up to May 2018.	₱250,000	₱250,000
Unsecured loan obtained in December 2011 with interest at prevailing market rate 4.2% per annum inclusive of GRT, payable quarterly in arrears. The principal is payable in twelve (12) equal quarterly installments starting March 2014 to December 2016.	233,333	350,000
Unsecured loan granted in November 10, 2011 with a term of 7 years with 2 years grace period on principal repayment. Interest is based on prevailing market rate, subject to quarterly repricing and payable quarterly in arrears. 50% of principal is payable in 12 quarterly amortization commencing on February 10, 2014 and 50% is payable on maturity.	180,000	200,000
Unsecured loan granted in December 2012 with a term of five years with 50% of principal payable in 20 equal quarterly amortization to commence on March 2013 and 50% payable at maturity on December 2017. The loan carries interest at prevailing market rate.	120,000	135,000
Unsecured loan granted in May 2010 with a term of five years with 50% of principal payable in 12 equal quarterly amortization to commence on August 2012 and 50% payable at maturity in May 2015. The loan carries interest at prevailing market rate payable quarterly in arrears.	116,667	150,000
Unsecured loan granted in May 2012 payable over 7-year period inclusive of 2 year grace period; 50% of principal is payable in 20 equal quarterly amortizations to commence on August 2014 and 50% payable at maturity on May 2019. The loan carries interest at prevailing market rate.	95,000	100,000
Unsecured loan obtained in February 2013 with interest rate equal to 91-day PDS Treasury Fixing (PDST-F) rate plus a spread of up to 1% per annum plus GRT, payable quarterly in arrears. The principal is payable in twelve (12) equal quarterly installments starting May 2015 to February 2018.	500	500
Unsecured loan obtained in March 2013 with interest rate of 4.32% per annum inclusive of GRT, payable quarterly in arrears. The principal is payable at maturity on March 2014.	—	500,000
Total	₱16,320,250	₱14,115,250

The Group's loans payable are unsecured and no assets are held as collateral for these debts. The agreements covering the abovementioned loans require maintaining certain financial ratios including maximum debt-to-equity ratio of 1.0x; minimum debt service coverage ratio of 1.5x; minimum interest coverage ratio of 2.0x; and limit in single mortgage, unhedged foreign currency open position, and loans to related parties of 1%, 10% and 15% of shareholders' equity, respectively.

The agreements also provide for restrictions and requirements with respect to, among others, making distribution on its share capital; purchase, redemption or acquisition of any share of stock; incurrence or assumption of indebtedness outside the normal course of business; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; and entering into any partnership, merger, consolidation or reorganization.

The Group has complied with these contractual agreements. There was neither default nor breach noted as of December 31, 2014 and 2013.

Interest incurred on these loans (gross of related capitalized borrowing costs) amounted to ₱773.84 million and ₱617.04 million in 2014 and 2013, respectively.



18. Bonds Payable

On November 19, 2009, the Parent Company issued fixed rate bonds (the “Bonds”) with aggregate principal amount of ₱5.00 billion, comprised of three (3)-year fixed rate bonds due in 2012 and five (5)-year fixed rate bonds due in 2014. The three-year bonds have a fixed interest rate of 7.53% per annum. Interest is payable quarterly in arrears starting on February 19, 2010. The five (5)-year bonds have a fixed interest rate of 8.46% per annum. Interest is payable quarterly in arrears starting on February 20, 2010. The ₱0.50 billion and ₱4.50 billion three (3)-year fixed rate bond was paid by the Parent Company on November 16, 2012 and November 19, 2014, respectively.

On July 7, 2011, the Parent Company issued fixed rate bonds with principal amount of ₱3.00 billion, to finance its capital requirements in 2011 and 2012. The term of the bonds is five (5) years from the issue date with fixed interest rate of 6.2% per annum, payable quarterly in arrears starting on October 7, 2011.

Unamortized debt issuance cost on 2011 fixed rate bonds amounted to ₱18.55 million and ₱28.10 million as of December 31, 2014 and 2013, respectively. Accretion in 2014, 2013 and 2012 included as part of ‘Interest and other finance charges’ amounted to ₱9.55 million, ₱8.94 million and ₱8.39 million, respectively (see Note 22).

On June 8, 2012, the Parent Company issued another fixed rate bonds with aggregate principal amount of ₱7.00 billion and term of seven (7) years from the issue date. The fixed interest rate is 6.27% per annum, payable quarterly in arrears starting on September 8, 2012.

Unamortized debt issuance cost on bonds payable amounted to ₱48.73 million and ₱61.90 million as of December 31, 2014 and 2013, respectively. Accretion in 2014, 2013 and 2012 included as part of ‘Interest and other finance charges’ amounted to ₱13.02 million, ₱13.87 million and ₱10.91 million, respectively (see Note 22).

On November 8, 2013, the Parent Company issued fixed rate bonds with aggregate principal amount of ₱7.00 billion comprised of ₱4.30 billion seven (7)-year bonds with interest of 4.86% per annum due in 2020 and ₱2.70 billion ten (10)-year bonds with interest of 5.43% per annum due in 2023. Interest for both bonds is payable quarterly in arrears starting on February 8, 2014.

Unamortized debt issuance cost on bonds payable amounted to ₱68.77 million and ₱81.07 million as of December 31, 2014 and 2013, respectively. Accretion in 2014 and 2013 included as part of ‘Interest and other finance charges’ amounted to ₱12.30 million and ₱1.84 million, respectively (see Note 22).

On December 4, 2014, the Parent Company issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱7.00 billion comprising of ₱5.30 billion seven (7)-year fixed rate bonds due in 2021 and ₱1.70 billion ten (10)-year fixed rate bonds due in 2024. The seven-year bonds carry a fixed rate of 5.4% per annum, while the ten (10)-year bonds have a fixed interest rate of 5.64% per annum.

Unamortized debt issuance cost on bonds payable amounted to ₱76.95 million as of December 31, 2014. Accretion in 2014 included as part of “Interest and other finance charges” amounted to ₱0.93 million (see Note 22).



These bonds require the Group to maintain certain financial ratios which include maximum debt-to-equity ratio of 2.0x; minimum current ratio of 2.0x; and minimum debt service coverage ratio of 1.0x. As of December 31, 2014 and 2013, the Group is not in breach of any of these debt covenants.

Interest incurred on bonds (gross of related capitalized borrowing costs) amounted to ₱1.36 billion and ₱1.08 billion in 2014 and 2013, respectively.

19. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control of the Group's ultimate parent company (referred herein as "Affiliates"). Related parties may be individuals or corporate entities.

Significant transactions with related parties are as follows:

- a. On January 3, 2012, the Group entered into Receivable Purchase Agreement and Accounts Servicing Agreement with EW. As of December 31, 2013 and 2012, the Parent Company has sold contracts receivable for a total purchase price of ₱266.96 million and ₱849.59 million, respectively, recognizing a gain on sale amounting to ₱58.40 million and ₱113.74 million, respectively, recorded under "Other income" (nil as of and for the year ended December 31, 2014; see Notes 8 and 23). The Group also maintains cash and cash equivalents with EW.
- b. Transactions with the Group's ultimate parent company relates to sharing of common expenses.
- c. In 2012, the Group purchased from FDC a parcel of land located in San Juan City for total purchase price of ₱109.63 million. The Group originally leased this land, together with the building constructed in it, as its head office, recognizing rental expense of ₱43.82 million in 2012. The Group has started development on the said land in 2013. The Group also charged FDC certain common expenses paid by the Group in its behalf.

Further, starting in 2009, Promax was appointed by FDC, as a marketing agent to act for and on behalf of FDC in promoting the marketing and sale of the Beaufort project. Accordingly, FDC pays Promax a marketing fee equivalent to a certain percentage of the net selling price (see Note 23).

Loans guaranteed by FDC amounted to ₱225.00 million and ₱675.00 million as of December 31, 2014 and 2013, respectively (see Note 17).

- d. In 2013, the Parent Company purchased from FAI a parcel of land located at Alabang, Muntinlupa City for a total purchase price of ₱603.40 million. As of December 31, 2013, outstanding liability amounted to ₱488.75 million. The Parent Company has substantially completed the development project of the first tower on this property as of December 31, 2013.

Due from associate include receivable for the transfer of equipment, furniture and fixtures and inventories to an affiliate for the start-up of operations. It also includes share in Group's common expenses.



Other transactions with FAI include noninterest-bearing cash advances and various charges for rent, management fees, marketing fees, share of expenses and commission charges.

- e. In 2007, the Group entered into a development agreement with GCK Realty Corporation (GCK), an affiliate. The agreement provides that the Parent Company shall undertake the construction of a condominium building on the land owned by GCK located in Kamputhaw, Cebu City.

The agreement further provides that the Parent Company shall shoulder all costs and expenses necessary and incidental to the construction of the building. The saleable condominium units forming part of the building as developed shall be allocated between the Group and GCK on a 92% and 8% share, respectively.

GCK shall pay the Group management fee and the reimbursable commissions paid by the Group to the brokers based on certain percentage of the gross selling price of the units owned by GCK. The Group shall likewise set aside an amount equivalent to a certain percentage of all collections received from the sale of units of GCK for expenses related to maintenance and upkeep of the building. In 2010, the Group started to remit sales on the sold units belonging to GCK.

- f. The compensation of key management personnel consists of short-term employee salaries and benefits amounting to ₱26.52 million, ₱23.40 million and ₱23.90 million in 2014, 2013 and 2012, respectively. Post-employment benefits of key management personnel amounted to ₱2.86 million and ₱5.50 million in 2013 and 2012, respectively (nil in 2014).

The amounts and the balances arising from the foregoing significant related party transactions are presented below. Outstanding liabilities are unsecured and no impairment loss was recognized on any of the assets.

	2014			
	Amount/ Volume	Due from / (Due to)	Terms	Conditions
	(In Thousands)			
a. Bank under common control of the ultimate parent				
Cash and cash equivalents	₱2,693,561	₱2,693,561	0.5% to 4.5%	No impairment
Interest income	9,971	—		
	₱2,703,532	₱2,693,561		
b. Ultimate Parent	₱401	₱1,097	Non - interest bearing, payable on demand	Unsecured, no impairment
c. Parent	3,746	42,542	Non - interest bearing, payable on demand	Unsecured, no impairment
e. Affiliates	2,802	199,394	Non - interest bearing, payable on demand	Unsecured, no impairment
Due from related parties	₱6,949	₱243,033		
c. Parent				
Purchase of land	₱—	(₱41,112)	Non - interest bearing, payable on demand	Unsecured
Share in Group expenses	37,343	(87,738)	Non - interest bearing, payable on demand	Unsecured
Management and marketing income	7,655	—	Non - interest bearing, payable on demand	Unsecured
	44,998	(128,850)		

(Forward)



2014				
	Amount/ Volume	Due from / (Due to)	Terms	Conditions
(In Thousands)				
d. Associate				
Rent	₱111,432	(₱14,109)	Non - interest bearing, payable on demand	Unsecured
Management Fee	2,365	—	Non - interest bearing, payable on demand	Unsecured
Marketing Income	(1,272)	—	Non - interest bearing, payable on demand	Unsecured
Share in other expenses	54,173	(40,064)	Non - interest bearing, payable on demand	Unsecured
	166,698	(54,173)		
e. Affiliates	57,914	(76,671)	Non - interest bearing, payable on demand	Unsecured
Due to related parties	₱269,610	(₱259,694)		
2013				
	Amount/ Volume	Due from / (Due to)	Terms	Conditions
(In Thousands)				
a. Bank under common control of the ultimate parent				
Cash and cash equivalents	₱3,826,198	₱3,826,198	0.5% to 4.5%	No impairment
Interest income	13,284	—		
Sale of receivables	266,961	—		
Gain on sale of receivables	58,404	—		
	₱4,164,847	₱3,826,198		
d. Ultimate Parent	₱334	₱696	Non - interest bearing, payable on demand	Unsecured, no impairment
e. Parent	37,066	8,118	Non - interest bearing, payable on demand	Unsecured, no impairment
f. Associate	10,689	2,219	Non - interest bearing, payable on demand	Unsecured, no impairment
e. Affiliates	2,382	193,505	Non - interest bearing, payable on demand	Unsecured, no impairment
Due from related parties	₱50,471	₱204,538		
b. Ultimate Parent	₱520,000	₱—	Bears 4.0% interest per annum, payable on demand	Unsecured
c. Parent				
Purchase of land	—	(61,668)	Non - interest bearing, payable on demand	Unsecured
Share in Group expenses	7,946	(31,968)	Non - interest bearing, payable on demand	Unsecured
Management and marketing income	3,109	—	Non - interest bearing, payable on demand	Unsecured
	11,055	(93,636)		
d. Associate				
Rent	101,425	(11,655)	Non - interest bearing, payable on demand	Unsecured
Management Fee	2,421	—	Non - interest bearing, payable on demand	Unsecured
Marketing Income	(5,638)	—	Non - interest bearing, payable on demand	Unsecured
Share in other expenses	21,995	(53,419)	Non - interest bearing, payable on demand	Unsecured
	120,203	(65,074)		
e. Affiliates	59,123	(50,491)	Non - interest bearing, payable on demand	Unsecured
Due to related parties	₱710,381	(₱209,201)		



20. General and Administrative Expenses

The account consists of:

	2014	2013	2012
	(In Thousands)		
Salaries, wages and employee benefits	₱411,296	₱356,910	₱329,970
Taxes and licenses	140,858	127,055	129,400
Depreciation and amortization (Notes 13 and 14)	113,228	96,991	79,057
Repairs and maintenance	99,642	92,560	50,343
Insurance	90,025	97,687	57,414
Transportation and travel	77,372	74,775	78,833
Outside services	67,611	65,474	71,436
Entertainment, amusement and recreation	59,560	54,348	46,088
Rent (Note 19)	37,381	35,350	78,049
Electronic data processing charges	34,553	28,501	30,294
Communications, light and water	28,686	29,440	56,444
Retirement costs (Note 24)	39,222	28,944	24,877
Dues and subscriptions	11,938	11,874	13,236
Office supplies	11,326	12,279	15,679
Provision for doubtful accounts - net (Note 9)	11,182	25,463	18,387
Others	48,448	40,937	17,395
	₱1,282,328	₱1,178,588	₱1,096,902

21. Selling and Marketing Expenses

The account consists of:

	2014	2013	2012
	(In Thousands)		
Brokers' commissions	₱510,159	₱322,209	₱292,748
Selling, advertising and promotions	324,188	255,351	256,172
Service fees	108,699	126,776	159,085
Sales office direct costs	101,247	145,734	73,662
Corporate advertisements	4,584	22,657	57,492
Salaries and wages	1,314	2,416	20,061
Others	3,865	17,339	13,025
	₱1,054,056	₱892,482	₱872,245



22. Interest and Other Finance Charges

The following table shows the component of interest income, interest expense and other financing charges recognized in the consolidated statements of income:

	2014	2013	2012
	(In Thousands)		
Interest income on:			
Contracts receivable (Note 8)	₱672,372	₱465,222	₱420,368
Cash and cash equivalents (Note 7)	13,363	37,242	54,555
Others	65,961	46,934	41,618
	₱751,696	₱549,398	₱516,541
Interest and other finance charges:			
Interest expense on loans and bonds payable, net of interest capitalized (Notes 17 and 18)	₱571,169	₱384,491	₱348,108
Amortization of transaction costs of loans and bonds (Notes 17 and 18)	60,105	60,383	41,410
Other finance charges	16,343	29,572	23,443
	₱647,617	₱474,446	₱412,961

23. Other Income

The account consists of:

	2014	2013	2012
	(In Thousands)		
Forfeited reservations and collections	₱277,081	₱202,047	₱210,820
Income from amusement centers, parking and other lease- related activities	156,256	140,450	131,222
Processing fees	124,271	139,890	64,006
Gain on sale of contracts receivables (Note 8)	—	58,404	113,739
Service fees	40,052	11,190	5,778
Foreign currency exchange gain (loss) - net	5,757	(399)	2,585
Others (Note 19)	24,016	17,183	1,375
	₱627,433	₱568,765	₱529,525



24. Retirement Costs

The Group has a funded, noncontributory defined benefit retirement plan (the "Plan") covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The retirement plan provides retirement benefits equivalent to 70% to 125% of the final monthly salary for every year of service.

The funds are administered by the Group's Treasurer under the supervision of the Board of Trustees of the Plan and are responsible for investment strategy of the Plan.

Republic Act 7641 requires a provision for retirement pay to qualified private sector employees provided that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Group updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary.

The following tables summarize the components of retirement expense recognized in the consolidated statements of income and pension liability recognized in the consolidated statements of financial position for the existing retirement plan.

	2014		
	Present value of defined benefit obligation	Fair value of plan asset	Net defined benefit liabilities
Balance as at January 1, 2014	₱272,513	₱85,696	₱186,817
Net benefit costs in profit or loss			
Current service cost	28,298	—	28,298
Net interest	15,980	5,056	10,924
	44,278	5,056	39,222
Remeasurements in other comprehensive income			
Return on plan assets (excluding amount included in net interest)	—	27,747	(27,747)
Actuarial changes arising from changes in demographic assumptions	(12,962)	—	(12,962)
Actuarial changes arising from changes in financial assumptions	50,992	—	50,992
	38,030	27,747	10,283
	₱354,821	₱118,499	₱236,322



	2013		
	Present value of defined benefit obligation	Fair value of plan asset	Net defined benefit liabilities
Balance as at January 1, 2013	₱240,601	₱80,845	₱159,756
Net benefit costs in profit or loss			
Current service cost	19,359	–	19,359
Net interest	14,436	4,851	9,585
	33,795	4,851	28,944
Benefits paid	(1,883)	(1,883)	–
Contribution	–	1,883	(1,883)
	₱272,513	₱85,696	₱186,817

The Group's plan assets comprise of cash equivalents with original maturities of three months or less from dates of placements and are subject to insignificant risk of changes in value. As of December 31, 2014 and 2013, these placements are with EW.

As of December 31, 2014 and 2013, the carrying amount of the plan assets approximates its fair value.

The costs of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The assumptions used in determining pension obligation for the defined benefit plan are as follows:

	2014	2013	2012
Discount rate	4.60% - 4.70%	5.90% - 6.30%	5.90% - 6.30%
Future salary increases	8.00%	8.00%	8.00%

The sensitivity analysis that follows has been determined based on reasonably possible changes of the assumption occurring as of the end of the reporting period, assuming if all other assumptions were held constant. Management believes that as of the reporting date, it is only the decline in discount rate that could significantly affect the pension obligation. Management believes that pension obligation will not be sensitive to the salary rate increases because it is expected to be at the same level throughout the remaining life of the obligation. If the discount rate would be 100 basis points lower, the defined benefit obligation would increase by ₱52.34 million in 2014, and if discount rate would be 50 basis points lower, the defined benefit obligation would increase by ₱16.38 million in 2013.

The Group does not expect to contribute to its plan assets in the next 12 months.

The management performs an Asset-Liability Matching (ALM) Study. The principal technique of the Group's ALM is to ensure the expected return on assets to be sufficient to support the desired level of funding arising from the defined benefit plans, as well as the liquidity of the plan assets. The Group's current investment strategy consists of 100% short-term deposit placements.



25. Operating Leases

As lessor, future minimum rental receivables under renewable operating leases as of December 31, 2014 and 2013 are as follows:

	2014	2013
	(In Thousands)	
Within one year	₱1,880,032	₱1,563,130
After one year but not more than five years	2,552,974	2,953,973
After five years	719,358	38,738
	₱5,152,364	₱4,555,841

The Group entered into lease agreements with third parties covering real estate properties. These leases generally provide for either (a) fixed monthly rent (b) minimum rent or a certain percentage of gross revenue, whichever is higher. Most lease terms on commercial malls are renewable within one year, except for anchor tenants.

Rental income recognized based on a percentage of the gross revenue of mall tenants included in "Rental services" account in the consolidated statements of income amounted to ₱276.60 million, ₱322.42 million and ₱223.91 million in 2014, 2013 and 2012, respectively.

As lessee, future minimum rental payables under operating leases as of December 31, 2014 and 2013 are as follows:

	2014	2013
	(In Thousands)	
Within one year	₱129,773	₱164,350
After one year but not more than five years	630,843	407,789
After five years	630,631	976,575
	₱1,391,247	₱1,548,714

The Group leases from FDC, parcel of land and building located in San Juan City for its then head office for a fixed monthly rental. The lease term ended in October 2012 (see Note 19).

26. Equity

The details of the Parent Company's common and preferred shares as of December 31, 2014 and 2013 follow:

	Common Shares	Preferred Shares
	(In Thousands, except par value figures)	
Authorized shares	33,000,000	8,000,000
Par value per share	₱1	₱0.01
Issued and outstanding shares	24,470,708	8,000,000
Treasury shares	220,949	—

In 2014, 2013 and 2012, there was no issuance of additional common shares.



Preferred Shares

The preferred shares may be issued from time to time in one or more series as the BOD may determine, and authority is hereby expressly granted to the BOD to establish and designate each particular series of preferred shares, to fix the number of shares to be included in each of such series, and to determine the dividend rate and the issue price and other terms and conditions for each such shares. Dividends shall be cumulative from and after the date of issue of the preferred shares and no dividend shall be declared or paid on the common shares unless the full accumulated dividends on all preferred shares for all past dividend periods and for the current dividend period shall have been declared and paid by the Group. Preferred shares of each and any sub-series shall not be entitled to any participation or share in the retained earnings remaining after dividend payments shall have been made on the preferred shares. To the extent not set forth in the Articles of Incorporation, the specific terms and restrictions of each series of preferred shares shall be specified in such resolutions as may be adopted by the BOD prior to the issuance of each of such series (the “Enabling Resolutions”), which resolutions shall thereupon be deemed a part of the Amended Articles of Incorporation.

Preferred shares of each and any sub-series may be convertible to common shares as may be determined by the BOD and set forth in the Enabling Resolutions, in such manner and within such period as may be fixed in the Enabling Resolutions. As of December 31, 2014 and 2013, there is no Enabling Resolution by the BOD making the preferred shares convertible to common shares.

As the dividend rate is yet to be determined by the BOD, there were no dividends in arrears on preferred shares as of December 31, 2014 and 2013.

Treasury Shares

On December 20, 2007, the Parent Company’s BOD approved the buy-back of some of the issued shares of stock of the Parent Company over a period of twelve (12) months up to an aggregate amount of ₱1.5 billion, in view of the strong financial performance of the Parent Company and the very large discrepancy that existed between the current share price and the net asset value of the Parent Company.

The Parent Company had acquired 220.95 million shares at total cost of ₱221.04 million in 2008. There were no additional acquisitions in 2014, 2013 and 2012. The retained earnings is restricted from dividend distribution to the extent of the cost of treasury shares.

Dividend Declaration

On May 9, 2014, the BOD approved the declaration of cash dividend of ₱0.050 per share or a total of ₱1.21 billion for all shareholders of records as of June 6, 2014.

On May 10, 2013, the BOD approved the declaration from of cash dividend of ₱0.048 per share or a total of ₱1.16 billion for all shareholders of records as of June 7, 2013.

On April 27, 2012 the BOD approved the declaration and payment of cash dividend of ₱0.0475 per share or a total of ₱1.15 billion for all shareholders of record as of May 25, 2012.

Retained Earnings

Retained earnings include undistributed earnings amounting to ₱5.89 billion and ₱5.42 billion as of December 31, 2014 and 2013, respectively, representing accumulated equity in net earnings of subsidiaries and associates, which are not available for dividend declaration until declared as dividends by the subsidiaries and associates. Retained earnings are further restricted for the payment of dividends to the extent of the cost of the shares held in treasury and deferred tax asset recognized as of December 31, 2014 and 2013.



The Parent Company's retained earnings available for dividend declaration as of December 31, 2014 and 2013 amounted to ₱16.08 billion and ₱13.19 billion, respectively.

Capital Management

The Group prudently monitors its capital and cash positions and cautiously manages its expenditures and disbursements. Furthermore, the Group may also, from time to time seek other sources of funding, which may include debt or equity issues depending on its financing needs and market conditions.

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. No changes were made in capital management objectives, policies or processes for the years ended December 31, 2014 and 2013.

The Group monitors capital using debt-to-equity ratio, which is the long-term debt (loans payable and bonds payable) divided by total equity. The Group's policy is to keep the debt-to-equity ratio not to exceed 2:1. The following table shows how the Group computes for its debt-to-equity ratio:

	2014	2013
	(In Thousands)	
Loans payable	₱16,519,797	₱14,751,209
Bonds payable	23,786,796	21,318,016
Total long-term debt	40,306,593	36,069,225
Total equity	52,081,574	48,985,912
Debt-to-equity ratio	0.77:1.00	0.74:1.00

On August 12, 1993, SEC approved the registration of 2.0 billion common shares with issue price of ₱5.25 per share.

On December 15, 2006, SEC approved the registration of 3.7 billion common shares with issue price of ₱1.60 per share.

Below is the summary of the outstanding number of shares and holders of security as of December 31, 2014 (amount in thousands):

Year	Number of Shares Registered	Number of Holders of Securities as of Year End
January 1, 2013	24,249,759	5,946
Add/(Deduct) Movement	—	(72)
December 31, 2013	24,249,759	5,874
Add/(Deduct) Movement	—	(57)
December 31, 2014	24,249,759	5,817

Note: Exclusive of 220,949 treasury shares.



27. Earnings Per Share

	2014	2013	2012
	(In Thousands, Except EPS Figures)		
a. Net income attributable to the equity holder of the parent	₱4,533,654	₱3,918,215	₱3,431,435
b. Weighted average number of outstanding common shares (after considering treasury shares)	24,249,759	24,249,759	24,249,759
Basic/Diluted EPS (a/b)	₱0.19	₱0.16	₱0.14

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

28. Income Tax

The components of the Group's deferred income tax assets follow:

	2014	2013
	(In Thousands)	
Deferred income tax assets on:		
Advance rentals	₱22,599	₱18,235
Provisions and accruals	913	4,590
Accrued retirement benefits	729	642
Others	23	22
	24,264	23,489
Deferred income tax liability on:		
Capitalization of borrowing costs	—	(11,169)
	₱24,264	₱12,320

The components of the Group's net deferred income tax liabilities follow:

	2014	2013
	(In Thousands)	
Deferred income tax liabilities on:		
Capitalized of borrowing costs	₱2,511,190	₱2,123,973
Excess of fair value over cost of net assets acquired in business combination	143,945	143,273
	2,655,135	2,267,246
Deferred income tax assets on:		
Accrued retirement benefits	(70,168)	(55,404)
Provision for doubtful accounts	(25,804)	(23,404)
Others	(1,195)	(1,194)
	(97,167)	(80,002)
	₱2,557,968	₱2,187,244

Provision for deferred income tax charged directly to other comprehensive income in 2014 amounted to ₱3.08 million (nil in 2013).



The Group did not recognize deferred income tax assets on the following NOLCO and MCIT of the subsidiaries since management believes that their carryforward benefits may not be realized before they expire.

	2014	2013
	(In Thousands)	
NOLCO	₱7,117	₱2,244
MCIT	—	100

The carryforward benefits of the NOLCO, which can be claimed by the Group as credits against the RCIT, are as follows (in thousands):

Year Incurred	Expiry Date
2014	December 31, 2017
2013	December 31, 2016
2012	December 31, 2015
	₱7,117

The following are the movements in NOLCO and MCIT:

	NOLCO		MCIT	
	2014	2013	2014	2013
		(In Thousands)		
At January 1	₱2,244	₱2,200	₱100	₱281
Addition	6,678	44	—	—
Applied/expired	(1,805)	—	(100)	(181)
At December 31	₱7,117	₱2,244	₱—	₱100

The reconciliation of the provision for income tax at statutory tax rate to the actual provision for income tax follows:

	2014	2013	2012
		(In Thousands)	
Income tax at statutory tax rate	₱1,703,332	₱1,423,227	₱1,240,689
Adjustments for:			
Tax-free net income on sales of BOI-registered projects (Note 33)	(371,960)	(383,841)	(303,958)
Income covered by PEZA (Note 32)	(200,695)	(146,121)	(114,930)
Interest on HGC-enrolled contracts receivables	(10,862)	(28,036)	(63,950)
Equity in net earnings of an associate	(15,839)	(55,910)	(56,188)
Tax-free realized net income on socialized housing units	(20,485)	(41,143)	(25,637)
Change in unrecognized deferred tax	1,951	(192)	(10,162)

(Forward)



	2014	2013	2012
	(In Thousands)		
Income subjected to final tax	(P2,634)	(P3,563)	(P10,948)
Deductible expense - Optional Standard Deduction	(17,137)	(11,947)	(14,000)
Nondeductible interest expense	1,567	1,176	4,652
Income subjected to capital gains tax	(1,350)	(90)	(801)
Other nondeductible expenses	7,907	14,585	1,319
	P1,073,795	P768,145	P646,086

29. Fair Value Measurement

The following table sets forth the carrying values of financial assets and liabilities recognized as of December 31, 2014 and 2013.

	2014				
	Fair Value				
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(In Thousands)				
Assets measured at fair value					
Financial assets at FVTOCI					
Quoted	P9,321	P9,321	P9,321	P-	P-
Unquoted	14,531	14,531	-	-	14,531
	23,852	23,852	9,321	-	14,531
Assets for which fair values are disclosed					
Financial assets at amortized cost					
Contracts receivable	16,457,256	16,764,468	-	-	16,764,468
Non-financial assets					
Investment properties	26,311,332	40,864,300	-	-	40,864,300
Total assets	P42,792,440	P57,652,620	P9,321	P-	P57,643,299
Liabilities for which fair values are disclosed					
Financial liabilities at amortized cost					
Accounts Payable and Accrued Expenses					
Accounts payable	P5,140,046	P4,920,275	P-	P-	P4,920,275
Deposits for registration and insurance	1,549,182	1,482,945	-	-	1,482,945
Retention fee payable	1,304,620	1,248,840	-	-	1,248,840
Liabilities on receivables sold to bank	8,504	7,928	-	-	7,928
	8,002,352	7,659,988	-	-	7,659,988
Loans payable	16,519,797	16,833,971	-	-	16,833,971
Bonds payable	23,786,796	21,808,202	-	-	21,808,202
	P48,308,945	P46,302,161	P-	P-	P46,302,161



	2013				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(In Thousands)				
Assets measured at fair value					
Financial assets at FVTOCI					
Quoted	₱3,321	₱3,321	₱3,321	₱—	₱—
Unquoted	14,531	14,531	—	—	14,531
	17,852	17,852	3,321	—	14,531
Assets for which fair values are disclosed					
Financial assets at amortized cost					
Contracts receivable	12,602,877	12,838,138	—	—	12,838,138
Non-financial assets					
Investment properties	19,592,830	28,110,773	—	—	28,110,773
Total assets	₱32,213,559	₱40,966,763	₱3,321	₱—	₱40,963,442
Liabilities for which fair values are disclosed					
Financial liabilities at amortized cost					
Accounts Payable and Accrued Expenses					
Accounts payable	₱5,926,971	₱5,673,554	₱—	₱—	₱5,673,554
Deposits for registration and insurance	1,127,420	1,079,215	—	—	1,079,215
Retention fee payable	955,846	914,977	—	—	914,977
Liabilities on receivables sold to bank	37,240	34,716	—	—	34,716
	8,047,477	7,702,462	—	—	7,702,462
Loans payable	14,751,209	14,428,301	—	—	14,428,301
Bonds payable	21,318,016	19,368,087	—	—	19,368,087
	₱44,116,702	₱41,498,850	₱—	₱—	₱41,498,850

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

- *Cash and cash equivalents, due from and to related parties, other receivables and other assets:* Due to the short-term nature of these accounts, their fair values approximate their carrying amounts.
- *Contracts receivable:* Estimated fair value of contracts receivable 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. Interest rate used is 19% in 2014 and 2013. Due to the short-term nature of receivables from government and financial institutions, carrying amounts approximate fair values.
- *Financial assets at FVTOCI:* Fair values were determined using quoted market prices at reporting date. Financial assets at FVTOCI not quoted in an active market are recorded at cost.
- *Accounts payable and accrued expenses:* On accounts due within one year, the fair value of accounts payable and accrued expenses approximates the carrying amounts. On accounts due for more than a year, estimated fair value is based on the discounted value of future cash flows using the prevailing interest rates on loans and similar types of payables as of the reporting date. Interest rates used is 4.28% in 2014 and 2013.
- *Long-term debt:* Estimated fair value on debts with fixed interest and not subjected to quarterly repricing is based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date. Long term debt subjected to quarterly repricing is not discounted since it approximates fair value. The discount rates used range from 5.0% to 7.7% as of December 31, 2014 and 2013.



During the years ended December 31, 2014 and 2013, 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.

30. Financial Risk Management Objectives and Policies

The Group's principal financial instruments are composed of cash and cash equivalents, contracts and other receivables, due from related parties, financial assets at FVTOCI, accounts payable and accrued expenses, due to related parties and long-term debt. The main purpose of these financial instruments is to raise financing for the Group's operations.

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 Group's finance and treasury functions operate as a centralized service for managing financial risks and activities, as well as providing optimum investment yield and cost-efficient funding for the Group. The Group's BOD reviews and approves the policies for managing each of these risks.

The policies are not intended to eliminate risk but to manage it in such a way that opportunities to create value for the stakeholders are achieved. The Group's risk management takes place in the context of the normal business processes such as strategic planning, business planning, operational and support processes.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The Group also monitors the foreign currency risk arising from all financial instruments.

Liquidity Risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Group uses a combination of internally generated funds and available long-term and short-term credit facilities.

As of December 31, 2014 and 2013, the Group has ₱4.5 billion and ₱3.8 billion, respectively, in undrawn short-term credit lines, and, ₱14.3 billion and ₱10.52 billion, respectively, in undrawn long-term credit facilities.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues.



The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2014 and 2013 based on contractual undiscounted payments.

	2014						
	On demand	Less than 3 months	3 months to 1 year	1 to 3 Years	3 to 5 years	Over 5 years	Total
	(In Thousands)						
Financial Liabilities at Amortized Cost							
Accounts Payable and Accrued Expenses							
Accounts payable	₱3,997,631	₱675,878	₱369,869	₱96,668	₱—	₱—	₱5,140,046
Deposits for registration and insurance	—	459	189,396	693,476	264,871	400,980	1,549,182
Retention fees payable	367,564	367,353	79,016	6,401	308,659	175,627	1,304,620
Accrued expenses	322,975	—	—	—	—	—	322,975
Accrued interest on bonds and loans	254,278	—	—	—	—	—	254,278
Liabilities on receivables sold to banks	—	—	5,585	2,919	—	—	8,504
Other payables	195,096	—	—	—	—	—	195,096
	5,137,544	1,043,690	643,866	799,464	573,530	576,607	8,774,701
Due to Related Parties	259,694	—	—	—	—	—	259,694
Loans Payable	—	—	2,476,542	9,846,559	4,222,149	—	16,545,250
Bonds Payable	—	—	—	3,000,000	7,000,000	14,000,000	24,000,000
Interest on loans and bonds payable	—	—	2,023,497	4,995,653	2,420,485	589,318	10,028,953
	₱5,397,238	₱1,043,690	₱5,143,905	₱18,641,676	₱14,216,164	₱15,165,925	₱59,608,598

	2013						
	On demand	Less than 3 months	3 months to 1 year	1 to 3 Years	3 to 5 years	Over 5 years	Total
	(In Thousands)						
Financial Liabilities at Amortized Cost							
Accounts Payable and Accrued Expenses							
Accounts payable	₱4,783,619	₱785,058	₱192,538	₱165,756	₱—	₱—	₱5,926,971
Deposits for registration and insurance	—	334	137,833	504,679	192,760	291,814	1,127,420
Retention fees payable	269,300	269,146	57,892	4,690	226,143	128,675	955,846
Accrued expenses	267,193	—	—	—	—	—	267,193
Accrued interest on bonds and loans	—	91,397	123,796	—	—	—	215,193
Financial Liabilities at Amortized Cost							
Liabilities on receivables sold to banks	₱—	₱—	₱23,325	₱13,915	₱—	₱—	₱37,240
Other payables	141,557	—	—	—	—	—	141,557
	5,461,669	1,145,935	535,384	689,040	418,903	420,489	8,671,420
Due to Related Parties	209,201	—	—	—	—	—	209,201
Loans Payable	—	640,000	905,000	3,353,686	7,447,748	2,443,816	14,790,250
Bonds Payable	—	—	4,500,000	3,000,000	—	14,000,000	21,500,000
Interest on Loans and Bonds Payable	—	482,477	1,399,133	2,903,423	2,040,781	1,275,479	8,101,293
	₱5,670,870	₱2,268,412	₱7,339,517	₱9,946,149	₱9,907,432	₱18,139,784	₱53,272,164



The tables below summarize the maturity profile of the Group's financial assets held to manage liquidity as of December 31, 2014 and 2013:

	2014						
	On demand	Less than 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
(In Thousands)							
Financial Assets at Amortized Cost							
Cash and cash equivalents							
Cash on hand and in banks	₱3,121,211	₱–	₱–	₱–	₱–	₱–	₱3,121,211
Short-term deposits	–	1,124,476	–	–	–	–	1,124,476
Contracts receivable							
Contracts receivable	378,871	1,603,041	2,079,466	2,058,548	1,424,876	8,912,454	16,457,256
Receivables from government and financial institutions	–	–	515,091	–	–	–	515,091
Due from related parties	243,033	–	–	–	–	–	243,033
Other receivables							
Receivable from tenants-net	315,894	–	–	–	–	–	315,894
Receivable from homeowners’ associations-net	142,797	–	–	–	–	–	142,797
Receivable from buyers	239,141	–	–	–	–	–	239,141
Others	55,388	–	–	–	–	–	55,388
Other assets							
Short-term deposits	18,762	–	–	–	–	–	18,762
	4,515,097	2,727,517	2,594,557	2,058,548	1,424,876	8,912,454	22,233,049
Financial Assets at FVTOCI							
Investments in shares of stocks:							
Quoted	–	9,321	–	–	–	–	9,321
Unquoted	–	14,531	–	–	–	–	14,531
	–	23,852	–	–	–	–	23,852
	₱4,515,097	₱2,751,369	₱2,594,557	₱2,058,548	₱1,424,876	₱8,912,454	₱22,256,901
	2013						
	On demand	Less than 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
(In Thousands)							
Financial Assets at Amortized Cost							
Cash and cash equivalents							
Cash on hand and in banks	₱2,890,059	₱–	₱–	₱–	₱–	₱–	₱2,890,059
Short-term deposits	–	3,500,673	–	–	–	–	3,500,673
Contracts receivable							
Contracts receivable	283,224	1,968,071	1,732,410	1,954,195	1,420,002	5,244,975	12,602,877
Receivables from government and financial institutions	–	–	480,898	–	–	–	480,898
Due from related parties	204,538	–	–	–	–	–	204,538
Other receivables							
Receivable from tenants-net	274,964	–	–	–	–	–	274,964
Receivable from homeowners’ associations-net	168,567	–	–	–	–	–	168,567
Receivable from buyers	179,045	–	–	–	–	–	179,045
Others	80,038	–	–	–	–	–	80,038
Other assets							
Short-term deposits	143,382	–	–	–	–	–	143,382
	4,223,817	5,468,744	2,213,308	1,954,195	1,420,002	5,244,975	20,525,041
Financial Assets at FVTOCI							
Investments in shares of stocks:							
Quoted	₱–	₱–	₱3,321	₱–	₱–	₱–	₱3,321
Unquoted	–	–	14,531	–	–	–	14,531
	–	–	17,852	–	–	–	17,852
	₱4,223,817	₱5,468,744	₱2,231,160	₱1,954,195	₱1,420,002	₱5,244,975	₱20,542,893

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily for its contract receivables and other receivables.

Credit risk is managed since the titles of the properties sold are retained by the Group until installment receivables are fully collected and the fair values of these properties held as collateral are sufficient to cover the carrying values of the installment contract receivable.



It is the Group's policy that buyers who wish to avail the in-house financing scheme be subjected to credit verification procedures. Receivable balances are being monitored on a regular basis and subjected to appropriate actions to manage credit risk. Moreover, as discussed in Note 8, the Group has a mortgage insurance contract with Home Guaranty Corporation for a retail guaranty line.

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

The Group entered into various purchase agreements with financial institutions whereby the Group sold its contracts receivable with a provision that the Group should buy back these receivables in case these become overdue for two to three consecutive months or when the contract to sell has been cancelled.

Based on the Group's experience, the said assets are highly collectible or collectible on demand. The Group holds as collaterals the corresponding properties which the third parties had bought on credit. In few cases of buyer defaults, the Group can repossess the collateralized properties and resell them at the prevailing market price.

The following tables show the credit quality by class of asset as of December 31, 2014 and 2013. The Group's high-grade receivables pertain to receivables from related parties and third parties which, based on experience, are highly collectible or collectible on demand, and of which exposure to bad debt is not significant. Receivables assessed to be of standard grade are those which had passed a certain set of credit criteria, and of which the Group has not noted any extraordinary exposure which calls for a substandard grade classification.

	December 31, 2014				
	Neither past due nor impaired		Past due but not impaired	Impaired	Total
	High grade	Standard Grade			
			(In Thousands)		
Cash and cash equivalents	₱4,245,687	₱—	₱—	₱—	₱4,245,687
Contracts receivable					
Contracts receivable	—	16,078,385	378,871		16,457,256
Receivables from government and financial institutions	515,091	—	—	—	515,091
Due from related parties	243,033	—	—	—	243,033
Other receivables					
Receivables from tenants	—	315,894	—	23,811	339,705
Receivables from homeowners' association	—	142,797	—	86,014	228,811
Receivable from buyers	—	239,141	—	—	239,141
Others	—	55,388	—	—	55,388
Other assets					
Short-term deposits	18,762	—	—	—	18,762
Investment in shares of stock					
Quoted	9,321	—	—	—	9,321
Unquoted	14,531	—	—	—	14,531
	₱5,046,425	₱16,831,605	₱488,696	₱109,825	₱22,366,726



	December 31, 2013				
	Neither past due nor impaired		Past due but not impaired (In Thousands)	Impaired	Total
	High grade	Standard Grade			
Cash and cash equivalents	₱6,390,732	₱—	₱—	₱—	₱6,390,732
Contracts receivable					
Contracts receivable	—	12,319,653	283,224	—	12,602,877
Receivables from government and financial institutions	480,898	—	—	—	480,898
Due from related parties	204,538	—	—	—	204,538
Other receivables					
Receivables from tenants	—	274,964	—	20,629	295,593
Receivables from homeowners' association	—	168,567	—	78,014	246,581
Receivable from buyers	—	179,045	—	—	179,045
Others	—	80,038	—	—	80,038
Other assets					
Short-term deposits	143,382	—	—	—	143,382
Investment in shares of stock					
Quoted	3,321	—	—	—	3,321
Unquoted	14,531	—	—	—	14,531
	₱7,237,402	₱13,022,267	₱283,224	₱98,643	₱20,641,536

As at December 31, 2014 and 2013, the analysis of contracts receivable that were past due but not impaired is as follows:

	Neither past due nor impaired	Past due but not impaired					
		Less than 30 days	30 to 60 days	60 to 90 days	90 to 120 days	Over 120 days	Total
		(In Thousands)					
2014	₱16,078,386	₱44,435	₱21,394	₱13,166	₱11,520	₱288,355	₱16,457,256
2013	12,319,653	27,664	13,978	8,075	6,355	227,152	12,602,877

There is no concentration risk on the Group's financial assets as of December 31, 2014 and 2013.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's financial instruments affected by market risk include loans payable and cash and cash equivalents.

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's loans from various financial institutions. To manage interest rate risk, the Group renegotiates the interest rates for certain long term debts to convert them from fixed-rate debt to floating-rate debt as the Group believes that the current interest rate environment makes it more favorable to carry floating-rate debt.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no other impact on the Group's other comprehensive income other than those already affecting the profit and loss.

	Increase (decrease) in basis points	Effect on income before income tax (In Thousands)
2014	+200	₱82,724
	-200	(82,724)
2013	+200	₱86,134
	-200	(86,134)



The sensitivity analysis shown above is based on the assumption that interest rate movement will most likely be limited to a two hundred basis point upward or downward fluctuation. The Group, used as basis of these assumptions, the annual percentage change of three-month PDST-F rate for the past five years as obtained from Philippine Dealing and Exchange Corp. (PDEX). Effect on the Group's income before tax is computed on the carrying amount of the Group's floating rate loans payable as of December 31, 2014 and 2013.

The following tables set out the carrying amount, by maturity, of the Group's long-term debt that are exposed to interest rate risk (amounts in thousands):

Variable interest rate	91-day Treasury bill plus 1% to 2% margin					Total
	Below 1 Year	1-2 Years	2-3 Years	3-4 Years	Over 4 Years	
As of December 31, 2014	₱1,858,722	₱1,019,111	₱260,161	₱394,844	₱603,350	₱4,136,188
As of December 31, 2013	1,061,919	838,647	999,544	727,341	679,269	4,306,720

31. Contingencies and Commitments

The Group is involved in various legal actions, claims and contingencies incidental to the ordinary course of the business. Management believes that any amount the Group may have to pay in connection with any of these matters would not have a material adverse effect on the consolidated financial position or operating results.

In connection with the joint venture agreement entered into by the Parent Company with Cebu City Government, the Parent Company is committed to (a) purchase 10.6 hectares of the property payable in six (6) years, to be developed into a modern urban center and (b) develop 40 hectares of the property in four (4) phases, mainly mid-rise residential buildings, over a 20-year period (see Note 10).

In connection with the BTO Agreement with the Cebu Province, the Group is committed to develop and construct a BPO Complex the properties owned by Cebu Province located at Salinas, Lahug, Cebu City and transfer the ownership of the BPO Complex to the Cebu Province upon completion in exchange of the right to operate and manage the BPO Complex for the entire term of the agreement and its renewal (see Note 15).

The other information usually required by PAS 37 is not disclosed as it may prejudice the outcome of the ongoing proceedings.

32. Registration with PEZA

On February 13, 2002, the Parent Company, FAC and CPI were registered with Philippine Economic Zone Authority (PEZA) pursuant to the provisions of the Republic Act (RA) No. 7916 as the Ecozone Developer/Operator to lease, sell, assign, mortgage, transfer or otherwise encumber the area designated as a Special Economic Zone (Ecozone) to be known as Filinvest Technology Park-Calamba.

Under the registration, the Parent Company shall enjoy 5% preferential tax privilege on income generated from the Ecozone as opposed to the regular income tax rate.



On June 11, 2001, FAC was registered with PEZA as the developer/operator of PBCom Tower and as such it will not be entitled to any incentives, however, IT enterprises which shall locate in PBCom Tower shall be entitled to tax incentives pursuant to RA No. 7916.

On June 6, 2000, CPI was registered with PEZA as an ECOZONE Facilities Enterprise. As a registered enterprise, it is also entitled to certain tax and non-tax benefits such as exemption from payment of national and local taxes and instead a special tax rate of five percent (5%) of gross income.

The Group is also entitled to zero percent (0%) value-added tax for sales made to ECOZONE enterprises.

33. Registration with the Board of Investments (BOI)

The Group has registered the following New Developer of Low-Cost Mass Housing Projects with the BOI under the Omnibus Investments Code of 1987 (Executive Order No. 226) as of December 31, 2014:

Name	Reg. No.	Date Registered
One Oasis - Ortigas (F to M)	2011-120	6/15/2011
La Brisa Townhomes	2011-117	6/09/2011
The Linear	2011-121	6/15/2011
Bali Oasis 3 & 4	2011-134	6/27/2011
Ocean Cove	2011-133	6/27/2011
Villa Montserrat - Expansion	2011-132	6/27/2011
Escala @ Corona del Mar	2011-167	7/29/2011
Filinvest Homes Tagum Phase 1	2011-171	8/02/2011
Filinvest Homes Tagum Phase 2	2011-214	9/26/2011
One Oasis Davao 1, 2, 3	2011-194	9/02/2011
Villa Mercedita	2011-154	7/19/2011
Villa San Ignacio	2011-148	7/14/2011
Tierra Vista	2011-191	8/31/2011
Tamara Lane	2011-215	9/26/2011
Austine Homes	2011-252	11/25/2011
The Glens Phase 2	2011-216	9/26/2011
The Glens Phase 4	2011-218	9/26/2011
Somerset Lane	2011-273	12/21/2011
Aldea del Sol Phases 5 & 6	2011-276	12/22/2011
Capri Oasis: Bldg Albergo, Brezza, Solare, Cielo, Fiori, Vento	2012-036	3/5/2012
Studio City Tower 1	2012-044	3/19/2012
Anila Park 1	2012-052	3/26/2012
San Remo Oasis - Bldgs. 1-8	2012-069	5/14/2012
One Oasis Cebu- Bldgs. 1-3	2012-082	5/28/2012
Filinvest Homes-Butuan	2012-094	6/7/2012
Sorrento Oasis- Bldgs. A- H2	2012-095	6/7/2012
Maui Oasis- Bldgs. 2 & 3	2012-096	6/7/2012

(Forward)



Name	Reg. No.	Date Registered
One Oasis Davao - Bldg. 4	2012-093	6/7/2012
Amare Homes	2013-014	1/18/2013
Castillon Homes - The Residences	2013-064	3/11/2013
Woodville Phase 2	2013-065	3/11/2013
Maui Oasis - Bldg.4	2014-143	8/29/2014
One Spatial(Fairmont and Greenwich)	2014-141	8/29/2014
Sorrento Oasis - Bldg. K,L,N	2014-142	8/29/2014
Valle Dulce Phase 1	2014-140	8/29/2014
Sorrento Oasis - Bldg. M1 & M2	2014-204	11/12/2014
Vinia Residences	2014-205	11/12/2014
One Oasis CDO - Bldg. 1	2014-212	12/4/2014

As a registered enterprise, the Group is entitled to certain tax and nontax incentives, subject to certain conditions.



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

Filinvest Land, Inc.
79 EDSA, Brgy. Highway Hills
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Filinvest Land, Inc. and its subsidiaries (the Group) as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 included in this Form 17-A and have issued our report thereon dated March 11, 2015. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, as Amended (2011), and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Dhonabee B. Señeres

Partner

CPA Certificate No. 97133

SEC Accreditation No. 1196-A (Group A),

March 8, 2012, valid until March 31, 2015

Tax Identification No. 201-959-816

BIR Accreditation No. 08-001998-98-2015,

January 5, 2015, valid until January 5, 2018

PTR No. 4751326, January 5, 2015, Makati City

March 11, 2015



FILINVEST LAND, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

Independent Auditors' Report on Supplementary Schedules

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Group Structure



FILINVEST LAND, INC.AND SUBSIDIARIES

GROUP SUPPLEMENTARY INFORMATION AND DISCLOSURES

REQUIRED ON SRC RULE 68 AND 68.1 AS AMENDED

DECEMBER 31, 2014

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribes the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68 and 68.1 as amended that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets in Equity Securities

Below is the detailed schedule of the Group’s financial assets in equity securities as of December 31, 2014:

Name of Issuing entity and association of each issue	Number of Shares	Amount Shown in the Statement of Financial Position	Value Based on Market Quotation at end of year	Income Received and Accrued
(In Thousands Except Number of Shares)				
Financial assets at FVTOCI				
Quoted:				
The Palms Country Club	1,000	₱3,060	₱3,060	₱–
Philippine Long Distance Telephone Company	26,100	261	261	–
Cebu Country Club	1	6,000	6,000	–
		9,321	9,321	–
Unquoted:				
Manila Electric Company (MERALCO)	1,153,694	11,537	11,537	–
Timberland Sports and Nature Club	3,000	2,994	2,994	–
		14,531	14,531	–
		₱23,852	₱23,852	₱–

The Group investment in MERALCO is an unlisted preferred shares acquired in connection with the infrastructure that it provides for the Group’s real estate development projects. These are carried at cost less impairment, if any.



Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

Below is the schedule of advances to employees of the Group with balances above ₱100,000 as of December 31, 2014:

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of year
	(In Thousands)			
Marie Angeline C. Joven	₱113	₱42	₱-	₱155
Antonio E. Cenon	93	12	-	105
Elsa N. Marquez	114	6	38	82
	₱320	₱60	₱38	₱342

Related Party Transactions

Due from related parties

Below is the list of outstanding receivables from related parties of the Group presented in the consolidated statements of financial position as of December 31, 2014 (amount in thousands):

	Relationship	Nature	Balance as of December 31, 2014
Timberland Sports and Nature Club.	Affiliate	A	₱191,731
Filinvest Development Corporation	Parent Company	A, C	42,542
Davao Sugar Central Corp.	Affiliate	A	6,612
AL Gotianun	Ultimate Parent	A	1,097
Filinvest Information Technology, Inc.	Affiliate	A	875
The Palms Country Club	Affiliate	A	154
GCK Realty	Affiliate	A	20
FSM Cinemas, Inc.	Affiliate	A	2
			₱243,033

Nature of intercompany transactions

The nature of the intercompany transactions with the related parties is described below:

- Expenses - these pertain to the share of the Group of related parties in various common selling and marketing and general and administrative expenses.
- Advances - these pertain to temporary advances to/from related parties for working capital requirements
- Management and marketing fee
- Reimbursable commission expense
- Rentals
- Dividends



Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements

Below is the schedule of receivables (payables) with related parties, which are eliminated in the consolidated financial statements as of December 31, 2014 (amounts in thousands):

		Volume of Transactions	Receivable	Terms
Filinvest All Philippines, Inc.	Share in expenses	₱24,317	₱–	Non-interest bearing and to be settled within the year
Property Maximizer Professional Corporation	Marketing fee expense	223,061		Non-interest bearing and to be settled within the year
	Share in expenses	67,875	(501)	Non-interest bearing and to be settled within the year
	Share in expenses	139,741		Non-interest bearing and to be settled within the year
Cyberzone Properties, Inc.	Rental income	104,003	12,760	Non-interest bearing and to be settled within the year
Property Specialist Resources, Inc.	Share in expenses	1,760	11,281	Non-interest bearing and to be settled within the year
Leisurepro, Inc.	Share in expenses	46	6,181	Non-interest bearing and to be settled within the year
Homepro Realty Marketing, Inc.	Share in expenses	47	4,398	Non-interest bearing and to be settled within the year
			₱34,119	

The table below shows the movement of the receivables from related parties.

Name	Balance at beginning of year	Additions	Collections	Balance as of December 31, 2014
Filinvest All Philippines, Inc.	₱185,901	₱24,317	(₱210,218)	₱–
Property Maximizer Professional Corporation	24,453	198,107	(223,061)	(501)
Cyberzone Properties, Inc. (CPI)	40,987	132,230	(160,457)	12,760
Property Specialist Resources, Inc.	8,470	2,811	–	11,281
Leisurepro, Inc.	6,134	47	–	6,181
Homepro Realty Marketing, Inc.	4,351	47	–	4,398
	₱270,296	₱357,559	(₱593,736)	₱34,119

The intercompany transactions between FLI and the subsidiaries pertain to share in expenses, rental charges, marketing fee and management fee. There were no amounts written off during the year and all amounts are expected to be settled within the year.

Schedule D. Intangible Asset

As of December 31, 2014, the Company's intangible assets consist of Goodwill. Goodwill in the Company's consolidated statements of financial position arose from the acquisition of two major assets consisting of (in thousands):

Festival Supermall structure	₱3,745,945
Filinvest Asia Corporation	494,744
CPI	326,553
	₱4,567,242



Schedule E. Long term debt

Below is the schedule of long-term debt of the Group:

Type of Obligation	Amount	Current	Noncurrent
	(In Thousands)		
<u>Term loans</u>			
Guaranteed loan amounting to ₱1.13 billion and ₱1.12 billion obtained in October 2005 and July 2007, respectively. Both loan principal is payable in 10 semi-annual installments commencing December 2010 and ending June 2015. The loans carry a fixed interest rate of 7.72% and 7.90% per annum, respectively.	₱225,000	₱225,000	₱—
<u>Developmental loans</u>			
Unsecured loan obtained in July 2013 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT 5 years (fixed rate) 5.07% per annum, payable quarterly in arrears. The principal is payable at maturity on July 2018.	1,494,950	—	1,494,950
Unsecured loan obtained in June 2013 with a fixed interest rate of 4.98% per annum inclusive of GRT, payable quarterly in arrears. The principal is payable in twelve (12) equal quarterly installments starting September 2015 up to June 2018.	1,145,095	189,908	955,187
Unsecured loan obtained in September 2014 with interest at prevailing market rate 3.00%, payable quarterly in arrears. The principal is payable at maturity on August 2015.	1,000,000	1,000,000	—
Unsecured loan obtained in January 2012 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum GRT 5 years (fixed rate) 6.39% per annum, payable quarterly in arrears. The principal is payable at maturity on January 2017.	998,064	—	998,064
Unsecured loan obtained in August 2013 with interest rate equal to PDS Treasury Fixing (PDST-F) 1 plus GRT (Fixed rate) 4.28%, payable quarterly in arrears. The 50% of principal payable in 20 equal quarterly amortization to commence on August 2015 up to May 2020 and 50% payable at maturity on August 2020.	997,926	49,145	948,781
Unsecured loan obtained in April 2012 with interest rate equal to PDS Treasury Fixing (PDST-F) 1 plus GRT (Fixed rate) 6.12%, payable quarterly in arrears. The principal is payable at maturity on January 2017.	997,840	—	997,840
Unsecured loan obtained in November 2012 with interest rate equal to PDS Treasury Fixing (PDST-F) 1 plus GRT (Fixed rate) 5.50%, payable quarterly in arrears. The principal is payable at maturity on November 2017.	997,000	—	997,000
Unsecured loan obtained in February 2013 with interest at prevailing market rate plus GRT, payable quarterly in arrears. The principal is payable in twelve (12) equal quarterly installments starting May 2015 to February 2018.	748,134	186,545	561,589
Unsecured loan obtained in December 2013 with interest rate equal to PDS Treasury Fixing (PDST-F) 1 plus GRT (Fixed rate of 4.62% per annum), payable quarterly in arrears. The 50% of principal payable in 20 equal quarterly amortization to commence on March 2016 and 50% payable at maturity on December 2020.	700,000	—	700,000
Unsecured loan obtained in July 2014 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT (Fixed rate) 4.30% per annum, payable quarterly in arrears. The 50% of principal payable in 20 equal quarterly amortization to commence on October 2016 and 50% payable at maturity on July 2021.	700,000	—	700,000

(Forward)



Type of Obligation	Amount	Current	Noncurrent
	(In Thousands)		
Unsecured loan obtained in July 2014 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT (Fixed rate) 5.52% per annum, payable quarterly in arrears. The 50% of principal payable in 20 equal quarterly amortization to commence on October 2016 and 50% payable at maturity on July 2021.	₱600,000	₱—	₱600,000
Unsecured loans obtained in August 15, 2012 with interest of 5.79% per annum (inclusive of GRT), subject to repricing and payable quarterly in arrears. The loan has a fixed term of 7 years, inclusive of 2 year grace period on principal repayment, 50% principal balance is payable in 20 equal quarterly installments to commence on November 2014 and 50% payable at maturity on August 2019.	585,000	60,000	525,000
Unsecured loan obtained in October 2013 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT (Fixed rate of 4.21% per annum), payable quarterly in arrears. The 50% of principal payable in 20 equal quarterly amortization to commence on January 2016 and 50% payable at maturity on October 2020.	547,876	—	547,876
Unsecured loan obtained in March 2011 with interest rate equal to 91-day PDS Treasury Fixing (PDST-F) rate plus a spread of up to 1% per annum, payable quarterly in arrears. The 50% of principal payable in 12 equal quarterly amortization to commence on June 2013 and 50% payable at maturity on March 2016.	530,691	124,526	406,165
Unsecured loan obtained in August 2013 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT 5 years (Fixed rate) 4.28%, payable quarterly in arrears. The 50% balance is payable in twenty (20) equal quarterly installments starting August 2015 up to May 2020 and the remaining 50% balance is paid in August 2020.	500,000	25,000	475,000
Unsecured loan obtained in March 2014 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT (Fixed rate) 4.27% per annum, payable quarterly in arrears. The 50% of principal payable in 20 equal quarterly amortization to commence on November 2015 and 50% payable at maturity on August 2020.	500,000	—	500,000
Unsecured loan obtained in November 2014 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT (Fixed rate) 4.80% per annum, payable quarterly in arrears. The principal is payable upon maturity in November 2019.	500,000	—	500,000
Unsecured loan obtained in December 2012 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT 5 years (Fixed rate) 5.29% per annum, payable quarterly in arrears. The principal is payable at maturity on December 2017.	498,437	—	498,437
Unsecured loan obtained in June 2011 with interest rate equal to 91-day PDS Treasury Fixing (PDST-F) rate plus a spread of 1% per annum, payable quarterly in arrears. The 50% balance is paid in July 2011 and the remaining 50% balance is payable in twelve (12) equal quarterly installments starting September 2013 up to June 2016.	374,255	249,360	124,895
Unsecured loan obtained in October 2012 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT (Fixed rate of 6.03% per annum), payable quarterly in arrears. The principal is payable at maturity on October 2017.	300,000	—	300,000
Unsecured loan obtained in May 2013 with interest rate equal to BSP overnight reverse repurchase agreement plus 1% per annum plus GRT (Fixed rate of 4.74% per annum), payable quarterly in arrears. The principal is payable in twelve (12) equal quarterly installments starting August 2015 up to May 2018.	300,000	50,000	250,000

(Forward)



Type of Obligation	Amount	Current	Noncurrent
	(In Thousands)		
Unsecured loan obtained in May 17, 2012 with interest at prevailing market rate, subject to repricing and payable quarterly in arrears. The loan has a fixed term of 7 years, inclusive of 2 year grace period on principal repayment, 50% principal balance is payable in 20 equal quarterly installments to commence on August 2014.	₱285,000	₱30,000	₱255,000
Unsecured loan obtained in May 2013 with a interest rate equal to BSP overnight reverse repurchased agreement plus 1% per annum plus GRT (fixed rate of 4.74% per annum), payable quarterly in arrears. The principal is payable in twelve (12) equal quarterly installments starting August 2015 up to May 2018.	249,295	41,333	207,962
Unsecured loan obtained in December 2011 with interest at prevailing market rate 4.2% per annum inclusive of GRT, payable quarterly in arrears. The principal is payable in twelve (12) equal quarterly installments starting March 2014 to December 2016.	233,067	116,500	116,567
Unsecured loan granted in November 10, 2011 with a term of 7 years with 2 years grace period on principal repayment. Interest is based on prevailing market rate, subject to quarterly repricing and payable quarterly in arrears. 50% of principal is payable in 12 quarterly amortization commencing on February 10, 2014 and 50% is payable on maturity.	180,000	20,000	160,000
Unsecured loan granted in December 2012 with a term of five years with 50% of principal payable in 20 equal quarterly amortization to commence on March 2013 and 50% payable at maturity on December 2017. The loan carries interest at prevailing market rate.	120,000	15,000	105,000
Unsecured loan granted in May 2010 with a term of five years with 50% of principal payable in 12 equal quarterly amortization to commence on August 2012 and 50% payable at maturity in May 2015. The loan carries interest at prevailing market rate payable quarterly in arrears	116,667	116,667	—
Unsecured loan granted in May 2012 payable over 7-year period inclusive of 2 year grace period; 50% of principal is payable in 20 equal quarterly amortizations to commence on August 2014 and 50% payable at maturity on May 2019. The loan carries interest at prevailing market rate.	95,000	10,000	85,000
Unsecured loan obtained in February 2013 with interest rate equal to 91-day PDS Treasury Fixing (PDST-F) rate plus a spread of up to 1% per annum plus GRT, payable quarterly in arrears. The principal is payable in twelve (12) equal quarterly installments starting May 2015 to February 2018.	500	125	375
	16,294,797	2,284,109	14,010,688

(Forward)



Type of Obligation	Amount	Current	Noncurrent
		(In Thousands)	
<u>Bonds</u>			
Fixed rate bonds with aggregate principal amount of 7.00 billion issued by the Parent Company on June 8, 2012. The bonds have a term of 7 years from the issue date, with a fixed interest rate of 6.2731% per annum. Interest is payable quarterly in arrears starting on September 10, 2012.	₱6,951,093	₱—	₱6,951,093
Fixed rate bonds with principal amount of 3.00 billion and term of five (5) years from the issue date was issued by the Parent Company on July 7, 2011. The fixed interest rate is 6.20% per annum, payable quarterly in arrears starting on October 19, 2011.	2,981,454	—	2,981,454
Fixed rate bonds with aggregate principal amount of 7.00 billion issued by the Parent Company on November 8, 2013. This comprised of P4.3 billion seven (7) year fixed rate bonds due in 2020 with a fixed interest rate of 4.8562% per annum, and P 2.7 billion ten (10) year fixed rate bonds due in 2023 with a fixed interest rate of 5.4300% per annum.	6,931,229	—	6,931,229
Fixed rate bonds with aggregate principal amount of 7.00 billion issued by the Parent Company on November 8, 2013. This comprised of P4.3 billion seven (7) year fixed rate bonds due in 2020 with a fixed interest rate of 4.8562% per annum, and P 2.7 billion ten (10) year fixed rate bonds due in 2023 with a fixed interest rate of 5.4300% per annum.	6,923,020	—	6,923,020
	23,786,796	—	23,786,796
	₱40,306,593	₱2,509,109	₱37,797,484

Each loan balance is presented net of unamortized deferred costs. The agreements covering the abovementioned loans require maintaining certain financial ratios including maximum debt-to-equity ratio of 1.0x; minimum debt service coverage ratio of 1.5x; minimum interest coverage ratio of 2.0x; and limit in single mortgage, unhedged foreign currency open position, and loans to related parties of 1%, 10% and 15% of shareholders' equity, respectively. The agreements also provide for restrictions and requirements with respect to, among others, making distribution on its share capital; purchase, redemption or acquisition of any share of stock; incurrence or assumption of indebtedness outside the normal course of business; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; and entering into any partnership, merger, consolidation or reorganization.

The Group has complied with these contractual agreements. There was neither default nor breach noted for the year ended December 31, 2014.

Schedule F. Indebtedness to Related Parties

Below is the list of outstanding payables to related parties of the Group presented in the Group statements of financial position as of December 31, 2014:

	Relationship	Nature	Balance at beginning of period	Balance at end of period
			(In Thousands)	
Filinvest Development Corp.	Parent Company	A, C, E	₱93,636	₱128,850
Filinvest Alabang, Inc.	Associate	A, C	65,074	54,173
East West Banking Corporation	Affiliate	A, B	17,322	45,906
Pacific Sugar Holdings, Corp.	Affiliate	A	27,009	27,009
Festival Supermall, Inc. – Management	Affiliate	A	6,151	3,624
Filarchipelago Hospitality Inc.	Affiliate	A	—	66
Seascape Resorts, Inc.	Affiliate	A	5	62
Quest Restaurants Inc.	Affiliate	A	4	4
			₱209,201	₱259,694



Nature of intercompany transactions

The nature of the intercompany transactions with the related parties is described below:

- a. Expenses - these pertain to the share of the Group of related parties in various common selling and marketing and general and administrative expenses.
- b. Advances - these pertain to temporary advances to/from related parties for working capital requirements
- c. Management and marketing fee
- d. Reimbursable commission expense
- e. Rentals

Schedule G. Guarantees of Securities of Other Issuers

The Company does not have guarantees of securities of other issuers as of December 31, 2014.

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
			(In Thousands)			
Common Shares	33,000,000	24,249,759	—	14,017,206	30,096	None
Preferred Shares	8,000,000	8,000,000	—	8,000,000	—	None



Standards adopted by the Group

Below is the list of all effective Philippine Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2014:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		√		
PFRSs Practice Statement Management Commentary		√		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First time Adoption of Philippine Financial Reporting Standards	√		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			√
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			√
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			√
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First time Adopters			√
	Amendments to PFRS 1: Government Loans			√
PFRS 2	Share-based Payment			√
	Amendments to PFRS 2: Vesting Conditions and Cancellations	Not Early Adopted		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			√
PFRS 3 (Revised)	Business Combinations	√		
PFRS 4	Insurance Contracts			√
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			√
PFRS 6	Exploration for and Evaluation of Mineral Resources			√
PFRS 7	Financial Instruments: Disclosures	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	√		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	√		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	√		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	√		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PFRS 7 (cont.)	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not Early Adopted		
PFRS 8	Operating Segments	√		
PFRS 9	Financial Instruments	√		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not Early Adopted		
	Financial Instruments (2013 version)	Not Early Adopted		
	Financial Instruments (2014 version)	Not Early Adopted		
PFRS 10	Consolidated Financial Statements	√		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			√
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not Early Adopted		
PFRS 11 (Amended)	Joint Arrangements	√		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	Not Early Adopted		
PFRS 12	Disclosure of Interests in Other Entities	√		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			√
PFRS 13	Fair Value Measurement	√		
PFRS 14	Regulatory Deferral Accounts	Not Early Adopted		
PFRS 15	Revenue from Contracts with Customers	Not Early Adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	√		
	Amendment to PAS 1: Capital Disclosures	√		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			√
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	√		
PAS 2	Inventories	√		
PAS 7	Statement of Cash Flows	√		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	√		
PAS 10	Events after the Reporting Date	√		
PAS 11	Construction Contracts	√		
PAS 12	Income Taxes	√		
	Amendment to PAS 12 – Deferred Tax: Recovery of Underlying Assets	√		
PAS 16	Property, Plant and Equipment	√		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 16 (cont.)	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	Not Early Adopted		
	Amendments to PAS 16 and PAS 41: Bearer Plants	Not Early Adopted		
PAS 17	Leases	√		
PAS 18	Revenue	√		
PAS 19 (Amended)	Employee Benefits	√		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	√		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	Not Early Adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			√
PAS 21	The Effects of Changes in Foreign Exchange Rates	√		
	Amendment: Net Investment in a Foreign Operation			√
PAS 23 (Revised)	Borrowing Costs	√		
PAS 24 (Revised)	Related Party Disclosures	√		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			√
PAS 27	Consolidated and Separate Financial Statements	√		
PAS 27 (Amended)	Separate Financial Statements	√		
	Amendments to PFRS 10, PFRS12 and PAS27: Investment Entities			√
	Amendments to PAS 27: Equity Method in Separate Financial Statements	Not Early Adopted		
PAS 28	Investments in Associates	√		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	√		
PAS 29	Financial Reporting in Hyperinflationary Economies			√
PAS 31	Interests in Joint Ventures	√		
PAS 32	Financial Instruments: Disclosure and Presentation	√		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			√
	Amendment to PAS 32: Classification of Rights Issues			√
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	√		
PAS 33	Earnings per Share	√		
PAS 34	Interim Financial Reporting	√		
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	Not Early Adopted		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 36	Impairment of Assets	√		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	√		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	√		
PAS 38	Intangible Assets	√		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	√		
PAS 39	Financial Instruments: Recognition and Measurement	√		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			√
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			√
	Amendments to PAS 39: The Fair Value Option			√
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			√
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			√
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			√
	Amendment to PAS 39: Eligible Hedged Items			√
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			√
PAS 40	Investment Property	√		
	Amendment to PAS 40: Investment Property	√		
PAS 41	Agriculture			√



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			√
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			√
IFRIC 4	Determining Whether an Arrangement Contains a Lease	√		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			√
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment			√
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			√
IFRIC 8	Scope of PFRS 2			√
IFRIC 9	Reassessment of Embedded Derivatives			√
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			√
IFRIC 10	Interim Financial Reporting and Impairment			√
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			√
IFRIC 12	Service Concession Arrangements			√
IFRIC 13	Customer Loyalty Programmes			√
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			√
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			√
IFRIC 15	Agreements for the Construction of Real Estate	Not Early Adopted		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			√
IFRIC 17	Distributions of Non-cash Assets to Owners			√
IFRIC 18	Transfers of Assets from Customers			√
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			√
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			√
IFRIC 21	Levies			√
SIC-10	Government Assistance - No Specific Relation to Operating Activities			√
SIC-12	Consolidation – Special Purpose Entities			√
	Amendment to SIC - 12: Scope of SIC 12			√
SIC-13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers			√
SIC-15	Operating Leases - Incentives	√		
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			√
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its			√



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	Shareholders			
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			√
SIC-29	Service Concession Arrangements: Disclosures.			√
SIC-31	Revenue - Barter Transactions Involving Advertising Services			√
SIC-32	Intangible Assets - Web Site Costs			√



Schedule of Bond Issuances – Securities Offered to the Public

	2009	2011	2012	2013	2014
	₱5 Billion Bond	₱3 Billion Bond	₱7 Billion Bond	₱7 Billion Bond	₱7 Billion Bond

Expected gross and net proceeds as disclosed in the prospectus

Gross Proceeds	₱5,000,000,000	₱3,000,000,000	₱7,000,000,000	₱7,000,000,000	₱7,000,000,000
Less: Expenses	63,850,625	34,290,625	97,225,625	67,594,379	82,327,087
Net Proceeds	₱4,936,149,375	₱2,965,709,375	₱6,902,774,375	₱6,932,405,621	₱6,917,672,913

Actual gross and net proceeds

Gross Proceeds	₱5,000,000,000	₱3,000,000,000	₱7,000,000,000	₱7,000,000,000	₱7,000,000,000
Less: Expenses	65,936,000	21,165,000	84,023,040	82,906,997	77,906,937
Net Proceeds	₱4,934,064,000	₱2,978,835,000	₱6,915,976,960	₱6,917,093,003	₱6,922,093,063

Expenditure items where the proceeds were used

Land Acquisition	₱2,960,438,400	₱417,036,900	₱249,938,096	₱2,965,648,318	₱—
Project development	1,973,625,600	2,561,798,100	6,666,038,864	1,185,554,209	253,702,451
Investment property	—	—	—	2,765,890,476	—
Debt refinancing	—	—	—	—	4,500,000,000
Net Proceeds	₱4,934,064,000	₱2,978,835,000	₱6,915,976,960	₱6,917,093,003	₱4,753,702,451

Balance of the proceeds as of December 31, 2014

Net Proceeds	₱4,934,064,000	₱2,978,835,000	₱6,915,976,960	₱6,917,093,003	₱6,922,093,063
Capital expenses	4,934,064,000	2,978,835,000	6,915,976,960	6,917,093,003	253,702,451
Debt refinancing	—	—	—	—	4,500,000,000
Net Proceeds	₱—	₱—	₱—	₱—	₱2,168,390,612



Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the year ended December 31, 2014 and 2013:

Financial ratios		December 2014	December 2013
Current ratio ⁽¹⁾	$\frac{\text{Current assets}}{\text{Current liabilities}}$	3.13	2.53
Long-term debt-to-equity ratio	$\frac{\text{Long-term debt}}{\text{Equity}}$	0.77	0.74
Debt ratio	$\frac{\text{Total liabilities}}{\text{Total assets}}$	0.51	0.50
EBITDA to total interest paid	$\frac{\text{EBITDA}}{\text{Total interest paid}}$	3.01	3.03
Price Earnings Ratio	$\frac{\text{Closing price}^{(2)}}{\text{Earnings per share}}$	8.05	8.81
Quick asset ratio	$\frac{\text{Current assets} - \text{Inventories}}{\text{Current Liabilities}}$	1.05	1.40
Solvency ratio	$\frac{\text{Net income} + \text{Depreciation}}{\text{Total Liabilities}}$	0.09	0.09
Interest coverage ratio	$\frac{\text{EBIT}}{\text{Interest Expense}}$	9.77	10.99
Net profit margin	$\frac{\text{Net Income}}{\text{Revenue}}$	0.29	0.21
Return on equity	$\frac{\text{Net Income}}{\text{Shareholder's Equity}}$	0.09	0.08

⁽¹⁾ In computing for the Group's current ratio, current assets include cash and cash equivalents, contracts receivables, due from related parties, other receivables and real estate inventories and current liabilities include accounts payable and accrued expenses, due to related parties, income tax payable, loans payable and bonds payable. Determination of current accounts is based on their maturity profile of relevant assets and liabilities.

⁽²⁾ Closing price at December 27, 2014 and 2013



FILINVEST LAND, INC. AND SUBSIDIARIES
CONSOLIDATED UNAPPROPRIATED RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DISTRIBUTION
(Amounts in Thousands of Pesos)

Retained Earnings, January 1, 2014	₱18,437,398
Adjustments:	
Equity in net earnings of subsidiaries and an associate	(5,440,542)
Prior-year adjustments	192,793
Unappropriated Retained Earnings, as adjusted, January 1, 2014	13,189,649
Net income based on the face of audited financial statements	4,533,654
Less: Non-actual/unrealized income net of tax	
Equity in net income of subsidiaries and an associate	(446,334)
Unrealized foreign exchange gain - net	—
Unrealized actuarial gain	—
Fair value adjustment (marked-to-market gains)	—
Fair value adjustment of Investment Property resulting to gain	—
Adjustment due to deviation from PFRS/GAAP gain	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	—
Add: Non-actual/unrealized losses net of tax	
Depreciation on revaluation increment	—
Adjustment due to deviation from PFRS/GAAP loss	—
Loss on fair value adjustment of Investment Property	—
Movement in deferred tax assets	(17,839)
Net income actual/realized	4,069,481
Less: Dividend declarations during the year	(1,212,488)
Unappropriated Retained Earnings, as adjusted, December 31, 2014	₱16,046,642



Group Structure

Below is a map showing the relationship between and among the Group and its ultimate Group, subsidiaries, and associates as of December 31, 2014:

