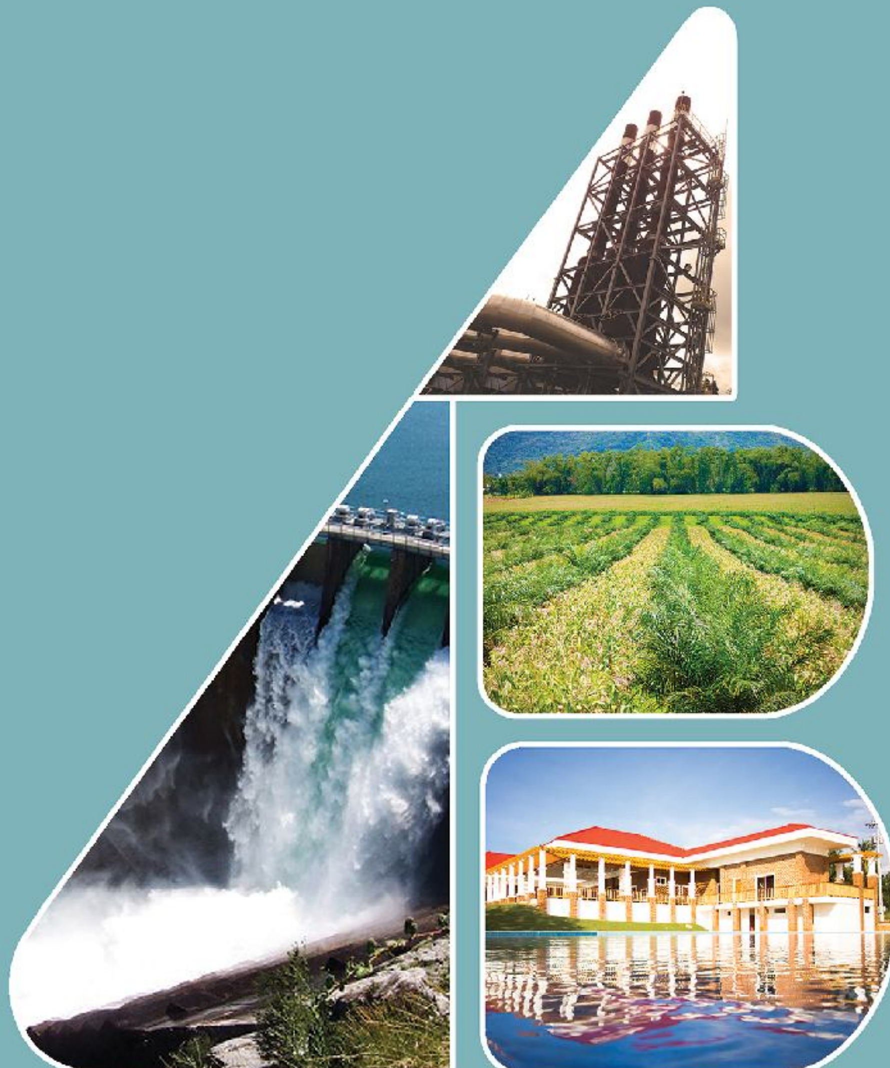


A BROWN COMPANY, INC.

ANNUAL REPORT 2014

CONTENTS

ABOUT THE COVER

The 2014 Annual Report makes use of elements from the company logo, the abstract A and B letters transformed into windows that give a glimpse into the various projects of A Brown and its subsidiaries: energy, agribusiness, and our flagship, real estate.

At the core of our company identity is our aspiration to make a difference and foster progress in the communities we work with, through these endeavors.

Corporate Vision

An enterprise working towards enlightened and happier communities for the common good.

Property: Making dreams come true for happier families.
Agribusiness: To be the country's leader in producing basic products sustainably for the world.
Energy and Utilities: Energizing the country's development.

Corporate Mission

We commit to deliver excellent products and services that will ensure growth, financial stability and sustainability by thinking innovatively, building lasting relationships and acting with genuine concern for all our stakeholders and the environment; responsibly utilizing and managing the resources for the development of products and services for love of the common good; incessantly providing means for its workers to develop their potentials to the fullest; and living the company's shared values of integrity, passion for excellence and love for work, and family spirit in everything we do.

Shared Values

Passion for Excellence and Love for Work: Order and discipline, initiative, innovativeness and enterprising, sound judgment, optimism and efficiency, competence and professionalism

Family Spirit: Unity, loyalty and concern, respect and humility, cheerfulness, generosity

Integrity: Love for God and others, moral integrity, honesty and credibility, stewardship, prudence

FROM THE EXECUTIVE CHAIRMAN AND THE PRESIDENT

Rated as an investment-grade economy in 2013, the Philippines' GDP growth reached 6.9% for the final quarter of 2014, the strongest pace it has held over the past five quarters. This year, the real estate sector has expanded (8.3%), as did agriculture (4.7%) and utilities (5.5%) with only mining experiencing a slight decline (-3.2%).

A Brown Company, Inc. (ABCI) benefitted from the economic situation as its ventures followed the upturn, kicking off 2014 with an optimism that has carried on well until year's end.

The Company's major involvement has traditionally been in real estate development in Northern Mindanao, where it retains its poition as a leader and innovator for the upper end of the market. Towards the end of 2014, we realized a greater demand for our services on the middle- and lower-cost end of the market, with a 3 million-unit supply backlog in mid-income and socialized housing. The first projects have been in Cagayan de Oro.

Initial response has been excellent, as we pride ourselves on maintaining our image of quality even in the more affordable end of the market. We have plans to expand by early 2015 to Butuan, other areas in Mindanao, and Tanay, Rizal where the Company has landholdings. A notable recent development has been that the President of the Autonomous Region of Bougainville has invited us to develop similar projects for his country. We are currently studying this prospect seriously.

In the past few years, we have been gradually diversifying and actively pursuing business opportunities in other sectors, such as palm oil refining, power and basic infrastructures.

Our agribusiness unit ABERDI (A Brown Energy and Resources Development, Inc.), has progressed from net losses in 2013 to profitability in 2014. Our expansion and diversification efforts in this field have gone through a difficult period. The much-awaited plans of producing higher-value products from crude palm oil (CPO) such as refined bleached deodorized oil and palm olein have suffered a delay of over a year. On the positive side, our knowledge of the business has improved signicantly and we are confident that commercial operations will be attained by May 2015.

To support the operation of our refinery, the Company has lined up possible cooperative ventures with suppliers of both fresh fruit bunches as well as CPO, firstly to assure consistent supply to our CPO mill, and secondly so that in addition to producing our own CPO, ABERDI would be able to maximize the capacity of its refinery and in the future, consider the possibility of distributing the finished products. Simlar to the invitation of the President of Bougainville to invest in real estate, we have also been invited to manage as well as assist in the development of 100,000 hectares of plantation, which has not been attended to since the end of the Bougainville Civil War in 1998.

ABCI's projects in the power sector are located in areas where there is a shortfall in supply, coupled with long-term off-take agreements. The 20.9-MW bunker-fired Peakpower Soccsargen Inc. in General Santos and the 5.2-MW Peakpower San Francisco, Inc. in Agusan del Sur will begin running at full capacity by January and February of 2015, respectively. Peakpower's third project, the 10.4-MW Peakpower Bukidnon, Inc. is to begin operations by the first half of 2016, as well as a 15-MW and a 5-MW expansion in General Santos and San Francisco, respectively. Also slated to be fully operational by early 2016 is the first unit of the 2x135-MW coal-fired Palm Concepcion Power Corporation. The project is in its advanced stage of construction, possibly two months ahead of its delivery schedules. Advanced works for the second unit will begin in the first quarter of 2015 and operations will commence in 2018.

Our foray into renewable energy, Hydro Link Projects Corp. is in the final stages of the feasibility study for a 25-MW hydropower plant, Carac-an Hydroelectric Project. The study is expected to be completed by June 2015.

These power projects were pursued to be able to provide reliable and stable power at competitive prices to regions where electricity supply is inadequate, particularly in Mindanao where it is critical at this time.

An operational gold mine, Apex Mining Co. Inc. was acquired by shareholders of Monte Oro Resources & Energy Inc. including ABCI in September 2014. After experiencing difficulties and huge losses in 2013, mining operations in Maco, Compostela Valley were restructured and adjusted, resulting in the significant reduction of losses by end 2014. This venture should be profitable by the first quarter of 2015. In order to deliver higher tonnage, the expansion of the mine will begin by mid-2015 and should be fully operational by the end of the year.

For our various projects, the Company has not only endeavored to address the eocnomic needs of its stakeholders, but also to further give proper attention to the environmental, social and spiritual needs of the communities it is serving. Your management accepts the need to show special concern for those with less in life, at the same time keeping in mind that good intentions are not sufficient, but these efforts can only be sustainable if we are able to meet our profitability targets.

We are confident that in spite of the hardships and challenges the Company has faced over the past year, we will, with your support, accomplish much more and significantly contribute to the attainment of our objectives.

Walter W. Brown
Executive Chairman

Robertino E. Pizarro
President

FINANCIAL HIGHLIGHTS

	2014	2013	2012
Operating results			
Revenues	₱738,274,267	₱552,720,068	₱740,453,388
Net income	₱2,725,315	₱3,988,428	₱70,336,070
Equity holders of the parent company	2,282,423	3,555,644	70,761,417
Noncontrolling interest	442,892	432,784	(425,347)
Return on Assets[1]	0.05%	0.08%	1.38%
Return on Equity[2]	0.10%	0.14%	2.52%
Financial Position			
Total Current Assets	1,368,521,430	1,472,983,103	2,366,395,838
Total Assets	5,869,321,962	5,190,654,281	5,109,397,672
Total Current Liabilities	1,316,242,787	771,637,218	694,383,183
Total Long-term Debt, net of current portion	1,729,195,191	1,634,695,892	1,532,991,485
Total Liabilities	3,045,437,978	2,406,333,110	2,323,488,070
Total Equity	2,823,883,984	2,784,321,171	2,785,909,602
Equity holders of the Parent Company	2,820,055,778	2,780,935,857	2,782,957,072
Non-controlling interest	3,828,206	3,385,315	2,952,530
No. of Shares Outstanding	1,732,865,522	1,732,865,522	1,386,293,229
Weighted Average No. of Outstanding Shares (WANOS)	1,732,865,522	1,732,865,522	1,177,146,587
Current Ratio[3]	1.04	1.91	3.41
Current Debt to Equity Ratio[4]	0.47	0.28	0.25
Total Debt to Equity Ratio[5]	1.08	0.86	0.83
Earnings Per Share[6]	P0.0013	P0.0021	P0.0601
Net Book Value Per Share[7]	₱1.627	₱1.605	₱2.007
Net Asset Value Per Share[8]	₱2.114	₱2.062	₱2.417

[1] computed as net income divided by total assets
[2] computed as net income divided by stockholders' equity
[3] computed as current assets divided by current liabilities
[4] computed as current liabilities divided by stockholders' equity
[5] computed as total liabilities divided by stockholders' equity
[6] computed as net income attributable to the equity holders of the Parent Company divided by WANOS
[7] computed as total equity attributable to the equity holders of the Parent Company divided by no. of shares outstanding
[8] computed as total equity plus appraisal increase and potential gain on the market values of lot inventory attributable to the equity holders of the Parent Company divided by no. of shares outstanding

OPERATIONAL HIGHLIGHTS

REAL ESTATE

ABCI remains a leader in residential real estate development in Northern Mindanao, with the use of a nature-themed, well-planned integrated community concept pioneered by the highly regarded Xavier Estates. Real estate accounts for majority of revenues, contributing upwards of 75% of revenues on average over the past three years. The Company is shifting focus to middle-income and socialized housing in response to a 3 million-unit supply backlog. As an active participant at the CDO Business Forum, ABCI is considered a major investor in the region.

Cagayan de Oro City
Its first housing initiative, **Ventura Residences** (Xavier Estates Phase 5A), is 84% complete. Cluster A is subdivided into 78 lots, for further expansion with 66 more lots (4 hectares development area). Cluster B and C would provide 43 and 82 lots respectively. Units increased from last year's 187 units to 269 in 2014. The Parks and Playground was launched, along with a walk-in movie facility. 84 of 119 house-and-lots have been built.

Teakwood Hills is 67.57% complete, with 250 of 472 lots sold. Horizontal development has three phases. One (5.2 hectares development area) is 100% complete, subdivided into 59 lots. Another phase (40 hectares) would generate 795 lots. An alteration of the phase will add 266 lots from the added 13.34 hectares.

St. Therese Subdivision is ABCI's socialized housing. 133 of 155 lots have been sold. 91 have row houses with 50 sq.m lot area. Nine have duplexes and 16 have single-attached with either 68 sq.m. or 75 sq.m lot area. Nine units are up for new design.

Its follow-up, **Mountain View Homes**, is 76% complete with 217 house-and-lots and amenities such as guard house, fence and basketball courts. Release of License to Sell is in February 2015. ABCI targets 258 units, with an average price of ₱450,000 per unit. The VAT-free status of homes selling below P3.2 million should continue to attract middle-class home buyers.

Xavierville Homes is ABCI's first economic housing, a community of middle-class homes at an economic-end price. 105 of 131 lots cut at 100 sq. m. have been sold.

Bukidnon
Valencia Estates construction is complete, with 101 of 351 units sold. Aggressive marketing was implemented through the Sales Office, regular mall exhibits, sales caravans and booths, a weekend Family Fun Day, and a quarterly Investors' Forum.

Misamis Oriental
With 10 hectares total land area, **Coral Resort Estates** Phase 1 has sold 41 of 42 lots in Cluster A (2.5 hectares), at 97% completion. At 55% completion, Cluster B will be subdivided into 42 additional lots (2.9 hectares). The Bali-inspired clubhouse with lounge, function hall and restaurant was launched in November 2014. This first residential resort in Northern Mindanao is also home to an infinity pool, meditation garden, viewdeck, aquasports area, floating jetty and diving area.

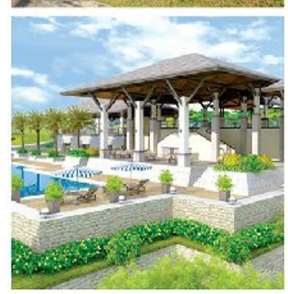
Butuan
West Highlands (25.9 hectares development area) offers a panoramic view of Mt. Mayapay and the cityscape. At 289 feet above sea level, it is a certified flood-free zone within five kilometers of major establishments and recreational facilities. Cluster A (4.4 hectares) has 155 lots. Cluster B (4.9 hectares) has 91 lots. 155 of 246 units have been sold. The project is 81% complete with spillway, concrete barrier, riprap and spine road. Nearby golf course is 45% complete.

Real estate sales recorded for 2014 amounted to ₱389.38 million, a 14% increase from ₱335.14 million in 2013. The significant gain is projected to keep growing, epecially with the completion of additional saleable units across various properties.

Marketing efforts have been increased with regular weekend events, roadshows, trade exhibits, sales performance incentives, and a shift to online marketing, via the official ABCI website (abrown.ph), search engine optimization (SEO) and email newsletters. Additional media exposure includes regular press releases to local newspapers, ad placements in airline magazines, LED and photographic billboards throughout Northern Mindanao and CARAGA, advertisements in Laguinduingan airport (pushcart and check-in counter wall mural), road signage from CDO to Initao, radio ads, and a feature on "Powerhouse" on GMA News TV.








OPERATIONAL HIGHLIGHTS

AGRIBUSINESS

A Brown Energy and Resources Development, Inc. (ABERDI) is the wholly-owned subsidiary of ABCI engaged in agriculture, envisioned as the company's corporate vehicle to support the vast demand for premium Oil Palm by-products in Mindanao: refined bleached deodorized palm oil (RBDPO), refined bleach deodorized olein (RBDO), premium cooking oil, palm stearin, and palm fatty acid distillate (PFAD). It is recognized as one of the top 4 players in the local palm oil industry.

ABERDI extracts fresh fruit bunches (FFB) to crude palm oil (CPO) in its mill plant in Malubog, Impasug-ong, Bukidnon with a land area of 5 hectares consisting of complete facilities. ABERDI also has a 978-hectare oil palm nursery and plantation in Kalabugao, Impasug-ong, in the Province of Bukidnon and in Tingalan, Opol, in the Province of Misamis Oriental, 623 hectares of which are planted. The area is being leased from a People's Organization called Kapunungan Sa Mga Mag-uuma sa Kaanibungan (KASAMAKA) under a 20-year development contract that expires in August 2026. Planting operations started in 2007, with an aggregate gross plantation area of 2,065 hectares (1,000 plantable area, 1,065 planted area).

ABERDI's Crude Palm Oil mill constructed in 2006 has been upgraded, with the purchase of new equipment from Malaysia, from its initial capacity of 1.5 tons per hour to 10 tons per hour with an average operating hour of 16 hours per day for 26 days a month.

The Refined Bleached Deodorized (RBD) refinery has been operational as of August 2014. The facility is undergoing further upgrades using major parts from Germany, India and the United States. The fractionation machine with a capacity of 50MT/day operation is under development and scheduled to be operational in 2015.

Fresh fruit bunches processed was 26,522 MT in 2014, a 45% increase from 11,985.54 MT in 2013. CPO selling price increased from ₱27,448 per MT in 2013 to ₱34,193 per MT in 2014 in contrast to the drop in 2013 revenues driven by both prices and volumes. Sales volumes likewise increased from 2,357 MT in 2013 to 4,506 MT in 2014. Operating expenses increased significantly from ₱43.2 million in 2013 to ₱45.7 million in 2014.

This increase came largely from repairs and mainenance (₱4.8 million from ₱1.5 million in 2013), materials and supplies (₱2.4 million from ₱1.3 million) and depreciation (₱10.4 million from ₱7.3 million) resulting from the company's expansion of its plantations and its investment in the palm oil refinery. As such, ABERDI had a pre-tax net income of ₱8.8 million in 2014 compared to a pre-tax net loss of ₱36.7 million in 2013.

With the promise of an additional contribution of 30% to the gross profit margin if the company produces Palm Olein products in addition to Crude Palm Oil, the Management endeavored the construction of an RBD plant.

ABERDI will soon introduce the palm olein products that will be distributed to key account outlets through wholesale and retail. In line with this continuous effort is the commitment to serve excellent products compliant with the government standards, good manufacturing practices and strict Food Safety Management systems, including HACCP (Hazard Analysis and Critical Control Points).

The capacity of the RBD oil plant is 50 T/D Semi-Continuous Palm Oil Refinery and 50T/D Palm Oil Fractionation. Buildings and other equipment have been constructed parallel to the construction of the refinery plant, such as the two refinery buildings, boiler, additional five tanks, warehouse, drying shed, complete electrical system, concreted road, etc.

The products that will be produced on a 50 T/D Semi-Continuous Palm Oil Refinery are RBDO (95% recovery) and PFAD (5% recovery). The products that will be produced on 50T/D Palm Oil Fractionation are Palm Olein (70% recovery) and Palm Stearin (30% recovery). These are in addition to the existing by-products of the Crude Palm Oil such as Palm Kernel, Palm Acid Oil and Sludge Oil.

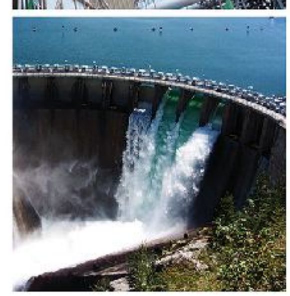
ABERDI is anticipating its palm oil refinery to greatly boost revenues as there is a large amount of unmet demand in the local market for RBD oil. Moving forward, the company aims to expand its own plantation to 3,000 hectares, expand the Outgrowership Program from Bukidnon to Misamis Oriental, and upgrade the CPO mill from 10 to 25 tonner to meet the refinery's full capacity, with a targeted 57% increase in revenue once the RBD refinery goes online. RBD oil, which has higher value compared to CPO, is expected to contribute 96.3% of sales in 2015 onwards.

OPERATIONAL HIGHLIGHTS

POWER





Palm Concepcion Power Corporation (PCPC) is a joint venture between Palm Thermal Consolidated Holdings Corporation, a wholly owned subsidiary of A Brown Company, Inc. (ABCI) and Jin Navitas Resource, Inc. (JNRI). In March 2014, the Energy Regulatory Commision (ERC) issued its approval of the Electric Power Purchase Agreement (EPPA) between Negros Oriental I Electric Cooperative, Inc. (NORECO I) and PCPC. More EPPAs have been filed in 2014: in July with Cebu II Electric Cooperative, Inc. (CEBECO II), and with Negros Occidental Electric Cooperative, Inc. (NOCECO); and in November with Southern Leyte Electric Cooperative (SOLECO).

On May 8, Chairman Dr. Walter Brown and Mr. Castro together with JNRI Principal Mr. Jacinto Ng, Jr. held a dedication and time capsule milestone ceremony to reaffirm the commitment to complete the power plant project. It was titled "Celebration of the Visayan Heritage through the Edge of Time," bringing together key officials in the government and power industry headed by Senate President Franklin Drilon and Department of Energy (DOE) Secretary Carlos Petilla. Located in Brgy. Nipa, Concepcion, Iloilo, the first unit of the 2x135-MW coal-fired facility is expected to address the anticipated tight power supply situation in the Visayas grid by 2016, delivering reliable and stable power at competitive prices for Panay and Visayan consumers.

Various aspects of the power plant's construction, including civil works, mechanical works, office and living facilities, have been completed at over two months ahead of schedule, with more than 2,000 workers around three shifts in a 24/7 timetable. This has resulted in an increase in the total monthly income of Brgy. Nipa, Concepcion and Iloilo through salaries, wages, rental of residential and commercial establishments, food demand, and sales of construction and other local products. Advanced works for the second unit will begin in the first quarter of 2015 and operations will commence in 2018.

Peakpower Energy Inc. (PEI) is the holding company for various diesel/bunker-fired power plants in Mindanao. These power plants are on Build-Operate-Maintain-Transfer (BOMT) agreements with various electric cooperatives with AAA ratings from the National Electrification Administration. The salient points of the projects are short gestation, ownership transfers to the electric cooperative after 15 years, and a significant contribution to address the lack of peaking power in Mindanao.

Peakpower Soccsargen Inc. (PSI) is a 20.9-MW power plant in General Santos City. PSI has a 15-year BOMT agreement with South Cotabato II Electric Cooperative Inc. (Socoteco 2), the largest distribution utility in Mindanao. In May 2014, three Wartsila generator engines were delivered to the project site at the Socoteco 2 Compound in Brgy. Apopong from Vaasa, Finland. On October 23, Warstila finished the testing and commissioning of the plant as well as synchronization with Socoteco 2 (Island Mode). A blessing and inauguration ceremony was held on November 14. The ERC issued PSI the Certificate of Compliance on December 1. At present, PSI and Socoteco 2 are in negotiations for two additional diesel/bunker-fired engines with a total capacity of 13.9MW.

Peakpower San Francisco Inc. (PSFI) is a 5.2-MW power plant in San Francisco, Agusan del Sur. It has a 15-year BOMT agreement with Agusan del Sur Electric Cooperative Inc. (Aselco). In June 2014, one Wartsila generator engine was delivered to the project site at the Aselco Compund in Brgy. San Isidro. Inauguration was held on December 8. Testing and commissioning, synchronization with Aselco (Island Mode) and ERC inspection are slated for January 2015.

Commercial operations of PFSI are scheduled to commence by end of February 2015. As of December 31, the power plant is 95% complete. Aselco and PSFI are in negotiations for an additional 5.2-MW capacity diesel/bunker-fired engine.

Peakpower Bukidnon, Inc. (PBI) was incorporated for a 15-year BOMT agreement with Bukidnon II Electric Cooperative Inc. (Buseco). On August 22, PBI and Buseco signed a Power Purchase and Transfer Agreement (PPTA) for a 10.4-MW diesel/bunker-fired power plant to be constructed in Manolo Fortich, Bukidnon. The PBI power plant is slated to start commercial operations by the first half of 2016.

Hydro Link Projects, Corp. (HLPC) is a wholly-owned subsidiary of ABCI. HLPC's primary purpose is to engage in the business of developing, constructing, operating, and maintaining hydroelectric plants and other form of renewable energy.

In Mindanao, HLPC is currently pursuing the Carac-an Hydroelectric Project (CHP) in Cantilan, Surigao del Sur. The proposed project has a potential of 25MW and it is HLPC's first venture in renewable energy under the auspices of ABCI. In compliance with the commitment specified under the Hydropower Service Contract issued by the DOE, the feasibility study is presently being conducted to determine the optimum capacity and the most feasible scheme of configuration based on the results of the field investigation works.

Aside from the Carac-an project, other hydropower and renewable energy projects are being explored in parts of Mindanao and Visayas, pending evaluation on the viability of these for investment.

CORPORATE SOCIAL RESPONSIBILITY

A Brown Company, Inc. and its subsidiaries employ a collaborative approach with the various sectors and communities they are engaged in. In addition to real estate developments, palm oil ventures and power plant projects that would provide employment and contribute to economic progress in these regions, the Company has continued to undertake sustainable CSR programs in 2014 that would further boost growth in their host communities.

Education

As a personal commitment of Chairman Dr. Walter W. Brown to the indigenous people of Kalabugao, Impasug-ong, Bukidnon, ABCI launched its scholarship program in 2011 for the sons and daughters of Higaonon Tribe. A total of ₱400,000 is allocated each year for the scholarship program. One of the six scholars, Brian S. Camahay, graduated in 2013 with a degree in Bachelor of Science in Public Administration. Brian is now working at ABCI Head Office in Cagayan de Oro as HRD Assistant and Community Relations Liaison Officer for ABERDI's Kalabugao Oil Palm Plantation Operations. Three of the remaining five scholars are due for graduation in March 2015 with Bachelor of Science degrees in Elementary Education. All six scholars are enrolled at Bukidnon State University in Malaybalay City, Bukidnon.

On November 17, college textbooks worth ₱500,000 were turned over by ABCI through its community relations program to Opol Community College (OCC) in Opol, Misamis Oriental, along with classroom chairs. The books and chairs were donated by Professor Dr. James Cosentino of Millersville University in Millersville, Pennsylvania, USA. He is also the Project Director of Books for International Development. His donation was coursed through ABCI Community Relations Manager Ruffy Magbanua. The turnover ceremony held at OCC was attended by Mayor Maxi Seno, Vice Mayor Charina Ortigosa, members of the Sangguniang Bayan, school officials and students. OCC has a population of 2,000.

Medical Assistance

On October 21, ABCI extended financial assistance to former ABERDI contractual worker Rabby Ramos, amounting to ₱65,000 for the removal of an implanted stainless steel in his right leg as a result of a vehicular accident in 2011. Ramos worked in the oil palm plantation in Brgy. Tingalan, Opol.

On December 30, ABCI jointly conducted a medical-dental-ortho-legal mission with the local government of Opol and the Rotary Club of Opol. The free outreach program has served 1,546 local residents, including evacuees of Typhon Seniang from coastal barangays (Igpit, Barra, Tabok, Poblacion) of Opol led by Mayor Maxi Seno. The medical team was composed of 10 doctors, five dentists, three eye specialists, five lawyers and 20 Rotary Club Members.

Disaster Rehabilitation

ABCI donated ₱1,000,000 worth of packed ham and *queso de bola* to more than 2,000 victims of Typhoon Seniang on December 22. The Christmas [project was conducted in partnership with CDO 1st District Representative Rufus Rodriguez and ABANTE Mindanao Party List Representative Maximo Rodriguez and benefited residents of barangays Puntod, Macasandig and Indahag, Cagayan De Oro City.

On the other hand, PCPC held relief and rehabilitation operations for communities in Visayas devastated by Typhoon Yolanda. In partnership with ABCI, JNRI, NLSC, Philinsure, Rebisco Foundation and SNC-Lavalin, substantial funds were used to provide aid to affected residents, churches and electric cooperatives. Barangay Nipa was one of the areas affected, with the barangay hall sustaining damage beyond repair. On September 4, PCPC turned over to barangay officials a newly built hall with multi-purpose area and health center.

For around 2,400 fishermen in Concepcion whose boats were damaged by Yolanda, PCPC launched its "Adopt a Fisherman" program to provide financial assistance of up to ₱15,000 to help rebuild their livelihood with the use of non-destructive fishing gear. The project was in coordination with the Bureau of Fisheries and Aquatic Resources. Motorized boat materials were turned over to the beneficiaries in Sitio Puntales on December 8. The donation was in partnership with ABCI and Rebisco Foundation, who contributed a total of ₱694,300.

Community-building

For 2014, PCPC devoted an estimated ₱65 million towards basic facilities and infrastructure, local activities, training and mentoring programs, partnership with livelihood and environmental programs, and assistance to the parish school of its host community. The company was also a major contributor in the renovation and improvement of the Daycare Center in Sitio Dadoy. The facility was turned over to the barangay on July 18. Educational toys and books were also donated by Concepcion Mayor and Mrs. Millard Villanueva.

In February, PCPC implemented a Construction Skills training program via the Regional Training Center (RTC) Iloilo, a Technical Education and Skills Development Authority (TESDA) Training Institute. The goal was for qualified local residents to become nationally certified in Carpentry and Masonry who can be considered for employment during the power plant's construction phase.

Similarly in November, PCPC conducted a Professional Housekeeping course with the Training and Resource Center of the Department of Science and Technology. With several pension houses and inns in Concepcion as well as the superior hospitality of the people, tourism-related skills will help boost this sector.

Environment

PCPC and PEI have always been committed to environmental conservation and sustainability, with activities and cleanup programs held regularly. On February 7, a multi-partite monitoring team (MMT) for PCPC's power plant held its kick-off meeting. The MMT is chaired by the Region VI Environmental Management Bureau Director Atty. Jonathan Bulos, with President/CEO Mr. Roel Castro, officials of Barangay Nipa, Concepcion municipality and Iloilo province, provincial and city environmental officers (PENRO and CENRO), and the Concepcion Coalition of Organizations for Rural Development as members. Team activities include environmental audits, specimen sampling, corals and reef fish survey, groundwater quality sampling, air quality and noise sampling, and fisheries assessment survey.

On July 11, PEI celebrated the inauguration of Peakpower Soccsargen, Inc. with a tree-planting activity led by Dr. Brown and Mr. Castro along with the LGU and business sector of General Santos. Meanwhile, PCPC's Green Program for Active Reforestation and Conservation (Green PARC) launched in 2013 for the expansion of Mt. Apitong forest as well as mangrove restoration is ongoing.

BOARD OF DIRECTORS 2014-2015

Executive Committee

Chair: Annabelle P. Brown
Members: Walter W. Brown, Robertino E. Pizarro

Audit & Risk Committee

Chair: Elpidio M. Paras
Members: Thomas G. Aquino, Gerardo Domenico Antonio V. Lanuza

Nomination Committee

Chair: Thomas G. Aquino
Members: Elpidio M. Paras, Walter W. Brown

Compensation Committee

Chair: Thomas G. Aquino
Members: Annabelle P. Brown, Elpidio M. Paras

Governance Committee

Chair: Elpidio M. Paras
Members: Thomas G. Aquino, Antonio S. Soriano

Corporate Culture & Values Formation Committee

Chair: Annabelle P. Brown
Members: Thomas G. Aquino, Elpidio M. Paras

Walter W. Brown
Executive Chairman

Dr. Brown is the Chairman of Palm Thermal Consolidated Holdings Corporation, Palm Concepcion Power Corporation, Peakpower Energy, Inc. and ABERDI, President and CEO of Apex Mining Company, Inc. *(listed company)* and Director of Monte Oro Resources & Energy, Inc. He has held executive posts in companies such as Atok Big Wedge Co Inc., Philex Mining Corporation, National Grid Corporation of the Philippines, and Philippine Realty & Holdings Corporation. He was Technical Director of Dragon Oil, a company listed on the London Stock Exchange, and Vice Chairman of the Board of Trustees of Xavier University in Cagayan De Oro.

Robertino E. Pizarro
President

Mr. Pizarro is the President of many subsidiaries of A Brown Company, Inc. namely ABERDI, Brown Resources Corporation, Andesite Corporation, and Bonsai Agricultural Corporation. He is also the President of Xavier Sports and Country Club, Inc. (XSCCI). He is the former President and now Director of the Philippine Palm Oil Development Council, Inc. (PPDCI).

Annabelle P. Brown
Director

Mrs. Brown is the President and Director of PBJ Corporation, Treasurer of Brown Resources Corporation, Treasurer/Director of Bendaña-Brown Holdings Corporation and Pine Mountain Properties Corporation. She is also the Chairperson of Rosevale School in Cagayan De Oro City, Professional & Cultural Development of Women (PCDW) Foundation, Inc. and Development Advocacy of Women Volunteerism (DAWV) Foundation, Inc., President and Founder of Alalay sa Bayan at Pamilya (APB) Foundation, Inc. She is also affiliated with Educhild Foundation, Inc.

Antonio S. Soriano
Director

Atty. Soriano is the Senior Managing Partner of Soriano, Saarenas & Llido Law Office. He is Corporate Secretary of Rise Foundation and Kagayhaan Davao Resources Management Corporation, and Chairman of Xavier Sports & Country Club, Roadside Shops, Inc., Cagayan De Oro Medical Center, and Philippine National Red Cross - Misamis Oriental.

Gerardo Domenico Antonio V. Lanuza
Director

Mr. Lanuza sits as the Vice President of Campos, Lanuza & Co., Inc. and as Director and Vice President - Special Projects of Philippine Realty and Holdings Corporation *(listed company)*, and Director of Greenhills Properties, Inc. He is also the President and CEO of Meridian Assurance Corp. He finished his Legal Management degree from the De La Salle University in 2006.

Elpidio M. Paras
Independent Director

Engr. Paras is the President and CEO of Parasat Cable TV, Inc., Arriba Telecontact, Inc., and UC-1 Corporation, Inc. He is also connected with the Philippine Cable TV Association, Promote CDO Foundation, Inc., Cagayan De Oro Chamber, Xavier University Board of Trustees, and the Cagayan De Oro International Trade and Convention Center Foundation, Inc.

Thomas G. Aquino
Independent Director

Dr. Aquino is a Senior Fellow at the Center for Research and Communication of the University of Asia & the Pacific. He is the Chairman of Now Corporation *(listed company)*, an Independent Director of Alsons Consolidated Resources, Inc. *(listed company)*, and is formerly the Senior Undersecretary of the Department of Trade and Industry.

Roel Z. Castro
Director / Executive Vice President

Mr. Castro joined the company in May 2010 and is the Executive Vice President for Business Development. He is also the President of Palm Thermal Consolidated Holdings Corp., Palm Concepcion Power Corporation and Peakpower Energy, Inc. He finished his Bachelor of Science in Agricultural Business degree at the University of the Philippines - Los Baños. He also earned his Master in Management at Asian Insititute of Management with Commendation in 1997.

Rosa Anna Duavit Santiago
Director / VP and CFO / Treasurer

Atty. Santiago is the Vice President and Chief Finance Officer and Treasurer of A Brown Company, Inc. She took her undergraduate studies with double major in Economics and Accounting at De La Salle University in 1986 and passed the May 1987 CPA Board Examination. She was formerly the Vice President of Finance and Chief Finance Office of Lapanday Holdings Corporation. She earned her Doctor of Jurisprudence at Ateneo Law School and was subsequently admitted to the Bar in 1993.

Jason C. Nalupta
Corporate Secretary

Atty. Nalupta is a partner of Tan Venturanza Valdez specializing in corporate, securities and business laws. He is the Assistant Corporate Secretary of Pacific Online Systems Corp. *(listed company)*. He earned his degree in Legal Management at the Ateneo de Manila University in 1992 and his Juris Doctor from Ateneo Law School in 1996. He was admitted to the Bar the following year.

Anna Francesca C. Respicio
Assistant Corporate Secretary

Atty. Respicio is an Associate at Tan Venturanza Valdez. She graduated with a degree in Philosophy at the Ateneo de Manila University in 2007 and earned her Juris Doctor from Ateneo Law School in 2011. She is the Assistant Corporate Secretary of Discovery World Corporation, First Abacus Financial Holdings, and Tagaytay Highlands International Gold Club, Inc. She is also Corporate Secretary of Luckyfortune Business Ventures, Inc., I-Remit Corp, Inc. and Raemulan Lands, Inc.

AUDIT COMMITTEE REPORT

March 19, 2015

The Board of Directors
A Brown Company, Inc.

The Audit Committee represents and assists the Board of Directors in its general oversight of the Company's accounting and financial reporting processes, audits of the financial statements, and internal control and audit functions. The Committee also takes the appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behavior.

Further to our compliance with applicable corporate governance laws and rules, we confirm for 2014 that:

- The Audit Committee is chaired by an independent director as determined by the Board of Directors;
- In the performance of our oversight responsibilities, we have reviewed and discussed the audited financial statements of A Brown Company, Inc. and Subsidiaries, or ABCI Group, as of and for the year ended December 31, 2014 with ABCI Group's management, which has the primary responsibility for the financial statements, and with Constantino Guadalquiver and Co., CPAs, the ABCI Group's independent auditor, who is responsible for expressing an opinion on the conformity of the ABCI Group's audited financial statements with generally accepted accounting principles;
- We have discussed with Constantino Guadalquiver and Co., CPAs the matters required to be discussed by the applicable regulatory requirements, which includes their independence from the ABCI Group and the ABCI Group's management. Constantino Guadalquiver and Co., CPAs have confirmed their independence and compliance with the requirements provided by the Revised Code of Ethics for Professional Accountants in the Philippines (2008);
- We have discussed with the ABCI Group's internal audit group and Constantino Guadalquiver and Co., CPAs the overall scope and plans for their respective audits. We also met with the ABCI Group's internal audit group and representatives from Constantino Guadalquiver and Co., CPAs to discuss the results of their examinations, their evaluations of the ABCI Group's internal controls and the overall quality of the ABCI Group's financial reporting; and
- Based on the reviews and discussions referred to above, in reliance on the ABCI Group's management and Constantino Guadalquiver and Co., CPAs and subject to the limitations of our role, we recommend to the Board of Directors and the Board has approved the inclusion of the ABCI Group's audited financial statements as of and for the year ended December 31, 2014 in the ABCI Group's Annual Report to the Stockholders and to the Philippine Stock Exchange, Inc. and the Securities and Exchange Commission on Form 17-A.

ELPIDIO M. PARAS	THOMAS G. AQUINO	GERARDO DOMENICO ANTONIO V. LANUZA
Chairman	Member	Member
Independent Director	Independent Director	TIN 243-606-771
TIN 106-126-150	TIN 111-621-372	

APR 15 2015

Subscribed and Sworn to before me this ______
Affiant exhibit to me his/her CTC No. ______
Issued on / at ______

ATTY. RICHARD L. ANOLIN
NOTARY PUBLIC UNTIL DECEMBER 31, 2015
FOR THE CITY OF MANILA, PHILIPPINES
IBP LIFETIME NO.
PTR NO.
ROLL NO.
MCLE COMPLIANCE NO. IV-
RODULFO ANOLIN AND ASSOCIATES LAW OFFICE
2/F YMCA OF MANILA
350 ANTONIO VILLEGAS ST.
ERMITA MANILA TEL
EMAIL ADD atty.richardanolin@yahoo.com
TIN # 116-095-269-000

Doc. No. 183
Page No. 37
Book No. 45
Series of 2015

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

FOR CONSOLIDATED FINANCIAL STATEMENTS

March 19, 2015

The Securities and Exchange Commission
SEC Building, EDSA, Greenhills
Mandaluyong City

The management of A Brown Company, Inc. and its subsidiaries is reponsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements including the additional components attached therein and submits the same to the stockholders or members.

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

WALTER W. BROWN
Executive Chairman

ROBERTINO E. PIZARRO
President

ATTY. ROSA ANNA DUAVIT-SANTIAGO
Chief Financial Officer

APR 1 7 2015

SUBSCRIBED AND SWORN to before me this ____ day of ______, affiants exhibiting to me their respective passports, as follows:

Names	Passport No.	Date of Issue	Place of Issue
Walter W. Brown	EB3952116	Oct. 27, 2011	Manila
Robertino E. Pizarro	EB8037747	May 4, 2013	Cagayan de Oro
Atty. Rosa Anna Duavit-Santiago	EB8745666	July 22, 2013	Manila

ATTY. RICHARD L. ANOLIN
NOTARY PUBLIC UNTIL DECEMBER 31, 2015
FOR THE CITY OF MANILA PHILIPPINES
IBP LIFETIME NO. [illegible]
PTR NO. [illegible]
ROLL NO. [illegible]
MCLE COMPLIANCE NO. IV-0023850 [illegible]/14
RODULFO ANOLIN AND ASSOCIATES LAW OFFICE
2/F YMCA OF MANILA BLDG
#350 ANTONIO VILLEGAS ST
ERMITA MANILA TEL 525-05-86
EMAIL ADD atty.richardanolin@yahoo.com

Doc. No. 177
Page No. 36
Book No. 48
Series of 2015

INDEPENDENT AUDITOR'S REPORT

CG&Co

an independent member of
BAKER TILLY
INTERNATIONAL

Constantino Guadalquiver & Co.
Certified Public Accountants
22nd Floor Citibank Tower, 8741 Paseo de Roxas Street
Salcedo Village, Makati City, Philippines
Telephone (+632) 848 1051 • Fax (+632) 728 1014
Email address: mail@cgo.com.ph

The Stockholders and the Board of Directors
A Brown Company, Inc. and Subsidiaries
Xavier Estates Uptown, Airport Road,
Balulang, Cagayan De Oro City

Report on Financial Statements

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

Management's Responsibility for the 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 statement whether due to fraud or error.

Auditor's 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 financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatment of the 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 financial statements in order to 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 financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of A Brown Company, Inc. and Subsidiaries as of December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

CONSTANTINO GUADALQUIVER & CO.,
BOA Registration No. 0213, valid until December 31, 2016
SEC Accreditation No. (AN) 003-FR-3 (Group A), valid until November 10, 2017
TIN 000-451-068-000
BIR AN 08-001507-0-2014, valid until January 5, 2018

By:

ANNALYN B. ARTUZ
Partner
CPA License No. 88651
PTR No. 4755983, issued on January 14, 2015, Makati City
SEC AN 0020-AR-3 (Group A), valid until December 16, 2017
TIN 153-978-171-000
BIR AN 08-001507-7-2014, valid until January 5, 2018

Makati City, Philippines
March 19, 2015

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013 (AMOUNTS IN PHILIPPINE PESOS)

	Note	2014	2013
ASSETS			
Current Assets			
Cash and cash equivalents	6	₱93,045,062	₱131,124,390
Current portion of accounts receivable – net	7	374,400,468	311,883,468
Notes receivable	8	347,316	6,632,828
Real estate held for sale	9	603,598,222	776,403,011
Inventories	10	37,726,462	14,579,838
Prepayments and other current assets	10	259,403,900	232,359,568
Total Current Assets		1,368,521,430	1,472,983,103
Noncurrent Assets			
Noncurrent portion of accounts receivable	7	163,622,783	205,093,873
Available-for-sale investments	11	626,496,144	914,260,817
Investment in associates	12	1,237,194,151	222,682,747
Investment properties – net	13	247,075,235	295,951,342
Property and equipment – net	14	442,085,944	396,863,691
Land and improvements	15	799,835,370	584,046,452
Biological assets	16	334,531,067	301,657,002
Investments and deposits	8, 11, 20	554,146,919	695,882,779
Leasehold rights	17	35,532,828	36,861,194
Deferred tax assets	29	51,280,542	55,814,749
Refundable deposits	5	8,999,549	8,556,532
Total Noncurrent Assets		4,500,800,532	3,717,671,178
		₱5,869,321,962	₱5,190,654,281
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	18	₱326,911,807	₱290,307,674
Short-term debt	19	265,000,000	220,000,000
Current portion of long-term debt	19	181,111,133	110,905,259
Deposit from customers	31, 32	48,737,809	65,873,542
Subscription payable	11, 12	494,482,038	84,550,743
Total Current Liabilities		1,316,242,787	771,637,218
Noncurrent Liabilities			
Long-term debt – net of current portion	19	₱1,618,220,076	₱1,490,895,233
Retirement liability	27	26,586,981	18,833,922
Deferred tax liabilities	29	84,388,134	84,966,737
Deposit for future stock subscriptions		–	40,000,000
Total Noncurrent Liabilities		1,729,195,191	1,634,695,892
Total Liabilities		3,045,437,978	2,406,333,110
Equity	33		
Equity attributable to equity holders of Parent Company			
Share capital	21	₱1,732,865,522	₱ 1,732,865,522
Additional paid-in capital	21	586,198,947	586,198,947
Net unrealized gain on available-for-sale investments		176,572,963	144,393,483
Net cumulative remeasurement loss on retirement benefits	27	(22,624,441)	(27,282,459)
Retained earnings		347,042,787	344,760,364
		2,820,055,778	2,780,935,857
Non-controlling interests		3,828,206	3,385,314
Total Equity		2,823,883,984	2,784,321,171
		₱5,869,321,962	₱5,190,654,281

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012 (AMOUNTS IN PHILIPPINE PESOS)

	Note	2014	2013	2012
INCOME				
Sales	22	₱624,654,042	₱452,664,225	₱556,574,324
Gain on sale of available-for-sale investments	11	25,521,240	–	–
Discount on long-term debt	19	24,874,165	–	52,968,915
Financial income	23	18,599,067	31,546,448	33,481,433
Sale of aggregates		9,651,974	13,458,404	19,804,262
Rental income	13, 20, 28	8,181,575	5,447,917	6,604,501
Gain on sale of property and equipment	14	993,126	233,803	294,077
Dividend income	11	8,349	5,336	–
Others	24	25,790,729	49,363,935	70,725,876
		738,274,267	552,720,068	740,453,388
COST AND EXPENSES				
Cost of sales and services	25	365,063,241	234,344,944	348,732,330
General and administrative expenses	26	173,681,243	197,380,238	183,383,308
Finance costs	19	90,737,847	68,467,666	54,693,886
Marketing		40,864,447	41,308,313	41,329,446
Equity in net loss of an associate	12	29,943,472	11,846,345	9,348,773
Loss on sale of investment property	13	8,356,634	–	–
Provision for impairment loss	13	1,528,600	1,528,600	1,528,600
Discount on notes receivable	8	–	–	1,017,949
		710,175,484	554,876,106	640,034,292
PROFIT (LOSS) BEFORE INCOME TAX		28,098,783	(2,156,038)	100,419,096
INCOME TAX EXPENSE (BENEFIT)	29			
Current		12,185,260	11,461,437	29,965,224
Deferred		13,188,208	(17,605,903)	117,802
		25,373,468	(6,144,466)	30,083,026
NET PROFIT		₱2,725,315	₱3,988,428	₱70,336,070
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		P2,282,423	P3,555,644	P70,761,417
Non-controlling interests		442,892	432,784	(425,347)
		₱2,725,315	₱3,988,428	₱70,336,070
BASIC AND DILUTED EARNINGS PER SHARE	30			
Attributable to:				
Equity holders of the Parent Company		P0.00132	P0.00205	P0.06011

See accompanying Notes to Consolidated Financial Statements.

For the Years Ended December 31, 2014, 2013 and 2012 (Amounts in Philippine Pesos)

	Note	2014	2013	2012
NET PROFIT		₱2,725,315	₱3,988,428	₱ 70,336,070
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that may be classified subsequently to profit or loss				
Net change in unrealized gain (loss) on available-for-sale investments	11	32,179,480	(2,501,391)	(20,187,164)
Item that will not be classified to profit or loss				
Remeasurement gain (loss) on retirement benefits	27	4,658,018	(3,075,468)	(14,216,522)
TOTAL COMPREHENSIVE INCOME (LOSS)		₱39,562,813	(₱1,588,431)	₱35,932,384
Attributable to:				
Equity holders of the Parent Company		₱39,119,921	(₱2,021,215)	₱36,357,731
Non-controlling interests		442,892	432,784	(425,347)
		₱39,562,813	(₱1,588,431)	₱35,932,384

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2014, 2013 and 2012 (Amounts in Philippine Pesos)

	Note	2014	2013	2012
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY				
SHARE CAPITAL - ₱1 par value				
Authorized – 2,000,000,000 shares in 2014 and 2013, 1,620,000,000 shares in 2012				
Subscribed – 1,732,865,522 shares in 2014 and 2013, 1,386,293,229 shares in 2012	21			
Balance at beginning of year		₱1,732,865,522	₱1,386,293,229	1,309,924,887
Stock dividends declared and issued during the year		–	346,572,293	–
Issuance during the year		–	–	76,366,296
Collection of subscription receivable during the year		–	–	2,046
Balance at end of year		1,732,865,522	1,732,865,522	1,386,293,229
ADDITIONAL PAID-IN CAPITAL	21			
Balance at beginning of year		586,198,947	586,198,947	155,948,570
Additions during the year	39	–	–	430,250,377
Balance at end of year		586,198,947	586,198,947	586,198,947
NET UNREALIZED GAIN ON AVAILABLE-FOR-SALE INVESTMENTS				
Balance at beginning of year		144,393,483	146,894,874	167,082,038
Net change in unrealized gain (loss) during the year	11	32,179,480	(2,501,391)	(20,187,164)
Balance at end of year		176,572,963	144,393,483	146,894,874
NET CUMULATIVE REMEASUREMENT LOSS ON RETIREMENT BENEFITS	27			
Balance at beginning of year		(27,282,459)	(24,206,991)	(9,990,469)
Remeasurement gain (loss) during the year		4,658,018	3,075,468	(14,216,522)
Balance at end of year		(22,624,441)	(27,282,459)	(24,206,991)
RETAINED EARNINGS				
Balance at beginning of year		344,760,364	687,777,013	611,551,082
Net profit during the year		2,282,423	3,555,644	70,761,417
Stock dividends declared and issued during the year		–	(346,572,293)	–
Increase in retained earnings due to deconsolidated subsidiaries		–	–	5,464,514
Balance at end of year		347,042,787	344,760,364	687,777,013
TREASURY SHARES, AT COST	34, 39			
Balance at beginning of year		–	–	(203,613,323)
Reissuance of treasury shares (173,633,704 shares in 2012)		–	–	203,613,323
Balance at end of year		–	–	–
Total Equity Attributable to Equity Holders of Parent Company		2,820,055,778	2,780,935,857	2,782,957,072
NON-CONTROLLING INTERESTS				
Balance at beginning of year		3,385,314	2,952,530	3,790,377
Net profit (loss) during the year		442,892	432,784	(425,347)
Decrease in noncontrolling interests during the year		–	–	(287,500)
Decrease in noncontrolling interests due to deconsolidated subsidiaries during the year		–	–	(125,000)
Balance at end of year		3,828,206	3,385,314	2,952,530
		₱2,823,883,984	₱2,784,321,171	₱2,785,909,602

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2014, 2013 and 2012 (Amounts in Philippine Pesos)

	Note	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before income tax and non-controlling interest		₱28,098,783	(₱2,156,038)	₱100,419,096
Adjustments for:				
Finance costs	19	90,737,847	68,467,666	54,693,886
Depreciation and amortization	13, 14	50,518,142	49,285,498	45,202,159
Equity in net loss of an associate	12	29,943,472	11,846,345	9,348,773
Gain on sale of available-for-sale investments	11	(25,521,240)	–	–
Discount on:				
Long-term debt	19	(24,874,165)	–	(52,968,915)
Notes receivable	8	–	–	1,017,949
Financial income	23	(18,599,067)	(31,546,448)	(33,481,433)
Loss on sale of investment property	13	8,356,634	–	–
Provisions for:				
Retirement benefits	27	3,602,483	2,978,165	2,316,284
Impairment losses of investment properties	13	1,528,600	1,528,600	1,528,600
Doubtful accounts	7, 26	769,679	–	143,384
Gain on sale of property and equipment	14	(993,126)	(233,803)	(294,077)
Amortization of leasehold rights	17	1,328,366	1,331,078	1,213,520
Amortization of biological assets	16	120,072	2,257,728	5,678,862
Unrealized foreign exchange loss (gain)	32	110,259	(70,223)	12,755
Write-off of dividends payable		–	(2,355,117)	–
Operating income before working capital changes		145,126,739	101,333,451	134,830,843
Decrease (increase) in:				
Accounts receivable	7	(21,779,284)	59,064,439	(77,876,257)
Real estate held for sale	9	19,108,250	(75,387,821)	(76,848,675)
Inventories	10	(23,146,625)	3,472,114	1,754,363
Prepayments and other current assets	10	(17,253,985)	(5,438,888)	(78,594,426)
Increase (decrease) in:				
Accounts payable and accrued expenses	18	43,135,646	(56,149,238)	(94,255,235)
Deposit from customers	31, 32	(17,135,733)	24,227,187	1,479,682
Cash provided by (used in) operations		128,055,008	51,121,244	(189,509,705)
Income tax paid		(21,677,052)	(16,673,370)	(20,608,751)
Interest received		18,195,593	31,310,478	33,067,949
Contributions to plan assets	27	(424,010)	(5,048,453)	(3,224,766)
Net cash provided by (used in) operating activities		124,149,539	60,709,899	(180,275,273)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments and deposits	20	(₱594,146,919)	(₱678,605,873)	(₱110,800,390)
Investment in an associate	12	(17,716,322)	(169,901,667)	(600,000)
Additions to:				
Property and equipment	14	(96,934,934)	(137,654,249)	(116,033,932)
Land and improvements	15	(11,944,484)	(17,695,874)	(19,242,431)
Refundable deposits		(443,017)	(12,799,372)	–
Available-for-sale investments		(50,000)	(789,600)	(60,992,756)
Investment properties	13	(43,509)	(202,322)	(619,726)

(Forward)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2014, 2013 and 2012 (Amounts in Philippine Pesos)

	Note	2014	2013	2012
Decrease (increase) in:				
Biological assets	16	(32,994,138)	(66,748,755)	–
Leasehold rights	17	–	(75,029)	(11,626,615)
Goodwill	2	–	–	250,000
Payment of subscription payable	11, 12	(14,524,925)	(29,999,921)	–
Proceeds from disposal of:				–
Available-for-sale investments	11	439,115,838	–	–
Investment properties	13	16,428,578	–	–
Property and equipment	14	2,200,033	16,027,332	881,752
Collection of loans receivable	8	8,652,684	1,594,674	920,417
Loans granted (notes receivables)	8	(2,000,000)	(1,594,674)	(7,000,000)
Refundable return of investments and deposits	20	–	101,363,484	77,647,260
Decrease in cash due to deconsolidation of subsidiaries		–	–	(8,233,696)
Net cash used in investing activities		(304,401,115)	(997,081,846)	(255,450,117)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Long-term debt	19	388,748,000	85,000,000	568,280,000
Short-term debt	19	70,000,000	50,000,000	70,000,000
Sale of treasury shares	39	–	–	493,019,611
Issuance of share capital	21	–	–	217,210,385
Payments of:				
Long-term debt	19	(179,400,167)	(43,248,696)	(21,325,568)
Finance cost	19	(112,065,326)	(60,783,986)	(53,796,332)
Short-term debt	19	(25,000,000)	–	–
Receipt of deposits for future stock subscriptions		–	40,000,000	–
Increase (decrease) in:				
Due to related parties	20	–	1,199,268	8,185,113
Noncontrolling interests of subsidiaries		–	–	(287,500)
Collections of stock subscription receivables	21	–	–	2,046
Net cash provided by financing activities		142,282,507	72,166,586	1,281,287,755
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	6	(110,259)	70,223	(12,755)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(38,079,328)	(864,135,138)	845,549,610
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		131,124,390	995,259,528	149,709,918
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	₱93,045,062	₱131,124,390	₱995,259,528

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(AMOUNTS IN PHILIPPINE PESOS)

1. Corporate Information

A Brown Company, Inc. (Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 21, 1966 as Bendaña Brown Pizarro and Associates, Inc. to primarily engage in the business of property development and to invest in shares of stocks of listed companies.

On October 1, 1992, the Parent Company amended its articles of incorporation to change its registered name to EPIC Holdings Corporation, which was further amended on July 1, 1993 to its current registered name. On February 8, 1994, the Parent Company was listed in the Philippine Stock Exchange.

The Parent Company's principal purpose is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including of shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any other corporation, associations, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized without being a stock broker or dealer, and to pay therefor in money or by exchanging therefor stocks, bonds, or other evidences of indebtedness or securities of this or any other corporation and while the owner or holder of any such real or personal property, stocks, bonds, debentures, contracts or obligations, to receive, collect and dispose of the interest, dividends, and income arising from such property and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, provided the corporation shall not exercise the functions of a trust corporation.

The principal activities of the operating subsidiaries are as follows:

Name of Subsidiary	Principal Activity
A Brown Energy and Resources Development, Inc. (ABERDI)	Manufacturing, trading of goods on wholesale and retail basis and other services
Brown Resources Corporation (BRC)	Real estate holding and management of chalet operations
Andesite Corporation (AC) *, Bonsai Agri Corporation (BAC) and Nakeen Corporation (NC)	Development of land for palm oil production and sale of palm seedlings and crude palm oil
Masinloc Consolidated Power, Inc. (MCPI)	Operating of power plants and/or purchase, generation, production supply and sale of power. However, as of March 19, 2015, the subsidiary has not yet started commercial operations.
Palm Thermal Consolidated Holdings, Corp. (PTCHC)	Holding of properties of every kind and description
Hydro Link Projects Corp. (HLPC) and Peakpower Bukidnon, Inc. (PBI)	Developing, constructing and operating power generating plants

*- As discussed in Note 2, on March 13, 2015, AC filed an application with the SEC to amend its primary purpose in the Articles of Incorporation from engaging business in agriculture to socialized housing property development.

On June 13, 2012, the SEC approved the amendment of the Parent Company's By-Laws to amend and define the functions of its Executive Chairman and President, remove the requirement that the Company's vice presidents must be a member of the Board of Directors (BOD), and to impose certain requirements on granting of bonuses to its BOD, officers and employees.

On October 5, 2012, the Parent Company's BOD approved during their meeting the private placement of 250.0 million of its listed common shares consisting of 173.6 million treasury common shares and 76.4 million common shares owned by a shareholder. The Placement Shares, with a par value of ₱1 per share was sold at a price of ₱2.89 per share and crossed in the Exchange on October 8, 2012. The BOD likewise approved the issuance of an equal number of shares of the Parent Company at an issue price equal to the net proceeds per share in favor of the lending shareholder.

The shares will be issued out of the increase in the Parent Company's authorized capital stock from ₱1.32 billion divided into 1.32 billion shares with a par value of ₱1 to ₱1.62 billion divided into 1.62 billion shares with par value of ₱1.

On December 28, 2012, the SEC approved the Company's application for increase in authorized capital stock. Subsequently, the 76.4 million common shares were issued.

On June 7, 2013 the Parent Company's BOD unanimously approved the proposed 25% stock dividend declaration or equivalent to 346.6 million of the Parent Company's outstanding shares. The shares will be distributed to the stockholders record as of September 12, 2013 and shall be issued out of the increase in the Parent Company's authorized capital stock from ₱1.62 billion divided into 1.62 billion shares with par value of ₱1 to ₱2.0 billion divided into 2 billion shares with par value of ₱1. On August 16, 2013, the SEC approved the Parent Company's application for increase in authorized capital stock. Subsequently, 346.6 million shares were issued.

The Parent Company's registered office and principal place of business is at Xavier Estates, Upper Balulang, Cagayan de Oro City, Philippines (see Note 36).

The accompanying consolidated financial statements of the Parent Company and the above mentioned subsidiaries (collectively referred herein as "the Group") as of and for each of the three years ended December 31, 2014 were authorized for issue by the Board of Directors on March 19, 2015.

2. Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for available-for-sale investments which are measured at fair value and agricultural produce which is measured at fair value less cost to sell at the point of harvest. These consolidated financial statements are presented in Philippine Peso, which is the Group's functional and reporting currency. All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

The accompanying consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS, Philippine Accounting Standards (PAS) and Philippine interpretations - International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council.

Principles of Consolidation

The consolidated financial statements consist of the financial statements of the Parent Company and its subsidiaries as of December 31 of each year. The consolidated financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated.

Noncontrolling interests represent interests in certain subsidiaries not held by the Parent Company and are presented separately in the consolidated statements of income, consolidated statements of comprehensive income and consolidated statements of changes in equity and within equity in the consolidated statements of financial position, separately from equity attributable to the equity holders of Parent Company.

The subsidiaries and the percentage of ownership of the Parent Company are as follows:

		Percentage of ownership	
Name of subsidiary	Nature of business	2014	2013
ABERDI	Manufacturing and trading/Service/Agriculture	100	100
BAC	Agriculture	100	100
NC	Agriculture	100	100
AC	Agriculture	100	100*
BRC	Real estate holding/Hotel operations	100	100
MCPI	Power plant operations	49	49
PTCHC	Holdings	100	100
HLPC	Power plant operations	100	100
PBI	Power plant operations	100	–

*- AC was a direct subsidiary of ABERDI as of December 31, 2013.

All of the above subsidiaries were incorporated in the Philippines.

• ABERDI obtained control in the ownership of AC, BAC and NC. AC and BAC are still in their development stages. NC started its commercial operations as of March 1, 2007. Prior to 2013, NC manages the palm oil nursery and plantation operations. The separate financial statements of these companies are included in the consolidated financial statements as of December 31, 2014 and 2013.

On August 30, 2012, the Philippine Securities and Exchange Commission (SEC) approved the Articles and Plan of Merger of the ABERDI and NC which was approved by their BOD, in their meeting on March 6, 2012. However, on July 31, 2012, before the SEC approved ABERDI's Articles and Plan of Merger which was filed on July 12, 2012, the BOD and the stockholders of NC approved and ratified the subscription by the ABERDI to the 750,000 unsubscribed shares of NC at ₱1 per share with ₱50 million as additional paid-in capital. The BOD and the stockholders of NC also approved the filing with SEC of the amended Articles and Plan of Merger reflecting the new capital structure of NC and specifying the effectivity date of the revised merger to be the first day of the subsequent month following the SEC approval.

On February 19, 2013, the BOD of NC approved the filing of the amended Articles and Plan of Merger using the 2012 audited Financial Statements. The amended articles and plan was filed with the SEC on July 24, 2013 to amend certain provisions on the articles and plan of merger as follows:

1. Issuance of the ABERDI shares to NC shareholders in exchange of the net assets of the latter as result of the merger.
2. Specify the effectivity date of the merger which will be the first day of the month succeeding the month of approval of the merger by the SEC.

On February 11, 2015, SEC denied the petition to amend plan of merger. NC and ABERDI's management intend to file a request for reconsideration to approve the petition. As of March 19, 2015, the request for reconsideration has not been filed with SEC yet.

In December 2014, the Parent Company bought AC from ABERDI to undertake its socialized housing projects. As of March 19, 2015, AC has not yet started its commercial operations. Its primary purpose as amended is to engage in the business of agriculture. On March 13, 2015, AC filed an application with the SEC to amend its primary purpose in the Articles of Incorporation from engaging business in agriculture to socialized housing property development. As of March 19, 2015, the SEC has not yet approved the application.

In January 2015, the Parent Company sold its 100% equity interest in BRC for ₱23.7 million to Angelus Agri Corporation, an affiliate.

In 2007, the Parent Company invested ₱4.9 million in MCPI representing 49% equity holdings. However, control over the operating and financial policies of MCPI is exercised by the Parent Company through its representations in the BOD. Accordingly, MCPI qualifies as a subsidiary of the Parent Company. The financial statements of MCPI as of and for each years ended December 31, 2014 and 2013 are included in the consolidated financial statements.

The BOD in their meeting on February 6, 2009, unanimously decided to wind up the affairs of MCPI, cease any and all of its operations; and close its business. Pursuant to the same, MCPI shall do all acts legally that are necessary and required. However, on October 29, 2009, the BOD resolved the revocation of its previous resolution to dissolve MCPI and any act pursuant to the dissolution.

In 2010, the Parent Company subscribed 2,850,000 shares and 3,000,000 shares of PTCHC and Panay Consolidated Land Holdings Corporation (PCLHC), respectively, at par value. The investment represents 95% and 100% equity holdings of PTCHC and PCLCH, respectively. PTCHC and PCLHC are newly organized companies in 2010.

On December 8, 2010, PTCHC acquired 100% of equity holdings of Palm Concepcion Power Corporation (PCPC), formerly DMCI Concepcion Power Corporation. DMCI Power Corporation, PCPC's former parent company, transferred and conveyed to PTCHC all of the rights, title and interest in and to the shares of stock of PCPC. The acquisition cost is higher than the fair value of the identifiable net assets of the acquired subsidiary. Accordingly, goodwill of ₱21,472,567 is recognized in the 2010 consolidated statements of financial position. In 2011, additional acquisition cost amounting to ₱1,199,375 was capitalized as investment in subsidiaries which resulted to additional goodwill of the same amount. In 2012, when the Group's equity interest in PCPC was reduced to 30%, the entire goodwill was derecognized.

On January 12, 2011, the Parent Company and HLPC entered to a deed of subscription, which increased HLPC's authorized share capital from 10,000 to 160,000 shares with par value of one hundred pesos (₱100) per share. Out of the 150,000 increase in authorized shares of HLPC, the Parent Company subscribed an aggregate share of 37,500 common shares which represents ninety three and seventy five percent (93.75%) of the resulting total issued and subscribed share capital of 40,000 shares. Accordingly, goodwill of ₱250,000 is recognized in the 2011 consolidated statements of financial position. In December 2011, a deed of assignment was entered into by the Parent Company and HLPC's stockholder, assigning the remaining six and twenty five percent (6.25%) shares of HLPC to the Parent Company.

In September 2012, the Parent Company, together with its subsidiaries, PTCHC, Palm Concepcion Power Corporation (PCPC) and PCLHC, has signed a Shareholders' Agreement with AC Energy Holdings, Inc. (ACEHI) and Jin Navitas Resource, Inc. (JNRI) to implement the Memorandum of Agreement between the parties to build power generation plant in the Province of Iloilo.

In relation to the above agreements, the Parent Company transferred all of its equity interest in PCLHC to PTCHC. Likewise, PTCHC, ACEHI and JNRI subscribed on the remaining unissued authorized share capital of PCLHC and PCPC. The subscription of ACEHI and JNRI to PCLHC and PCPC reduced the Parent Company's holdings, through PTCHC, to 30%.

In May 2013, ACEHI sold all its interest in PCPC and PCLHC to focus its investing power to its existing power projects imminent in its development pipeline. In light of this event, PTCHC had taken the opportunity to acquire the entire stake of ACEHI bringing its interest to 70% on both entities.

Later before the end of the year, Oriental Knight Limited (OKL) bought out and subscribed to the 30.46% equity interest of PCPC from the PTCHC. Additional shares were subscribed by the PTCHC bringing its equity interest to 39.54%. On the other hand, the PTCHC's interest in PCLHC as of December 31, 2013 remained at 70%. On December 11, 2013, the BOD and shareholders of PCLHC and PCPC approved the merger of the two entities, with PCPC as the surviving entity. As of December 31, 2013, PTCHC still holds sufficient interest in PCPC for it to be able to exercise significant influence. PTCHC's interest in PCLHC was presented under the investment in associate account as a result of the merger application as of December 31, 2013. During the third quarter of 2014, the SEC approved the Plan of Merger of PCPC and PCLHC as well as the increase in authorized capital stock of PCPC (see Note 12).

In July 2014, the Parent Company caused the incorporation of PBI with the primary purpose of acquiring, developing, constructing, investing in, and operating power generating plants in Bukidnon and engaging in the business of a generation company in accordance with Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001 (the "EPIRA").

3. Changes in Accounting Policies

The accounting policies adopted by the Group are consistent with those of the previous financial years except for the following amended PFRS, amended PAS and interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) which became effective in 2014:

• Amendments to PFRS 10, "Consolidated Financial Statements", PFRS 11, "Joint Arrangements" and PAS 27, "Separate Financial Statements": Investment Entities

The 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 (FVPL).

The amendments have no impact on the Group since it does not qualify as investment entities within the scope of this amendment.

• Amendment to PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

The amendments have no impact on the Group's financial position or performance since it has no financial assets and liabilities that are offset.

• Amendments to PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets

The amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

The amendments require additional disclosure only and have no impact on the Group's financial statements.

• Amendments to PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting

The amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

The amendments have no impact to the Group's financial statements since it has no derivatives nor has applied hedge accounting to its accounts.

• Philippine Interpretation IFRIC 21, "Levies"

The interpretation 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 triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

The interpretation does not have a material financial impact on the Group's financial statements.

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

The standards, amendments, annual improvements and interpretations which have issued but are not yet effective are discussed below and in the subsequent pages. The Group will adopt these standards, amendments and annual improvements and interpretations when these become effective and applicable to the Group. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards, annual improvements and interpretations to have a significant impact on its financial statements.

Effective in 2015

• Amendments to PAS 19, "Employee Benefits - Defined Benefit Plans: Employee Contributions"

The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the re-measurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments will not have any significant impact on the financial statements of the Group.

• PFRS 9, Financial Instruments: Classification and Measurement

PFRS 9 reflects the first phase on the replacement of PAS 39, Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The Group will quantify the effect, if any, in conjunction with other phases, when issued, to present a comprehensive picture.

Annual Improvements to PFRS (2010 to 2012 cycle)

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

• PFRS 2, "Share-based Payment - Definition of Vesting Condition"

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

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

The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32, Contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted).

The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations, if any.

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

The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments are not relevant to the Group since it is not one of the entities required to adopt PFRS 8.

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

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

• PAS 16, "Property, Plant and Equipment: Revaluation Method - Proportionate Restatement of Accumulated Depreciation"

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

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

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

• PAS 24, "Related Party Disclosures - Key Management Personnel"

The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.

The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments will affect disclosures only and will have no impact on the Group's financial position or performance.

• PAS 38, "Intangible Assets: Revaluation Method - Proportionate Restatement of Accumulated Amortization"

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

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

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

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

Annual Improvements to PFRS (2011 to 2013 cycle)

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

• PFRS 1, "First-time Adoption of Philippine Financial Reporting Standards - Meaning of Effective PFRS"

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

• PFRS 3, "Business Combinations - Scope Exceptions for Joint Arrangements"

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

• PFRS 13, "Fair Value Measurement - Portfolio Exception"

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

• PAS 40, "Investment Property"

The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will not have a significant impact on the Group's financial statements.

Effective in 2018

• PFRS 9, "Financial Instruments: Classification 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 OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For liabilities designated as at FVPL using the FVO, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI.

The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Parent Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

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

Deferred

• Philippine Interpretation IFRIC 15, "Agreements for the Construction of Real Estate"

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine SEC and the Financial Reporting Standards Council (FRSC) have deferred the affectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Management will continuously assess the impact of this interpretation. Currently, management believes that the adoption of the interpretation will not have a significant impact on the Group's financial statements.

The Group will continue to assess the relevance and impact of the above standards, amendments to standards and interpretations. The revised disclosures on the financial statements required by the above standards and interpretations will be included in the Group's financial statements when these are adopted.

4. Summary of Significant Accounting and Financial Reporting Policies

The principal accounting and financial reporting policies adopted in preparing the financial statements of the Group are summarized below and in the succeeding pages. The policies have been consistently applied to all years presented unless otherwise stated.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transactions will flow to the Group and the amount of revenue, related cost incurred or to be incurred/cost to complete the transactions can be measured reliably. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. Revenue is measured at the fair value of the consideration received or receivable taking into account any trade discounts, prompt settlement of discounts and volume rebates allowed by the Group, if any. Revenue recognized excludes any value added taxes. The following specific recognition criteria must also be met before revenue is recognized:

• Sale of real estate

Sale of real estate is recognized in full provided the profit is determinable, and the earning process is virtually complete. Specifically, revenue recognition is applied to sale if construction development is almost complete, sufficient cumulative down payment has been received, and that collectability of sales price is reasonably assured.

The percentage of completion method is used to recognize revenue from sales of projects where the Group has material obligations 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.

Pending recognition of sale when conditions for recording a sale are not met, cash received from buyers are presented under "Deposit from customers" in the liability section of the consolidated statements of financial position. Any excess of collections over the recognized receivables are also included in the said account.

• *Sale of goods* (e.g. crude palm oil, agricultural produce, food and beverage items). Revenue is recognized upon delivery or shipment of goods to customers. Cash received from the Group's customers for sales that do not meet the revenue recognition criteria (i.e., transfer of risk and rewards to customers through actual delivery of inventories) as at reporting date are included in "Deposit from customers". These customers' deposits will be applied against future deliveries of inventories which are generally completed within the next twelve months.

• *Water service income.* Revenue is recognized when services are rendered and normally when billed.

• *Hotel operations.* Revenue is recognized when the services are rendered and when goods are delivered to the buyer.

• *Interest income.* Interest income is recognized as the interest accrues, taking into account the effective yield on the asset. Interest income from bank deposits is recognized on a time proportion basis on the principal outstanding and at the rate applicable.

• *Rental income.* Rental income on leased properties arising from operating leases or investment properties is accounted for on a straight-line basis over the lease term.

• *Dividend income.* Dividend income is recognized when the shareholders' right to receive payment is established.

• *Realized gains and losses.* Realized gains and losses are recognized when the sale transaction occurs.

• *Other income.* Revenue is recognized as other income accrues.

• Other services. Revenue is recognized the extent of services rendered.

Cost and Expense Recognition

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

Costs of sales of goods are recognized when goods are sold upon delivery to buyers. Cost of service, operating and other expenses which include expenses related to administering and operating the business and are expensed upon utilization of the service or at the date they are incurred. Interest and similar expenses are reported on accrual basis.

VAT

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

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Prepayments and other current assets" or "Accounts payable and accrued expenses" in the Statement of financial position.

Pre-operating Expenses

Pre-operating expenses are expensed as incurred.

Fair Value Measurement

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

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

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

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

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

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

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

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

Cash and cash equivalents

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

Financial Assets and Liabilities

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

Initial recognition
Financial assets and financial liabilities are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by preference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction costs.

Determination of fair value
Fair value is determined by preference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value model where the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for a similar instruments with similar maturities. Other valuation techniques include comparing to similar instruments for which market observable prices exist; recent arm's length market transaction; option pricing model and other relevant valuation models.

Financial Assets

The Group determines the classification at initial recognition and, where allowance is appropriate, re-evaluates this designation every reporting date. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Subsequent to initial recognition, the Group classifies its financial assets in the following categories:

• Financial asset at fair value through profit or loss (FVPL)

A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the near term or upon initial recognition, it is designated by the management as at FVPL. Derivatives are also categorized as held at fair value through profit or loss, except those derivatives designated as effective hedging instruments. Assets classified in this category are carried at fair value in the consolidated statements of financial position. Changes in the fair value of such assets are accounted for in consolidated statements of income. Financial instruments held at fair value through profit or loss are classified as current if they are expected to be realized within 12 months from the end of financial reporting period.

As of December 31, 2014 and 2013, the Group has no financial asset at FVPL.

• Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables.

Such assets are carried initially at cost and at amortized cost subsequent to initial recognition in the consolidated statements of financial position. Amortization is determined using the effective interest method. Loans and receivables are included in current assets if maturity is within 12 months from the end of financial reporting period. Otherwise, these are classified as non-current assets. The Group's cash and cash equivalents, accounts receivable, notes receivable and refundable deposits under noncurrent assets are included in this category (see Notes 6, 7, 8, 10, 20 and 31).

• Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at cost or amortized cost in the consolidated statements of financial position. Amortization is determined by using the effective interest method. Assets under this category are classified as current assets if maturity is within 12 months from the end of financial reporting period and as non-current assets if maturity is more than a year from the end of financial reporting period.

As of December 31, 2014 and 2013, the Group has no held-to-maturity investments.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognized as separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated statements of income.

The fair value of investments that are actively traded in organized financial market is determined by reference to quoted market bid prices at the close of business on the end of financial reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include reference to recent arm's length market transaction, reference to the current market value of another instrument which is substantially the same, discounted cash flows analysis and option pricing models.

The Group's investment in shares of stocks in golf, sports and country clubs, listed and non-listed companies are included in this category (see Note 11).

Financial Liabilities

• Financial liability at FVPL

Financial liabilities are classified in this category if these result from trading activities or derivatives transaction that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category. As of December 31, 2014 and 2013, the Group has no financial liabilities at FVPL.

• Other financial liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g. payables excluding statutory regulated payables, accruals) or borrowing (e.g., long-term debt).

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

The Group's accounts payable and accrued expenses, short-term and long-term debt, and subscription payable are included in this category (see Notes 11, 12, 18, and 19).

Impairment of Financial Assets

The Group assesses at each end of financial reporting period whether 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 effective interest rate (i.e., the effective interest rate 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 Group's consolidated statements 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 a group of financial assets with similar credit risk characteristics and that group of financial asset is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss 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 statements of income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

• Assets carried at cost.

If there is objective evidence that an impairment loss has been incurred in an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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 discounted at the current market rate of return for a similar financial asset.

• Available-for-Sale Financial Assets.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated statement of income, is transferred from consolidated equity to the consolidated statement of income. Reversals in respect of equity instruments classified as available-for-sale financial assets are not recognized in the consolidated statement of income.

For available-for-sale financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income, is removed from consolidated equity and recognized in the consolidated statement of income.

Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognized directly in consolidated equity.

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset is derecognized when (1) the rights to receive cash flows from the financial instruments expire, (2) 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 (3) the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows of an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of an asset nor transferred control of the assets, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where the 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 consolidated statements of income.

Classification of Financial Instrument between Debt and Equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest relating to a financial instrument or a component that is a financial liability is reported as expenses.

A financial instrument is classified as debt if it provides for a contractual obligation to: (a) deliver cash or another financial asset to another entity; or (b) exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or (c) satisfy the obligation other than by exchange of a fixed amount of cash or other financial asset for a fixed number of own equity shares.

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

Offsetting Financial Instruments

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

Advances to Contractors and Suppliers

Advances to contractors and suppliers represent amounts paid in advance for goods or services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or within 12 months from the financial reporting date. These are initially recorded at actual cash advanced and are subsequently applied against subsequent purchases. Advances to contractors and suppliers are stated at realizable value.

Advances to Employees

Advances to employees for business expenses that are yet to be received such as purchases of goods and services subject to liquidation are recognized at the actual cash amount advanced to employees, less any impairment. These are subsequently applied to the related assets, costs or expenses incurred.

Real Estate Held for Sale and Land and Improvements

Real estate held for sale, and land and improvements consisting of properties held for future development are valued at the lower of cost and net realizable value (NRV). Cost includes the acquisition cost of the land plus all costs incurred directly attributable to the development and improvement of the properties.

NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Transfers to or from real estate held for sale, or land improvements are measured at the carrying values of the assets transferred.

Inventories

Finished goods are valued at the lower of cost and net realizable value. Costs incurred in bringing inventory to its present conditions are accounted for as follows:

- Finished goods and goods in process – cost includes direct materials and labor and proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs. Cost is determined by the moving average method.

- Materials and supplies – at cost using the first-in-first out method.

Provision for inventory losses is established for estimated losses on inventories which are determined based on specific identification of slow-moving, damaged and obsolete inventories and charged to operations.

Prepayments and Other Current Assets

Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account comprises the following:

- Input Tax. Input tax is recognized when an entity in the Group purchases goods or services from a Value Added Tax (VAT)-registered supplier. This account is offset, on a per entity basis, against any output tax previously recognized. Input tax is stated at its realizable value.

- Prepaid Expenses. Prepaid expenses are apportioned over the period covered by the payment and charged to the appropriate account in the Group statements of income when incurred. Prepaid expenses are stated at its realizable value.

- Creditable Withholding Tax. Creditable withholding tax is recognized for income taxes withheld by customers. The balance as of end of each reporting period represents the unutilized amount after deducting any income tax payable. Creditable withholding tax is stated at its realizable value.

Deferred Input VAT

Deferred input VAT represents portion of input VAT incurred and paid in connection with purchase of capital assets in excess of ₱ 1 million per month. As provided by Republic Act No. 9337 which is implemented by Revenue Regulation 4-2007, said portion of the input VAT shall be deferred and depreciated over the shorter of the expected useful lives of said capital asset or five years. Deferred Input VAT is stated at its realizable value.

Prepayments and other assets that are expected to be realized for no more than 12 months after the reporting period are classified as current asset. Otherwise, these are classified as other noncurrent asset.

Investment in an Associate

Investment in shares of stock where the Group holds 20% or more ownership, or where it has the ability to significantly influence the investee company's operating activities is accounted for under the equity method.

Under the equity method, the cost of the investment is increased or decreased by the Group's equity in net earnings or losses of the investee company since the date of acquisition.

Any excess of the cost of acquisition over the Group's share in the fair value of the identifiable net assets of the associate at date of acquisition is recognized as goodwill. Any excess of the fair value of the identifiable assets, liabilities and contingent liabilities and assets of the investee company over cost is included in the determination of the Group's share of the profit or loss in the period in which the investment is acquired.

Under the equity method, investment in shares of stock is carried at cost adjusted by post-acquisition changes in the Group's share of the net assets of the investee. The Group's share in the investee's post-acquisition profits or losses is recognized in the statements of income, and its share of post-acquisition movements in reserves is recognized in reserves, if any.

The cumulative post-acquisition movements are adjusted against the carrying amount of investment. The carrying value is also decreased for any cash or property dividends received.

Investment Properties

Investment properties consist of properties held to earn rental income, for capital appreciation or both. These are initially recorded at cost, including transaction cost.

The carrying amount includes the cost of replacing part of an existing property at the time the cost are incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of investment properties. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and any impairment in value.

Depreciation and amortization are computed on a straight-line method over estimated useful lives ranging from 2 to 20 years. The useful lives and depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from the use of the properties for lease.

Investment properties are derecognized when these are disposed of or when the investment property is permanently withdrawn from use and there is no future economic benefit expected to arise from the continued use of the properties. Any gain or loss on the retirement or disposal of said properties are recognized in the consolidated statements of income in the year of retirement or disposal.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by: (a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property; (b) commencement of development with a view to sale, for a transfer from investment property to inventories; (c) end of owner occupation, for a transfer from owner-occupied property to investment property; or, (d) commencement of an operating lease to another party, for a transfer from inventories to investment property.

Transfers to or from investment properties are measured at the carrying value of the assets transferred.

Where the Group has transferred its rights to receive cash flows of an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of an asset nor transferred control of the assets, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where the 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 consolidated statements of income.

Classification of Financial Instrument between Debt and Equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest relating to a financial instrument or a component that is a financial liability is reported as expenses.

A financial instrument is classified as debt if it provides for a contractual obligation to: (a) deliver cash or another financial asset to another entity; or (b) exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or (c) satisfy the obligation other than by exchange of a fixed amount of cash or other financial asset for a fixed number of own equity shares.

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

Offsetting Financial Instruments

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

Advances to Contractors and Suppliers

Advances to contractors and suppliers represent amounts paid in advance for goods or services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or within 12 months from the financial reporting date. These are initially recorded at actual cash advanced and are subsequently applied against subsequent purchases. Advances to contractors and suppliers are stated at realizable value.

Advances to Employees

Advances to employees for business expenses that are yet to be received such as purchases of goods and services subject to liquidation are recognized at the actual cash amount advanced to employees, less any impairment. These are subsequently applied to the related assets, costs or expenses incurred.

Real Estate Held for Sale and Land and Improvements

Real estate held for sale, and land and improvements consisting of properties held for future development are valued at the lower of cost and net realizable value (NRV). Cost includes the acquisition cost of the land plus all costs incurred directly attributable to the development and improvement of the properties.

NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Transfers to or from real estate held for sale, or land improvements are measured at the carrying values of the assets transferred.

Inventories

Finished goods are valued at the lower of cost and net realizable value. Costs incurred in bringing inventory to its present conditions are accounted for as follows:

- Finished goods and goods in process – cost includes direct materials and labor and proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs. Cost is determined by the moving average method.

- Materials and supplies – at cost using the first-in-first out method.

Provision for inventory losses is established for estimated losses on inventories which are determined based on specific identification of slow-moving, damaged and obsolete inventories and charged to operations.

Goodwill

Goodwill arising from the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently, if changes in circumstances indicate that the carrying value may be impaired. An impairment loss is recognized for goodwill is not reversed in a subsequent period. Negative goodwill, which is the excess of net fair value of subsidiaries' identifiable assets, liabilities and contingent liabilities over the cost of the business combination, is immediately recognized as income.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments and Deposits

This account which represents amount paid for deposits for future stock subscriptions of the capital stock of investee companies is stated at cost (actual amount of cash paid) less any impairment.

Impairment of Non-financial Assets

The carrying values of nonfinancial assets such as prepayments and other current assets, investment properties, property and equipment, biological assets carried at cost, leasehold rights and investments and deposits are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of net selling price or value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is charged to operations in the period in which it arises unless the asset is carried at a revalued amount in which case the impairment is charged to the revaluation increment of the said asset.

An assessment is made at each end of financial reporting period to determine whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Employee Benefits

Short-Term Benefits

Short-term employee benefits are recognized as expense in the period when the economic benefits are given. Unpaid benefits at end of the accounting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments. Short-term employee benefits given by the Company includes salaries and wages, life and health insurances, social security system contributions, short-term compensated absences, bonuses and other non-monetary benefits.

Retirement Benefit Costs

Pension asset or liability, as presented in the statement of financial position, 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, adjusted for the 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 plan is actuarially determined using the projected unit credit method. The retirement benefit costs comprise of the service cost, net interest on the net defined benefit liability or asset and 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 independent qualified actuaries.

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

Remeasurements comprising actuarial gains and losses, difference between return on plan assets and interest income (calculated as part of the net interest) and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income (loss) in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The 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). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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 Benefits

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.

Operating Lease

Group as a lessee

Leases of assets under which the lessor effectively retains all the risks and reward of ownership are classified as operating lease. Operating lease payments are recognized as expense in the consolidated statements of income on a straight-line basis over the lease term. Associated costs such as repairs and maintenance and business taxes are expensed when incurred.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of the ownership of the assets are classified as operating leases. Operating lease receipts are recognized in the consolidated statements of income on a straight-line basis over the lease term.

Borrowing Cost

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset while the asset, which includes intangibles and property and equipment, is being constructed are capitalized as part of the cost of that asset. Capitalization of borrowing cost should commence when: (i) expenditures for the asset and borrowing costs are being incurred; and (ii) activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when the asset is substantially ready for its intended use or sale. If active development is interrupted for an extended period, capitalization is suspended. When construction occurs piecemeal and use of each part is possible as construction continues, capitalization of each part ceases upon substantial completion of that part. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used. All other borrowing costs are expensed as incurred.

Foreign Currency Transactions

The consolidated financial statements are presented in Philippine Pesos, which is the Group's functional and presentation currency. Items included in the consolidated financial statements of each entity are measured using the functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange as of the financial reporting date. Gains or losses arising from these transactions and translations are recognized in the consolidated statements of income. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Income Tax

Income taxes represent the sum of the tax currently due and deferred tax.

The tax currently due is based on taxable income for the year. Taxable income differs from income as reported in the consolidated statements of income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted at the end of financial reporting period.

Deferred tax is provided, using the liability method. Deferred tax assets and liabilities are recognized for future tax consequence attributable to differences between the financial reporting bases of assets and liabilities and their related tax bases. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) and carryforward benefit of unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets and liabilities are measured using the tax rate that is expected to apply to the period when the asset is realized or the liability is settled.

The carrying amount of deferred tax assets is reviewed at each end of financial reporting period 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 income tax assets to be utilized.

Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the company and its related parties, regardless whether a price is charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) and, individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

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

Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of 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 passage of time is recognized as a financial expense.

Deposit for Future Stock Subscription

Deposit for future stock subscriptions which are received in view of call for future subscriptions are stated at actual amount of cash received.

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. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefit is probable.

Equity

Share capital is determined using the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the initial issuance of share capital. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Net unrealized gain on available-for-sale investments accounts for the excess of the fair value over the carrying amounts of these investments. When fluctuation is deemed permanent, the gain or loss resulting from such fluctuation will be reversed and charged to consolidated statements of income in the year that the permanent fluctuation is determined.

Remeasurement gains and losses on retirement benefits are recognized immediately in other comprehensive income (loss) in equity in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Treasury shares are stated at the cost of reacquiring such shares.

Retained earnings include all current and prior period results as disclosed in the consolidated statements of income.

Non-controlling Interests

Non-controlling interest represents the interest in a subsidiary, which is not owned, directly or indirectly through subsidiaries, by the Group. If losses applicable to the minority interest in a subsidiary exceed the minority interest's equity in the subsidiary, the excess, and any further losses applicable to the minority interest, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses.

If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority interest's share of losses previously absorbed by the majority interest has been recovered.

Earnings per Share (EPS)

Basic earnings per share is determined by dividing net profit for the year by weighted average number of common shares outstanding during the year (after retroactive adjustment for any stock dividends declared in the current year).

Diluted EPS is computed by dividing net profit for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares.

In determining both the basic and diluted earnings per share, the effect of stock dividends, if any, is accounted for retroactively.

Segment Reporting

For management purposes, the Group is organized into six (6) major operating businesses which comprise the bases on which the Group reports its primary segment information. Financial information on business segments is presented in Note 35. The Group has no geographical segments as all of the companies primarily operate in the Philippines only.

Segment revenue, expenses and performance include transfers between business segments. The transfers are accounted for at competitive market prices charged to unaffiliated customers for similar products and services. The measurement policies the Group used for segment reporting are the same as those used in the consolidated financial statements. There have been no changes from prior periods in the measurement methods used to determine profit and loss. No asymmetrical allocations have been applied between segments.

Inter-segment assets, liabilities, revenue, expenses and results are eliminated in the consolidated financial statements.

Events After End of Financial Reporting Period

Post year-end events that provide additional information about the Group's position at the end of financial reporting period, if any, are reflected in the consolidated financial statements. However, post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of date of the consolidated financial statements. Actual results could differ from such estimates, and such estimates will be adjusted accordingly.

The following is a summary of these significant estimates and judgments and the related impact and associated risks on the consolidated financial statements.

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 Control

The Parent Company determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the equity. The Parent Company controls an entity if and only if the Parent Company has all of the following:

- Power over the entity;
- Exposure, or rights, to variable returns from its involvement with the entity; and,
- The ability to use its power over the entity to affect the amount of the Parent Company's returns.

The Parent Company regularly reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

• Real Estate Revenue and Cost Recognition

In determining whether economic benefits will flow to the Group and the revenue can be reliably measured, the Group assesses certain judgments based on buyers' commitment on sale which may be ascertained through the significance of the buyer's initial down payment, and stage of completion of the project development.

Total costs of property development are based on cost estimates made by the Group's technical personnel made in concurrence with management. These estimated costs are reviewed at least annually and are updated if expectations differ from previous estimates. Changes are mainly due to adjustments in development plan, materials and labor prices.

Also, the Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from real estate sales are recognized based on the percentage-of-completion and the completion rate is 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 projects. Revenue and costs from sale of real estate are shown in Notes 22 and 25, respectively.

• Determination of Fair Value of Financial Instruments

The Group carries certain financial instruments at fair value or discloses the fair values of its financial instruments, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect income and loss and equity.

The summary of the carrying values and fair values of the Group's financial instruments as of December 31, 2014 and 2013 is shown in Note 31.

• Classification of Financial Instruments

The Group classifies a financial instrument, or its component parts, on initial recognition financial liability or an equity instrument in accordance with the substance of the contractual definitions of a financial asset, a financial liability or an equity instrument. The substance rather than its legal form, governs its classification in the consolidated statements of financial position.

• Classification of Leases

The Group has entered into various lease agreements as either a lessor or a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Currently, all of the Group's lease agreements are determined to be operating leases.

Rental expense and income for 2014 and 2013 are shown in Notes 26 and 28.

• Distinction Between Investment Property and Owner-Occupied Property

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

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

• Operating Lease Commitments – Company as a Lessor

The Company has entered into various lease agreements as a lessor. The Company has determined, based on an evaluation of the terms and conditions of the arrangements that it retains all the significant risks and rewards of ownership of the properties and, thus, accounts for the contracts as operating leases.

• Operating Lease Commitments – Company as a Lessee

The Company has entered into various lease agreements as a lessee. Management has determined that all the significant risk and benefits of ownership of the properties, which the Company leases under operating lease arrangements, remain with the lessor. Accordingly, the leases were accounted for as operating leases.

• Determination of Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the sale of real properties, services, and investments and the costs of providing the services and of the sold investments.

• Measurement of Refundable Deposits

The fair value of refundable deposits under noncurrent assets which significantly include utility deposits are not readily determinable nor reliably measured because the actual timing of receipt is linked to the cessation of the service of the utility or service entities to the Group which cannot be reasonably predicted. Accordingly, the refundable deposits are carried at cost less any impairment. The carrying value of refundable deposits shown under noncurrent assets amounted to ₱8,999,549 and ₱8,556,532 as of December 31, 2014 and 2013, respectively.

Estimates

The key assumptions concerning the future and other key sources of estimation at the reporting date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

• Estimation of Allowances for Doubtful Accounts

Recoverability of specific receivables including amounts due from related parties is evaluated based on the best available facts and circumstances, the length of the Group's relationship with its debtors, the debtors' payment behavior and known market factors. These specific reserves are reevaluated and adjusted as additional information received affects the amount estimated to be uncollectible. Any increase in allowance would increase operating expenses and decrease related accounts. The Group's allowance for doubtful accounts amounted to ₱1,364,796 and ₱595,117 as of December 31, 2014 and 2013, respectively (see Note 7). The carrying values of accounts receivables and notes receivable as of December 31, 2014 and 2013 are shown in Notes 7 and 8, respectively.

• Estimation of Impairment of Financial Assets

The computation for the impairment of available-for-sale financial assets requires an estimation of the present value of the expected future cash flows and the selection of an appropriate discount rate. An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment and estimates. In making this judgment, the Group evaluates the financial health of the issuer, among others. In the case of available-for-sale equity instruments, the Group expands its analysis to consider changes in the issuer's industry and sector performance, legal and regulatory framework, changes in technology, and other factors that affect the recoverability of the Group's investments. In the case of refundable utility deposits, the Group considers the utility service companies' ability to continuously provide the services. Any increase in impairment on financial assets would increase operating expenses and decrease the related accounts.

The carrying values of available-for-sale investments amounted to ₱626.5 million and ₱914.3 million as of December 31, 2014 and 2013, respectively (see Note 11).

• Estimation of Useful Lives of Certain Assets

The Group estimates the useful lives of investment properties, property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by any changes in factors mentioned. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of investment properties, property and equipment and intangible assets would increase recorded operating expenses and decrease the related noncurrent assets. There were no significant changes on the estimated useful lives of the abovementioned assets.

The carrying values of the Group's depreciable investment properties, property and equipment, and leasehold rights as of December 31, 2014 and 2013 are shown in Notes 13, 14 and 17, respectively.

As of December 31, 2014 and 2013, the Group's property and equipment have no residual values.

• Estimation of Net Realizable Value of Real Estate Held for Sale, Inventories and Land and Improvements

In determining the net selling prices of real estate held for sale and other inventories, and land and improvements, management takes into account the most reliable evidence of fair value available at the time the estimates are made. The net realizable value is calculated in an effort to prevent the Group from under or over estimating the value of such assets. The Group adjusts the cost of the assets to the recoverable value at a level considered adequate to reflect obsolescence or decline in value of the recorded amounts, if any. Provision for obsolescence or decline in value is established based on the evaluation of age and movement of inventories, and current selling prices of real estate held for sale and land and improvements. Any increase in provision for decline in value or obsolescence would increase recorded expenses and decrease the related assets.

As of December 31, 2014 and 2013, the carrying values of real estate held for sale, inventories and land and improvements are shown in Notes 9, 10 and 15, respectively.

• Estimation of Impairment and Recoverable Values of Non-financial Assets

The Group reviews prepayment and other current assets, investment properties, property and equipment, biological assets and leasehold rights, investment and deposits for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, plans in the real estate projects, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the net selling price and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect land and improvements, investment properties, property and equipment, biological assets and other assets.

The Group's allowance for impairment loss pertaining to an investment property amounted to ₱17 million and ₱15 million as of December 31, 2014 and 2013, respectively (see Note 13). Provision for impairment loss recognized in the consolidated statements of income amounted to ₱ 1.5 million in 2014 and 2013. As of December 31, 2014 and 2013, the recoverable values of the Group's nonfinancial assets approximate their carrying values.

The carrying amounts of investment properties, property and equipment, biological assets and leasehold rights are disclosed in Notes 13, 14, 16 and 17, respectively.

• Estimation of Pension and Other Retirement Benefits

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

The assumptions for obligations and cost of retirement benefits are described in Note 27, and include among others, discount rates and rates of compensation increase. In accordance with PFRS, actual results that differ from our assumptions generally affect the Group's recognized expense and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the Group's pension and other retirement obligations. Any changes in assumptions would increase or decrease the net retirement liability and the amount recognized in total comprehensive account.

Retirement liability amounted to ₱26.6 million and ₱18.8 million as of December 31, 2014 and 2013, respectively (see Note 27).

• Estimation of Deferred Income Tax Assets and Deferred Tax Liabilities

Significant judgment is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group's deferred income tax assets amounted to ₱51 million and ₱56 million as of December 31, 2014 and 2013, respectively (see Note 29). The Group's deferred tax liabilities amounted to ₱84 million and ₱85 million as of December 31, 2014 and 2013, respectively (see Note 29).

• Estimation of Provisions for Contingencies

The Group is a party to certain lawsuits involving recoveries of sum of money arising from the ordinary course of business.

The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. These are recognized in the books only when the claims are finally settled or when judgment is rendered. Any increase in provision would increase operating expenses and liabilities.

There is no provision for probable losses recognized in the consolidated financial statements in 2014 and 2013.

• Estimation of Production and Amortization of Biological Assets

The total estimated production of the Group's biological assets is based on the expected crop yield over its expected lifespan which is patterned on the scientific studies conducted on neighboring countries wherein similar biological assets are also grown. Unit-of-harvest method is used in determining the periodic amortization over the estimated yield of the crops over its life span. Any decrease in estimated production would increase the amortization per unit and decrease related assets.

As of December 31, 2014 and 2013, the net carrying value of the Group's biological assets amounted to ₱335 million and ₱ 302 million, respectively (see Note 16).

• Estimation of the Number of Years of Various Stages of Life of Biological Assets

Management estimates the number of years of the various stages of the life of biological assets (i.e., planting, growing, productive/fruiting, harvesting and commercially fruiting stages) based on certain factors including the elevation and climate conditions of the plantation area.

In 2014, management has assessed that the reasonable growing stage in years of biological assets in certain plantation area is longer compared to that of other areas. The longer growing stage is due to the high elevation and colder climate condition of such area.

(AMOUNTS IN PHILIPPINE PESOS)

6. Cash and Cash Equivalents

This account consists of:

	2014	2013
Cash on hand	₱950,258	₱889,386
Cash in banks	92,004,617	91,676,995
Cash equivalents	90,187	38,558,009
	₱93,045,062	₱131,124,390

Cash in banks pertain to savings and current account that generally earned interest based on prevailing respective bank deposit rates of approximately less than 1% per annum in 2014, 2013, and 2012.

The Group's cash in banks include dollar denominated accounts with Peso equivalent amounting to ₱3,903,439 and ₱726,671 as of December 31, 2014 and 2013, respectively. The Group's foreign currency denominated cash account is translated to Peso equivalents using an exchange rate of ₱44.617/$1.00 and ₱41.414/$1.00 as of December 31, 2014 and 2013, respectively.

In 2013, the Parent Company established and opened a project deposit account with the Development Bank of the Philippines for the purpose of complying with the requirements of Republic Act No. 7279, otherwise known as the "Urban Development and Housing Act of 1992" relative to the Parent Company's socialized housing at West Highland Subdivision Project located in Butuan, Agusan Del Norte.

As of December 31, 2014 and 2013, total cash in bank set-aside as project deposit account amounted to ₱0.1 million and ₱14.2 million, respectively.

Cash equivalents include short-term money market placements placed by the Group in a local bank. These have a maturity of less than 90 days with an interest of 1.05% to 3.6% per annum. Financial income recognized in the consolidated statements of income on cash in banks and cash equivalents amounted to ₱245,492 in 2014, ₱8,095,676 in 2013 and ₱11,372,428 in 2012 (see Note 23).

7. Accounts Receivable - Net

This account consists of:

	2014	2013
Contract receivables on sale of real estate	₱373,582,691	₱385,894,180
Trade receivables	42,960,188	23,288,189
Advances to officers and employees	9,382,960	1,100,850
Accrued interest receivable (Note 8)	66,111	102,414
Others	113,396,097	107,186,825
Total receivables	539,388,047	517,572,458
Allowance for doubtful accounts	(1,364,796)	(595,117)
Net carrying amount	538,023,251	516,977,341
Noncurrent portion of contract receivables on sale of real estates	(163,622,783)	(205,093,873)
Current accounts receivables	₱374,400,468	₱311,883,468

Contract receivables on sale of real estate represent amounts due and collectible in monthly installment over a period of 5 to 15 years, and bear interest ranging from 10% to 18% in 2014 and 2013. The transfer certificates of title remain in the possession of the Group until full payment has been made by the customers.

Interest income pertaining to sale of real estate amounted to ₱17.8 million in 2014, ₱23.0 million in 2013 and ₱21.8 million in 2012 (see Note 23).

No contract receivables on sale of real estate are collateralized to any of the Group's debt as of December 31, 2014 and 2013.

Accrued interest receivable includes interest from contract receivables, notes receivable and loans receivable.

Other receivables which are interest–free include receivables from various companies for the sale of available-for-sale investments in 2008 and various advances to suppliers and contractors as of December 31, 2014 and 2013.

The movement of allowance for doubtful accounts is as follows:

	2014	2013
Balance at beginning of year	₱595,117	₱596,609
Provision for doubtful accounts (Note 26)	769,679	–
Other receivables recovered	–	(1,492)
Balance at end of year	₱1,364,796	₱595,117

(AMOUNTS IN PHILIPPINE PESOS)

8. Notes Receivable

In January 2014, the Parent Company extended another loan to Xavier Sports and Country Club, Inc. (XSCCI) amounting to ₱2 million. This bears an interest of 10% and collectible within one (1) year for twelve monthly equal installments. The outstanding balance relative to this loan amounted to ₱347,316 as of December 31, 2014.

In January 2013, the Parent Company granted a loan to XSCCI amounting to ₱1.0 million and bearing the same interest rate of 10% per annum and collectible within one (1) year for twelve monthly equal installments. The loan was fully paid in December 2013.

Subsequent to this, the Parent Company extended two other loans to XSCCI amounting to ₱394,674 and ₱200,000 last February 2013 and July 2013, respectively. All of these were fully paid in December 2013.

Interest income on notes receivable amounted to ₱95,082 in 2014, ₱73,994 in 2013 and ₱15,050 in 2012 (see Note 23).

On February 2, 2012, the Group granted a noninterest-bearing loan to a third party debtor amounting to ₱7.0 million payable on or before December 31, 2014. The debtor fully settled the account on December 29, 2014.

The loan was discounted at the prevailing interest rate applicable to the Group. The carrying value of this loan is presented below:

	2014	2013
Principal		
Balance at beginning of year	₱7,000,000	₱7,000,000
Principal collections during the year	(7,000,000)	–
	₱–	₱7,000,000
Discount on loans receivable:		
Balance at beginning of year	367,172	715,084
Amortization of discount on loans during the year (Note 23)	367,172	347,912
Balance at end of year	–	367,172
	₱–	₱6,632,828

9. Real Estate Held for Sale

Real estate held for sale represents land, development costs and construction materials issued to the Group's various projects in Cagayan de Oro City, Initao, Valencia City, Bukidnon and Butuan detailed as follows:

	2014	2013
Land	₱194,919,448	₱221,509,265
Development cost and materials	408,678,774	554,893,746
	₱603,598,222	₱776,403,011

Real estate held for sale with carrying value of ₱372.4 million and ₱498.2 million as of December 31, 2014 and 2013, respectively, are collateralized to the loans obtained from UCPB, BPI, BPIF, and UBP (see Note 19).

In 2013, the Group reclassified land and improvements amounting to ₱10.5 million into real estate held for sale. Also, investment property with carrying value of ₱22.3 million was reclassified to real estate held for sale.

The Group reclassified land cost of ₱107.1 million in 2012 into real estate held for sale previously accounted for as land and improvements and investment properties (see Notes 13 and 15). The Group also reclassified real estate held for sale with a total cost of ₱203.8 million in 2014 and ₱173.3 million in 2013 into land and improvements (see Note 15).

10. Inventories, Prepayments and Other Current Assets

a. Inventories – This account consists of:

	2014	2013
Crude palm oil	₱21,993,214	₱6,373,413
Supplies and materials	10,269,828	6,171,705
Aggregates	4,812,025	1,395,597
Palm kernels, palm acid, and feed oil	438,092	456,809
Foods and beverages	213,303	182,314
	₱37,726,462	₱14,579,838

(AMOUNTS IN PHILIPPINE PESOS)

b. Prepayments and Other Current Assets – This account consists of:

	2014	2013
Deposit for land acquisition	₱104,837,801	₱101,028,906
Creditable withholding taxes	66,559,546	57,067,754
Prepaid expenses	46,706,472	45,635,353
Other deposits	31,063,027	18,718,632
Value-added input taxes	9,902,085	9,542,946
Others	334,969	365,977
	₱259,403,900	₱232,359,568

In 2011, the Group entered into several contracts to sell with several sellers of land. Installments made by the Group to the sellers were presented as deposit for land acquisition as the Transfer Certificates of Title were not yet transferred to the name of the Group.

Other deposits pertain to payments made by the Group in connection with its engagement to a third party to look for suitable parties for the Group to enter into a joint venture agreement for acceptable agriculture related and real estate development projects. Such payment will be used to answer for the out-of-pocket expenses to be incurred in relation to and during the engagement.

11. Available-for-Sale Investments

The rollforward analysis of the net carrying value of this account is shown below:

	2014			
	Golf, Sports and Country Clubs	Non-listed Companies	Listed Companies	Total
Carrying value:				
Balance at beginning of year	₱280,569,601	₱505,064,248	₱128,626,968	₱914,260,817
Additions	50,000	–	–	50,000
Disposal:				
– Derecognized cost	–	(388,694,698)	(24,899,900)	(413,594,598)
– Derecognized cumulative unrealized loss on fair value	–	–	18,176,927	18,176,927
Unrealized gain on fair value	–	–	14,002,553	14,002,553
Reclassification	–	93,600,445	–	93,600,445
Balance at end of year	₱280,619,601	₱209,969,995	₱135,906,548	₱626,496,144

	2013			
	Golf, Sports and Country Clubs	Non-listed Companies	Listed Companies	Total
Balance at beginning of year	₱279,780,001	₱296,094,152	₱131,128,359	₱707,002,512
Additions	789,600	–	–	789,600
Reclassification	–	208,970,096	–	208,970,096
Unrealized loss on fair value	–	–	(2,501,391)	(2,501,391)
Balance at end of year	₱280,569,601	₱505,064,248	₱128,626,968	₱914,260,817

Available-for-sale (AFS) investments are stated at fair value. The changes in the fair value are recognized directly in equity, through the consolidated statements of comprehensive income and consolidated statements of changes in equity.

The fair values of AFS investments in listed companies have been determined directly by reference to published prices in active market. Fair values of unquoted equity instruments are determined at the present value of estimated future cash flows. Fair values of golf, sports and country club shares are based on prevailing market prices.

In 2014, the Group sold its investment in a listed company with a cost of ₱24.9 million at a gain of ₱25.5 million. Accordingly, the cost of ₱24.9 million and previously recognized unrealized loss on fair value of ₱18.2 million were derecognized in 2014.

The related subscriptions payable on the above investments in listed companies amounted to ₱76.2 million and ₱84.6 million as of December 31, 2014 and 2013, respectively.

As of December 31, 2013, the Group had investments in non-listed Monte Oro Resources and Energy, Inc. (MOREI) of ₱295.1 million, representing 11.70% equity holdings, and deposits for future stock subscriptions of ₱93.1 million. The Group has no power to govern the financial and operating policies of MOREI. In 2014, a total of ₱93.6 million deposits to MOREI were applied to subscription. In October 2014, all of its investments in MOREI were sold at cost of ₱388.1 million and the proceeds were used as deposits for future stock subscriptions to Apex Mining Corporation's (AMC) increase in authorized capital stock which was applied with the SEC. In January 2015, the SEC approved AMC's application for increase in authorized capital stock.

(AMOUNTS IN PHILIPPINE PESOS)

On November 29, 2011, the Group acquired investment in shares of stock of Phigold Limited (Phigold), with 22.87% ownership wherein it exercises significant influence over its operations. The acquisition cost equals the fair value of the net assets acquired. The Group reclassified its investment in shares of stock of Phigold Limited amounting to ₱209.0 million previously recognized as investment in associate into available-for-sale investment after losing significant influence in 2013. As of December 31, 2014, the Group's equity interest in Phigold was reduced to 18.70% with the entry of new investors.

The net change in unrealized gain (loss) on available-for-sale investments shown in other comprehensive income (loss) is as follows:

	2014	2013
Net unrealized gain (loss) on fair value during the year	₱14,002,553	(₱2,501,391)
Net unrealized loss on fair value of sold investments removed from equity and included in profit or loss	18,176,927	–
	₱32,179,480	(₱2,501,391)

12. Investment in Associates

This account consists of the Group's investments in the following companies as of December 31, 2014 and 2013.

	Percentage of ownership		Amount	
	2014	2013	2014	2013
Palm Concepcion Power Corporation (PCPC)	30.00%	39.54%	₱1,134,548,691	₱148,487,269
Peakpower Energy, Inc. (PEI)	20.00%	20.00%	102,645,460	39,195,478
Panay Consolidated Land Holdings Corporation (PCLHC)		70.00%	–	35,000,000
			₱1,237,194,151	₱222,682,747

The workforward analysis of this account follows:

	2014	2013
Carrying value at beginning of year	₱222,682,747	₱233,597,520
Reclassification from deposit for future stocks subscription	619,998,655	40,000,000
Additional subscription during the year	424,456,221	169,901,668
Equity in net loss for the year	(29,943,472)	(11,846,345)
Reclassification to AFS investments	–	(208,970,096)
Carrying value at end of year	₱1,237,194,151	₱222,682,747

On November 29, 2011 the Group acquired investment in shares of stocks of Phigold Limited (Phigold).

In 2013, the Group reclassified this investment into available-for-sale investment (see Note 11). In February 2013, the Parent Company subscribed to 25% of 160,000,000 authorized shares of PEI with ₱1 par value per share for ₱40.0 million. In October 2013, a shareholders' agreement was signed together with new investors to the joint venture whereby the Parent Company will hold 20% of the total outstanding shares.

Total deposit for future stock subscriptions to PEI amounted to ₱63.8 million as of December 31, 2013. In 2014, the deposits of ₱63.8 million were applied to subscription of PEI's capital stock.

As discussed in Note 2, the Parent Company, together with its subsidiaries, PTCHC, PCPC and PCLHC, has signed a Shareholders' Agreement with AC Energy Holdings, Inc. (ACEHI) and Jin Navitas Resource, Inc. (JNRI) to implement the Memorandum of Agreement between the parties to build power generation plant in the Province of Iloilo. PTCHC reacquired the interest of ACEHI in PCPC and PCLHC in 2013 bringing its interest to 70%. OKL subscribed to the 30.46% equity interest of PCPC from the PTCHC.

In May 2013, ACEHI sold all its interest in PCPC and PCLHC to focus its investing power to its existing power projects imminent in its development pipeline. In light of this event, PTCHC has taken the opportunity to acquire the entire stake of ACEHI bringing its interest to 70% on both entities. Later before the end of the year, OKL bought out and subscribed to the 30.46% equity interest of PCPC from PTCHC. Additional shares were subscribed by PTCHC bringing its equity interest to 39.54%. On the other hand, PTCHC's interest in PCLHC as of December 31, 2013 remained at 70%. On December 11, 2013, the BOD and shareholders of PCLHC and PCPC approved the merger of the two entities, with PCPC as the surviving entity. PCTHC will hold sufficient interest in PCPC for it to be able to exercise significant influence. PTCHC's interest in PCLHC will still be presented under the investment in associate account as a result of the merger application. During the third quarter of 2014, the SEC approved the Plan of Merger of PCPC and PCLHC as well as the increase in authorized capital stock of PCPC.

After the merger of PCPC and PCLHC, PTCHC hold 30% interest in the outstanding capital of PCPC. As a result of the merger and the increase in PCPC's authorized capital stock, the PTCHC's investment in PCLHC was converted to Investment in PCPC – Redeemable Preferred Share comprising of the net asset of PCLHC amounting to ₱34,634,779 and DFFS amounting to ₱35,000,000.

(AMOUNTS IN PHILIPPINE PESOS)

In addition, PTCHC's DFFS in PCPC amounting to ₱91,373,331 was converted to Investment in PCPC – Common Shares while another DFFS amounting to ₱412,113,000 was converted to Investment in PCPC – Preferred Shares. Total costs of the investment including direct costs fees related to the acquisition of such investment totaled ₱1,173,510,918 as of December 31, 2014. As of December 31, 2014, the subscription payable related to the above investment amounted to ₱418,252,221 as of December 31, 2014.

On January 6, 2015, the SEC approved PCPC's application of the increase in its authorized capital stock to 6 billion shares divided into 1.5 billion common shares and 4.5 billion redeemable preferred shares both with a par value of ₱1.00 per share which reduced PTCHC equity interest in PCPC to 20%.

The breakdown of the Group's investment in PCPC as to common shares and preferred shares are as follows:

Type of Shares	Number of shares
Common	210,000,000
Redeemable Preferred	900,000,000
Total	1,110,000,000

The aggregated financial information of the associates is summarized below:

	2014	2013
Total assets		
Current assets	₱3,372,678,046	₱915,996,226
Noncurrent assets	7,326,105,586	1,737,474,462
	₱10,698,783,632	₱2,653,470,688
Current liabilities	₱1,154,881,288	₱19,986,944
Total equity	2,925,131,952	2,633,483,744
Gross revenues for the year	45,094,865	28,654,310
Net loss for the year	(110,728,269)	(38,663,831)

13. Investment Properties - Net

This account consists of:

	2014	2013
Properties held for capital appreciation – net	₱213,495,620	₱233,844,077
Properties held under lease	33,579,615	62,107,265
	₱247,075,235	₱295,951,342

Investment properties are stated at cost less any impairment. Investment properties have a fair value of about ₱487.6 million and ₱478.9 million as of December 31, 2014 and 2013, respectively, as determined by an independent firm of appraisers. The excess of the fair value over the carrying amount of the assets is not recognized in the consolidated financial statements.

The rollforward analysis of properties held for capital appreciation as of and for the years ended December 31, 2014 and 2013 follows:

		2014		
	Note	Land and improvements	Building	Total
Cost:				
Balance at beginning of year		₱218,597,271	₱30,532,806	₱249,130,077
Additions		43,508	–	43,508
Reclassification	14	3,431,522	–	3,431,522
Reclassification	9	(22,294,887)	–	(22,294,887)
Balance at end of year		199,777,414	30,532,806	230,310,220
Allowance for impairment loss:				
Balance at beginning of year		–	15,286,000	15,286,000
Provision for impairment		–	1,528,600	1,528,600
Balance at end of year		–	16,814,600	16,814,600
Net carrying value		₱199,777,414	₱13,718,206	₱213,495,620

(AMOUNTS IN PHILIPPINE PESOS)

	2013		
	Land and improvements	Building	Total
Cost:			
Balance at beginning of year	₱218,394,949	₱30,532,806	₱248,927,755
Additions	202,322	–	202,322
Balance at end of year	218,597,271	30,532,806	249,130,077
Allowance for impairment loss:			
Balance at beginning of year	–	13,757,400	13,757,400
Provision for impairment	–	1,528,600	1,528,600
Balance at end of year	–	15,286,000	15,286,000
Net carrying value	₱218,597,271	₱15,246,806	₱233,844,077

In 2014, the Group reclassified land under property and equipment into investment property amounting to ₱3,431,522 (see Note 14) and reclassified parcels of land under investment properties to real estate held for sale (see Note 9) amounting to ₱22,294,887. The provision for impairment loss of ₱1.5 million in 2014, 2013 and 2012 represents the write-down of an unfinished building to its estimated net recoverable amount.

Direct operating expenses relative to investment properties which are not earning income are as follows:

	2014	2013	2012
Security	₱2,224,435	₱1,557,286	₱1,370,246
Taxes and licenses	2,062,821	1,528,589	1,439,390
Provision for impairment	1,528,600	1,528,600	1,528,600
Non-professional fee	557,077	718,746	–
Repairs and maintenance	130,697	111,054	435,259
Professional fee	66,610	–	–
Utilities	28,095	–	22,148
Transportation	6,133	3,000	21,247
Insurance	–	–	64,981
Others	330	5,050	1,033,763
	₱6,604,798	₱5,452,325	₱5,915,634

The details of the properties held under lease follows:

	2014		
	Land	Building and improvements	Total
Cost:			
Balance at beginning of year	₱23,382,133	₱134,673,524	₱158,055,657
Disposals		(46,919,562)	(46,919,562)
Balance at end of year	23,382,133	87,753,962	111,136,095
Accumulated depreciation:			
Balance at beginning of year	–	95,948,392	95,948,392
Additions	–	3,742,444	3,742,444
Disposals		(22,134,356)	(22,134,356)
Balance at end of year	–	77,556,480	77,556,480
Net book value	₱23,382,133	₱10,197,482	₱33,579,615

	2013		
	Land	Building and improvements	Total
Cost:			
Balance at beginning and end of year	₱23,382,133	₱134,673,524	₱158,055,657
Accumulated depreciation:			
Balance at beginning of year	–	88,644,919	88,644,919
Additions	–	7,303,473	7,303,473
Balance at end of year	–	95,948,392	95,948,392
Net book value	₱23,382,133	₱38,725,132	₱62,107,265

In 2014, the Group sold buildings and improvements with a carrying value of ₱24.8 million which resulted to a loss of ₱8.4 million.

Rental income that was generated from investment properties held under lease amounted to ₱8.2 million in 2014, ₱5.4 million in 2013 and ₱6.6 million in 2012 (see Note 28).

(AMOUNTS IN PHILIPPINE PESOS)

Direct operating expenses relative to investment properties held under lease are as follows:

	2014	2013
Depreciation (Notes 25 and 26):		
General and administrative expense	₱2,561,970	₱5,729,507
Cost of services - other direct cost	1,180,474	1,573,966
	3,742,444	7,303,473
Taxes and licenses	288,673	313,792
Utilities	7,592	24,853
Transportation and travel	13,814	7,761
Insurance	25,978	4,933
Others	536	24,000
	₱4,079,037	₱7,678,812

There are no restrictions on the realizability of investment properties nor on the remittance of income. There are also no contractual obligations to purchase, construct or develop investment properties for repairs, maintenance or enhancements as of December 31, 2014 and 2013.

14. Property and Equipment - Net

The net carrying value of this account is as follows:

	2014	2013
Land	₱12,967,297	₱16,398,819
Land improvements	1,061,045	1,538,174
Building and improvements	35,989,642	34,532,093
Leasehold improvements	356,916	798,334
Machinery and equipment	156,390,083	172,335,963
Furniture, fixtures and equipment	4,485,755	6,250,707
Transportation equipment	11,557,376	18,162,270
Tools and other equipment	533,951	369,576
Other assets	3,063,228	4,764,805
Construction in progress	215,680,651	141,712,950
	₱442,085,944	₱396,863,691

Rollforward analysis of this account is shown below:

	2014				
	Balance at beginning of year	Additions/ Depreciations	Disposals	Reclassification	Balance at end of year
Cost:					
Land	₱16,398,819	₱–	₱–	(₱3,431,522)	₱12,967,297
Land improvements	3,572,029	79,577	–	–	3,651,606
Building and improvements	84,700,026	809,145	–	5,389,345	90,898,516
Leasehold improvements	2,773,453	–	–	24,333	2,797,786
Machinery and equipment	292,182,560	4,167,504	–	5,320,264	301,670,328
Furniture, fixtures and equipment	28,370,803	896,312	–	–	29,267,115
Transportation equipment	59,495,614	2,120,030	(4,439,430)	–	57,176,214
Tools and other equipment	3,007,498	592,454	–	–	3,599,952
Other assets	22,724,405	1,883,763	–	1,385,953	25,994,121
Construction in progress	141,712,950	86,386,149	–	(12,418,448)	215,680,651
	654,938,157	96,934,934	(4,439,430)	(3,730,075)	743,703,586
Accumulated depreciation and amortization:					
Land improvements	2,033,855	556,706	–	–	2,590,561
Building and improvements	50,167,933	4,740,941	–	–	54,908,874
Leasehold improvements	1,975,119	465,751	–	–	2,440,870
Machinery and equipment	119,846,597	25,433,648	–	–	145,280,245
Furniture, fixtures and equipment	22,120,096	2,661,264	–	–	24,781,360
Transportation equipment	41,333,344	7,518,016	(3,232,522)	–	45,618,838
Tools and other equipment	2,637,922	428,079	–	–	3,066,001
Other assets	17,959,600	4,971,293	–	–	22,930,893
	258,074,466	46,775,698	(3,232,522)	–	301,617,642
Net carrying value	₱396,863,691	₱50,159,236	(₱1,206,908)	(₱3,730,075)	₱442,085,944

(AMOUNTS IN PHILIPPINE PESOS)

	2013				
	Balance at beginning of year	Additions/ Depreciations	Reclassification/ Disposals	Adjustments	Balance at end of year
Cost:					
Land	₱16,398,819	₱–	₱–	₱–	₱16,398,819
Land improvements	3,572,029	–	–	–	3,572,029
Building and improvements	75,712,154	13,417,017	(4,429,145)	–	84,700,026
Leasehold improvements	2,432,436	341,017	–	–	2,773,453
Machinery and equipment	282,203,057	10,389,503	(410,000)	–	292,182,560
Furniture, fixtures and equipment	22,656,952	5,817,865	(104,014)	–	28,370,803
Transportation equipment	56,383,708	7,688,209	(4,576,303)	–	59,495,614
Tools and other equipment	2,455,726	574,540	(22,768)	–	3,007,498
Other assets	10,520,520	3,681,465	8,522,420	–	22,724,405
Construction in progress	66,302,998	95,744,633	(20,334,681)	–	141,712,950
	538,638,399	137,654,249	(21,354,491)		654,938,157
Accumulated depreciation and amortization:					
Land improvements	1,390,879	642,976	–	–	2,033,855
Building and	48,364,051	4,968,985	(3,165,103)	–	50,167,933
Leasehold improvements	1,485,069	490,050	–	–	1,975,119
Machinery and	99,059,025	21,197,571	(409,999)	–	119,846,597
Furniture, fixtures and	19,624,002	2,591,351	(95,257)	–	22,120,096
Transportation	35,973,559	7,234,211	(1,874,426)	–	41,333,344
Tools and other	2,140,497	503,012	(5,587)	–	2,637,922
Other assets	13,616,321	4,353,869	(10,590)	–	17,959,600
	221,653,403	41,982,025	(5,560,962)	–	258,074,466
Net carrying value	₱316,984,996	₱95,672,224	(₱15,793,529)	₱–	₱396,863,691

In 2014, the Group reclassified land amounting to ₱3.43 million to investment property (see Note 13).

The Group's management had reviewed the carrying values of the property and equipment as of December 31, 2014 and 2013 for any impairment. Based on the evaluation, there are no indications that the property and equipment might be impaired. Furthermore, there is no property whose title is restricted from use of the Group in both years. There are no contractual commitments to purchase property and equipment. There also no property and equipment that are pledged as securities for liabilities. The depreciation and amortization charges were presented as part of the following accounts:

	2014	2013	2012
General and administrative expenses (Note 26)	₱23,807,511	₱21,842,638	₱18,406,447
Real estate held for sale (Note 9)	13,053,872	12,623,250	10,886,126
Cost of sales and services (Note 25)	9,914,315	7,516,135	8,509,184
	₱46,775,698	₱41,982,023	₱37,801,757

15. Land and Improvements

This account represents land held for future development and improvements consisting of various properties in Tanay, Initao, Cagayan de Oro City, Bukidnon and Butuan City. The rollforward analysis of this account is shown below:

	2014		
	Land	Improvements	Total
December 31, 2013	₱337,668,780	₱246,377,672	₱584,046,452
Additions	9,600,000	2,344,484	11,944,484
Reclassifications (Note 9)	–	203,844,434	203,844,434
December 31, 2014	₱347,268,780	₱452,566,590	₱799,835,370

	2013		
	Land	Improvements	Total
December 31, 2012	₱348,209,055	₱55,387,929	₱403,596,984
Additions	–	17,695,874	17,695,874
Reclassifications (Note 9)	(10,540,275)	173,293,869	162,753,594
December 31, 2013	₱337,668,780	₱246,377,672	₱584,046,452

In 2013, the Group reclassified land with a total cost of ₱10.5 million into real estate held for sale. Also, in 2013 the Group reclassified real estate held for sale with a total cost of ₱173.3 million to land and improvements (See Note 9).

In 2014, the Group reclassified real estate held for sale to land and improvements with a total cost of ₱203.8 million (see Note 9).

(AMOUNTS IN PHILIPPINE PESOS)

16. Biological Assets

The workforward analysis of this account is as follows:

	Note	2014	2013
Cost:			
Balance at beginning of year		₱315,826,266	₱249,077,511
Additions during the year		32,130,989	65,417,677
Amortization of leasehold rights	17	863,148	1,331,078
Balance at end of year		348,820,403	315,826,266
Accumulated amortization:			
Balance at beginning of year		14,169,264	11,911,536
Amortization during the year	25	120,072	2,257,728
Balance at end of year		₱14,289,336	₱14,169,264
Net carrying value		₱334,531,067	₱301,657,002

As of December 31, 2014, the Group has 193,277 palm oil trees planted on land under leasehold (see Note 17). Amortization of biological assets in 2014 was suspended in Kalabugao area because the change in estimate of the harvesting age year based on the latest study made for the plantation in this area. The palm oil trees in Kalabugao area are considered to be commercially fruiting for a longer period from the year of planting.

The amortization of biological assets was charged to cost of sales in profit or loss.

Management believes that there is no indication of impairment on the Group's biological assets account and that its net carrying amount can be recovered though use in operations.

17. Leasehold Rights

This account pertains to amounts paid by the Group for the rights to use parcels of land in Impasugong and Kalabugao, Salawaga Tingalan, Opol, Misamis Oriental and Tignapoloan, Cagayan de Oro City and to develop them as oil palm commercial plantations (see Note 37).

Rollforward analysis of this account is shown below:

	2014	2013
Cost:		
Balance at beginning of year	₱41,655,391	₱41,580,361
Additions during the year	–	75,030
Balance at end of year	41,655,391	41,655,391
Accumulated amortization:		
Balance at beginning of year	4,794,197	3,463,119
Amortization during the year	1,328,366	1,331,078
Balance at end of year	6,122,563	4,794,197
Balance at end of year	₱35,532,828	₱36,861,194

As of December 31, 2013, the biological assets in all the plantation areas were still in their growing stage (see Note 16). Accordingly, the amortization of leasehold rights was capitalized as part of the production cost of the Group's biological assets as of December 31, 2013 (see Note 16). In 2014, some of the palm oil trees in plantations reached their commercially fruiting stage. The amortization of leasehold rights in these areas were directly charged to direct plantation cost. The amortization of leasehold rights attributable to palm oil trees that were still in growing stage were still capitalized as part of the production costs of the Group's biological assets (see Note 16).

Amortization of leasehold rights is distributed as follows:

	Note	2014	2013	2012
Capitalized to biological assets	16	₱863,148	₱1,331,078	1,213,520
Charged to direct plantation costs	25	465,218	–	–
Total amortization of leasehold rights		₱1,328,366	₱1,331,078	1,213,520

Management believes that there is no indication of impairment on the Group's leasehold rights account and that its net carrying amount can be recovered through use in operations.

(AMOUNTS IN PHILIPPINE PESOS)

18. Accounts Payable and Accrued Expenses

This account consists of:

	2014	2013
Accounts payable	₱240,081,993	₱187,980,967
Accrued expenses	23,845,863	39,236,410
Contracts payable	5,926,335	5,971,335
Accrued interest payable	3,230,349	9,320,633
Retention payable	11,450,221	8,073,763
Others	42,377,046	39,724,566
	₱326,911,807	₱290,307,674

The above accounts payable and accrued expenses do not include any advances from directors, officers, employees, principal stockholders and related parties which are not arising in the ordinary course of business.

Details of Accounts payable and accrued expenses - others are as follows:

	2014	2013
Retention payable	₱11,446,222	₱7,963,479
Construction bond payable	6,886,117	4,602,674
Output VAT payable	6,246,900	11,886,753
Withholding tax payable	2,603,421	5,690,971
Deposit from subscribers	1,300,659	1,300,659
SSS, HDMF, PHIC premium payable	584,134	571,694
Others	13,242,093	7,708,336
	₱42,377,046	₱39,724,566

Retention payable pertains to the amount withheld by the Group from contractor's billings relative to a feasibility study and construction in progress which serves as security for the completion of the construction in acceptable condition as stipulated in the contracts. This will become due upon completion of the terms and conditions of the contracts.

Others include various accruals for security services, telephone expenses, rent expense, labor and other recurring expenses and unearned income on land lease.

19. Short-term and Long-term Debt

Short-term debt consists of loans obtained from the following:

	2014	2013
Financial Institutions:		
Union Bank of the Philippines (UBP)	₱100,000,000	₱100,000,000
China Banking Corp. (CBC)	90,000,000	100,000,000
United Coconut Planters Bank (UCPB)	10,000,000	20,000,000
Philippine Bank of Communications (PBCOM)	65,000,000	–
	₱265,000,000	₱220,000,000

The loan from UBP pertains to the term loans availed by the Group totaling ₱100 million in January 2012 and October 2011. The loan bears annual interest rate of 5.5% and will mature one (1) year from the date of availment and was subsequently renewed on December 20, 2013. On December 15, 2014, the loan was renewed under the same term and interest rate. The loan balance as of December 31, 2014 and 2013 is unsecured (see Note 9).

The loan from CBC pertains to a clean term loan availed by the Group amounting to ₱70 million in September 2012 with an annual interest rate of 6.0%. The loan matured in July 2013 and was renewed for another year until July 2014 with an annual interest rate of 5.5%. On October 4, 2013, the Group availed term loan amounting to ₱30 million with an annual interest rate of 5.5% which matured on July 31, 2014. In April 2014, the Group availed additional clean loan amounting to ₱5 million with an interest of 5.5% which was repaid in July 2014. In October 2014, a total of ₱100 million loans were renewed for another year until October 23, 2015 of which ₱10 million was already repaid on December 29, 2014.

On March 18, 2013, the Group availed a clean term loan from UCPB amounting to ₱20 million payable after one year from the date of availment with 5.75% annual interest rate. The loan was subsequently renewed on March 31, 2014. Total principal payments in 2014 amounted to ₱10 million.

A clean term loan amounting to ₱65 million was obtained by the Group on May 8, 2014 from PBCOM. The loan bears annual interest rate of 5.5% which is subject to renewal and collectible monthly in arrears and will mature on April 30, 2015.

(AMOUNTS IN PHILIPPINE PESOS)

Long-term debt consists of loans obtained from the following:

	2014	2013
Financial Institutions:		
Asia United Bank (AUB)	₱340,723,000	₱85,000,000
China Banking Corp. (CBC)	300,000,000	300,000,000
United Coconut Planters Bank (UCPB)	298,882,844	354,242,824
Union Bank of the Philippines (UBP)	287,391,800	296,056,200
BPI Family Savings Bank (BPIF)	226,812,738	274,610,126
Bank of the Philippine Islands (BPI)	183,500,000	210,500,000
Maybank Philippines Inc. (MPI)	60,000,000	–
	1,697,310,382	1,520,409,150
Shareholders	102,020,827	81,391,342
	1,799,331,209	1,601,800,492
Less current portion	181,111,133	110,905,259
	₱1,618,220,076	₱1,490,895,233

On December 2, 2013, the Group availed of loan from AUB amounting to ₱85 million that will mature on December 1, 2017 with an interest rate of 5%. This loan is collateralized by real estate mortgage on the Group's investment properties with net carrying amount of P0.2 million as of December 31, 2013 (see Note 14) and real estate mortgage on the property of the Group's stockholder.

In January 2014, the Group obtained loan from AUB amounting to ₱180.00 million that will mature in 5 years from release date. This loan bears an annual interest of 5.5%. In March 2014, additional loans totaling ₱83.8 million were obtained by the Group from AUB. The ₱65.0 million loans bear an annual interest rate of 5.0% and will mature in December 2017 and the ₱18.8 million loans bear an annual interest rate of 5.5% and will mature in January 2019. These loans were collateralized by the Group's real estate held for sale assets with carrying amount of ₱40.1 million.

The Group availed several clean loans from CBC on various dates within February to July 2011 and will mature five (5) years after loan release dates. These loans bear interest rate of 7.33% per annum.

In August and December of 2011, the Group obtained ₱400 million loan from UCPB to refinance its outstanding term loan and finance various real estate development projects.

The loan has a term which shall expire at the end of ten (10) years from initial date of drawdown and bears interest payable quarterly in arrears, based on 3-month Philippine Dealing System Treasury-Fixing rate obtaining at the time of availment, plus a spread of two percent (2.0%) inclusive of Gross Receipt Tax (GRT) or floor rate 5.25% inclusive of GRT per annum whichever is higher, subject to quarterly payment and resetting. This loan is collateralized by real estate mortgage over the real estate held for sale with a carrying value of ₱44.5 million and ₱109.0 million as of December 31, 2014 and 2013, respectively (see Note 9).

The loan from UBP pertains to a 7-year loan availed by the Group in 2012, with 3 years grace period on principal. Principal payments of 48 equal monthly amortizations will be made starting on the end of the grace period which will start in 2015. Quarterly interest payment in arrears is made for the first 3 years, then monthly payments for the rest of the term.

The loan bears annual interest of 5.56% and is collateralized by the Group's real estate held for sale assets with carrying amount of ₱105.6 million and ₱178.2 million as of December 31, 2014 and 2013, respectively.

The loans from BPIF were obtained on various dates within 2004 to 2012 and will mature ten (10) years after loan release dates, the last of which will be in 2022. These bear interest at the rates ranging from 5.5% to 11.50% per annum. These are collateralized by real estate mortgages over the real estate held for sale of the Group with a total carrying value of ₱50.8 million and ₱116.3 million as of December 31, 2014 and 2013, respectively (see Note 9).

The loans from BPI were obtained on various dates within 2011 and will mature five (5) years after loan release dates, the last of which being 2016. These bear interest at 3-month Philippine Dealing System Treasury- R2 plus a spread of one and a half percent (1.50%) per annum or the applicable bank floor lending rate at the time of availment, whichever is higher, subject to monthly payment and quarterly resetting, with one time option to fix rate based on 5-year Philippine Dealing System Treasury- R2 rate, plus a spread of one and a quarter percent (1.25%) per annum. The interest rate is currently at 4.75% per annum. These are collateralized by real estate mortgages over the real estate held for sale of the Group with a total carrying value of ₱110.2 million and ₱94.5 million as of December 31, 2014 and 2013, respectively.

On December 20, 2012, the Group availed a loan amounting to ₱89 million with interest initially fixed at the rate of 4.75% per annum which is the prevailing market rate at the time of issuance hereof repriceable quarterly and payable monthly in arrears with option for rate fixing for one (1) or three (3) or five (5) years and payable monthly in arrears and shall have a term of seven (7) years until December 20, 2019.

The Group availed of a ₱60.0 million loan from MPI in August 2014 with an annual interest rate of 5.5% subject to quarterly repricing and payable monthly in arrears that will mature in August 2018. This loan is collateralized by the Group's investment properties in Binangonan, Rizal with carrying amount of ₱21.2 million.

(AMOUNTS IN PHILIPPINE PESOS)

The loans from shareholders represent a 10-year noninterest-bearing loan with a total principal amount of ₱129.3 million availed on various dates from October to November 2012. The loans are repayable in lump sum on or before maturity. The Group recognized discount on loans payable amounting to ₱52.9 million in the statements of income in 2012.

In September 2014, the Group availed of another 10-year noninterest-bearing loan from the shareholders amounting to ₱60.0 million. A total of ₱24.9 million was recognized as discount on loans payable in the statements of income in 2014. Amortization of discount on loans recognized amounted to ₱14.6 million in 2014, ₱4.3 million in 2013 and ₱0.9 million in 2012.

The following table presents the contractual maturity of short-term and long-term debt as of December 31, 2014 and 2013:

	2014	2013
Due within 1 year	₱446,111,133	₱330,905,259
Due beyond 1 year, not later than 5 years	436,547,886	956,570,174
Due beyond 5 years	1,181,672,190	534,325,059
	₱2,064,331,209	₱1,821,800,492

The Group's short-term and long-term debts as of December 31, 2014 and 2013 do not include any significant warranties and covenants.

The finance costs relative to the foregoing loans were presented as part of the following accounts:

	2014	2013
Finance costs under profit or loss	₱90,737,847	₱68,467,666
Real estate held for sale (Note 9)	27,853,014	26,750,000
Construction in progress (Note 14)	4,123,260	4,331,740
	₱122,714,121	₱99,549,406

20. Related Party Transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprise, or between and/or among the reporting entities and key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of relationship and not merely the legal form. For financial statements disclosure purposes, an affiliate is an entity under common control of the Parent Company's stockholders.

The Parent Company enters into transactions with related parties. Outstanding balances at year-end are unsecured and noninterest-bearing and are settled based on agreed upon terms. The following are the related party transactions.

- Deposits for future stock subscription in an associate (shown as investment and deposits).
  The Group made deposits for future subscription to an associate which amounted to ₱165,452,221 and ₱602,282,333 as of December 31, 2014 and 2013.

  Deposits made to associate

Transaction	2014	2013
Outstanding balance at beginning of year	₱602,282,333	₱76,740,000
Subscribed to capital during the year	(602,282,333)	(40,000,000)
Deposits made during the year	435,000,000	666,905,817
Deposits returned during the year	(229,547,779)	(101,363,484)
Cancellation of deposit during the year	(40,000,000)	–
Outstanding balance at end of year	₱165,452,221	₱602,282,333

- Lease of Parent Company's office space from an affiliate

	2014	2013
Amount of rent expense	₱2,985,476	₱431,164
Outstanding balances	–	–

- Noninterest-bearing loans received from shareholders
  The loans from the shareholders represent a 10-year noninterest-bearing loans with a total principal amount of ₱129.3 million availed on various dates from October to November 2012. The loans are repayable in lump sum on or before maturity (see Note 19).

(AMOUNTS IN PHILIPPINE PESOS)

The summary of the above related party transactions follows:

2014				
Category	Amount/Volume	Outstanding balance – Asset (Liability)	Terms and Conditions/ Settlement	Guaranty/ Provision
Shareholders				
• Loans received from shareholders		(₱102,020,827)	Noninterest-bearing and repayable in lump sum on or before maturity after 10 years from 2012	Unsecured; no significant covenants
1. Loans received	(₱60,000,000)			
2. Discount on loans received	24,874,165			
3. Payments made	28,000,000			
4. Amortization of discount	(13,503,650)			
Associate				
• Deposit for future stock subscription		165,452,221	To be applied to equity call	
• Deposits made	435,000,000			
• Deposits returned	(229,547,779)			
• Deposit cancellation	(40,000,000)			
• Subscribed to capital	(602,282,333)			
Affiliate		(236,732)	One year subject to annual review and renewable upon mutual agreement of parties; payable in cash every 15th of the month without necessity of demand	No guarantees
• Lease of office space from an affiliate				
a. Rent expense	(2,985,476)			
b. Payments	2,748,744			

2013				
Category	Amount/Volume	Outstanding balance – Asset (Liability)	Terms and Conditions/ Settlement	Guaranty/ Provision
Shareholders				
• Loans received from shareholders		(₱81,391,342)	Noninterest-bearing and repayable in lump sum on or before maturity after 10 years from 2012	Unsecured; no significant covenants
a. Amortization of discount	₱4,182,703			
Associate				
• Deposit for future stock subscription		602,282,333	To be applied to equity call	
• Deposits made	666,905,817			
• Deposits returned	(101,363,484)			
• Subscribed to capital	(40,000,000)			
Affiliate		–	One year subject to annual review and renewable upon mutual agreement of parties; payable in cash every 15th of the month without necessity of demand	No guarantees
• Lease of office space from an affiliate	(431,164)			
b. Rent expense	431,164			
c. Payments				

(AMOUNTS IN PHILIPPINE PESOS)

Below are the account balances as of December 31, 2014 and 2013 on the separate financial statements of the companies within the Group which were eliminated upon consolidation:

- Receivables/Payables

	2014					
	Payables					
	ABCI-Parent	ABERDI	AC	BAC	NC	Total
Receivables:						
ABERDI	₱1,050,662	₱–	₱3,041	₱40,644	₱11,200	₱1,105,547
NC	–	3,079,857	–	–	–	3,079,857
	₱1,050,662	₱3,079,857	₱3,041	₱40,644	₱11,200	₱4,185,404

	2013		
	Payables		
	ABERDI	AC	Total
Receivables:			
ABCI-Parent Company	₱966,048	₱–	₱966,048
ABERDI	–	649,607	649,607
BAC	24,431	–	24,431
NC	3,766,237	–	3,766,237
	₱4,756,716	₱649,607	₱5,406,323

- Deposits for future stock subscription

	2014		
	Deposits from		
	ABCI-Parent Company	ABERDI	Total
Deposits to:			
PTCHC	₱825,205,221	₱ –	₱825,205,221
ABERDI	376,303,228	–	376,303,228
AC	9,600,000	–	9,600,000
PBI	7,500,000	–	7,500,000
HLPC	5,500,000	–	5,500,000
NC	–	255,485,103	255,485,103
Total	₱1,224,108,449	₱255,485,103	₱ 1,479,593,552

	2013		
	Deposits from		
	ABCI-Parent Company	ABERDI	Total
Deposits to:			
PTCHC	₱695,701,000	₱–	₱695,701,000
ABERDI	269,303,228	–	269,303,228
BRC	14,877,000	–	14,877,000
NC	–	254,685,103	254,685,103
Total	₱979,881,228	₱254,685,103	₱1,234,566,331

The compensation of key management personnel by benefit type follows:

	2014	2013
Salaries and wages	₱31,695,594	₱31,593,149
Short-term employee benefits	6,730,258	8,467,203
Post-employment benefits	5,724,950	4,590,858
	₱44,150,802	₱44,651,210

The Group has no transactions with its retirement fund involving loans (neither as creditor nor debtor), investments (neither as investor nor investee), lease on services and guarantee or surety made or received. The following information is shown in Note 27.

a. carrying value and fair value of fund,
b. amount of contributions to the fund,
c. description and composition of the fund, and
d. Trustee of the fund.

There are no other related party transactions.

(AMOUNTS IN PHILIPPINE PESOS)

21. Share Capital

The details of the number of shares of authorized and subscribed capital stock follows:

	2014	2013
Authorized (Note 1)	2,000,000,000	2,000,000,000
Subscribed and issued (Note 1)	1,732,865,522	1,732,865,522

Movements of the amount of subscribed share capital and additional paid-in capital (APIC) during the years 2014 and 2013 follow:

	2014			
	Share Capital			
	Subscribed and issued	Subscribed but not issued	Total	Additional paid-in capital
Balance as at December 31, 2013	₱1,732,865,522	₱–	₱1,732,865,522	₱586,198,947
Issuance for the year	–	–	–	–
Balance as at December 31, 2014	₱1,732,865,522	₱–	₱1,732,865,522	₱586,198,947

	2013			
	Share Capital			
	Subscribed and issued	Subscribed but not issued	Total	Additional paid-in capital
Balance as at December 31, 2012	₱1,386,293,229	₱–	₱1,386,293,229	₱586,198,947
Stock dividend declared and issued in 2013	346,572,293	–	346,572,293	–
Balance as at December 31, 2013	₱1,732,865,522	₱–	₱1,732,865,522	₱586,198,947

The Securities and Exchange Commission (SEC) issued the following orders related to the Group's registration of its securities: SEC-BED Order No. 1179 issued on December 17, 1993 amounting to ₱200,000,000; SEC-BED Order No. 847 issued on August 15, 1994 amounting to ₱230,000,000 and SEC-CFD Order No. 64 issued on March 12, 1996 totaling ₱530,000,000. Common shares are the only equity securities registered and issued by the Group.

As of December 31, 2014 and 2013, there are 2,129 stockholders in the records of the transfer agent, Professional Stock Transfer, Inc. (PSTI) and Fidelity Stock Transfers, Inc. (FSTI), respectively.

The share price closed at ₱1.07 on December 29, 2014 and ₱1.00 on December 27, 2013.

22. Sales

This account consists of:

	2014	2013	2012
Real estate	₱430,271,389	₱335,141,057	₱446,164,956
Crude palm oil (CPO)	154,290,000	64,688,505	82,643,118
Water service	13,477,155	12,276,412	11,554,742
Other by-products of CPO	10,485,727	–	–
Hotel operations (Note 13)	8,174,383	7,078,305	9,187,557
Kernel nuts and fertilizer	5,646,488	3,726,586	1,476,508
Crop and palm seedlings	2,308,900	6,553,360	5,547,443
Management fee	–	23,200,000	–
	₱624,654,042	₱452,664,225	₱556,574,324

23. Financial Income

This account consists of:

	2014	2013	2012
Interest from:			
Sales of real estate (Note 7)	₱17,756,082	₱22,991,015	21,786,104
Notes receivable (Notes 8)	597,493	459,757	322,901
Cash in banks and cash equivalents (Note 6)	245,492	8,095,676	11,372,428
	₱18,599,067	₱31,546,448	₱33,481,433

(AMOUNTS IN PHILIPPINE PESOS)

24. Other Income

This account consists of:

	2014	2013	2012
Income from forfeited accounts	₱6,819,012	₱3,787,664	₱10,291,505
Surcharge income	3,097,271	2,876,086	5,569,052
Others	15,874,446	42,700,185	54,865,319
	₱25,790,729	₱49,363,935	₱70,725,876

Other income in 2014 includes income from providing services to foreign entity, lot staking and driving range fees. Other income in 2013 includes marketing income and sale of other by-products derived from the production of crude palm oil.

25. Cost of Sales and Services

This account consists of:

	2014	2013	2012
Real estate	₱214,935,085	₱136,520,528	₱227,964,807
Crude palm oil	115,720,963	64,557,360	80,040,467
Hotel operations	14,314,656	13,876,758	12,621,324
Water services	4,914,119	4,041,787	4,691,116
Aggregates	3,887,817	7,787,268	13,252,613
Kernel nuts and fertilizers	3,637,378	2,204,383	2,834,369
Crop and palm seedlings	1,759,537	3,224,689	7,327,634
Other direct costs	5,893,686	2,132,171	–
	₱365,063,241	₱234,344,944	₱348,732,330

Cost of sales and services includes depreciation charges and other direct costs (e.g. repairs and maintenance, salaries and wages) related to the Group's investment properties and property and equipment which were included as part of cost of real estate and hotel operations. This also includes amortization charges of biological assets and leasehold rights which were included as part of cost of sales of crude palm oil.

26. General and Administrative Expenses

This account consists of:

	2014	2013	2012
Personnel costs (Notes 20 and 27)	₱60,462,981	₱67,203,548	68,113,004
Depreciation and amortization (Notes 13 and 14)	26,369,481	27,572,145	24,232,883
Taxes and licenses	19,782,102	21,870,688	26,066,654
Utilities and supplies	8,666,516	6,449,370	6,062,507
Repairs and maintenance	7,124,548	4,846,198	8,786,605
Rental (Notes 20 and 28)	2,154,230	916,761	706,408
Entertainment, amusement and recreation	1,591,208	1,023,868	5,363,135
Provision for doubtful accounts (Note 7)	769,679	–	143,384
Others	46,760,498	67,497,660	43,908,728
	₱173,681,243	₱197,380,238	₱183,383,308

Personnel costs include salaries and wages, retirement benefits expense, short-term employee benefits and SSS, PHIC and HDMF contributions.

Depreciation and amortization are derived from:

	Note	2014	2013	2012
Investment properties	13	₱2,561,970	₱5,729,507	5,826,436
Property and equipment	14	23,807,511	21,842,638	18,406,447
		₱26,369,481	₱27,572,145	₱24,232,883

(AMOUNTS IN PHILIPPINE PESOS)

Significant components of other operating expenses follow:

	2014	2013	2012
Security services	P14,656,836	P13,592,802	P11,907,853
Professional fees	7,954,939	32,029,356	9,518,061
Transportation and travel	7,444,491	7,016,604	8,701,158
Director fees	1,216,882	1,489,480	2,920,215
Insurance	1,151,934	989,034	607,363
Board meetings	941,109	1,210,254	927,643
Litigation fees	777,122	1,088,884	283,548
Subscription and dues	596,379	565,201	398,287
Trainings and seminars	590,374	278,973	353,323
Bank charges	555,854	87,131	24,612
Unrealized foreign exchange loss	–	–	12,755
Miscellaneous	9,694,104	9,149,941	8,253,910
	P45,580,024	P67,497,660	P43,908,728

Miscellaneous expense includes supervision, regulation, notarization, listing and other fees.

27. Retirement Benefits Costs

The Group has a funded non-contributory retirement plan covering all regular and full time employees effective July 1, 2002 (anniversary date was amended to take effect every January 1, retroactive 2003).

Actuarial valuations are made with sufficient regularity at least every one or two years. The last actuarial valuation was made for the year 2014 and the report was dated February 13, 2015.

Regulatory Framework in which the Retirement Plan Operates

In accordance with the provisions of the Bureau of Internal Revenue (BIR) RR No. 1-68, it is required that a formal Retirement Plan be Trusteed; that there must be no discrimination in benefits; that forfeitures shall be retained in the Retirement Fund and be used as soon as possible to reduce future contributions; and that no part of the corpus or income of the Retirement Fund shall be used for, or diverted to, any purpose other than for the exclusive benefit of the Plan members.

Responsibilities of Trustee

The Group's plan assets are maintained by a trustee bank. The Retirement Plan Trustee, as appointed by the Group in the Trust Agreement executed between the Group and the duly appointed Retirement Plan Trustee, is responsible for the general administration of the Retirement Plan and the management of the Retirement Fund.

The Retirement Plan Trustee may seek the advice of counsel and appoint an investment manager or managers to manage the Retirement Fund, an independent accountant to audit the Fund, and an actuary to value the Retirement Fund.

Unusual or Significant Risks to which the Retirement Plan Exposes the Group

There are no unusual significant risks to which the plan exposes the Group. However, in the event a benefit claim arises under the Retirement Plan and the Retirement Fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable from the Group to the Retirement Fund.

Plan Amendments, Curtailments, or Settlements

There were no plan amendments, curtailments or settlements recognized for the years ended December 31, 2014, 2013 and 2012.

The principal actuarial assumptions used to determine retirement benefits were as follows:

	2014	2013
Discount rate, beginning of year	5.03%	5.65%
Discount rate, end of year	4.73%	5.03%
Salary increase rate , beginning of year	5.00%	5.00%
Salary increase rate, end of year	5.00%	5.00%

The amounts recognized in the consolidated statements of financial position as of December 31, 2014 and 2013 were determined as follows:

	2014	2013
Present value of funded retirement benefit obligations	P42,255,343	P37,346,161
Less fair value of plan assets	15,668,362	18,512,239
Retirement liability recognized in consolidated statements of financial position	P26,586,981	P18,833,922

(Amounts in Philippine Pesos)

The carrying amount of the plan asset approximates the fair value of plan assets which is allocated as of December 31, 2014 and 2013 is as follows:

	2014	2013
Cash and cash equivalents	60.19%	70.65%
Debt instruments-government bonds	11.63%	–
Equity instruments	23.16%	32.07%
Others (market gains (losses), accrued receivables, etc.)	5.02%	(2.72%)
	100.00%	100.00%

The rollforward of present value of defined benefit obligation follows:

	2014	2013
Balance at beginning of year	₱37,346,161	₱32,978,080
Actuarial loss on obligation:		
Experience	5,392,118	1,585,408
Demographic assumptions	(306,885)	(753,656)
Change in financial position	162,956	165,808
Benefits paid	(4,737,744)	(587,329)
Current service cost	2,577,412	2,094,588
Interest cost	1,821,325	1,863,262
Balance at end of year	₱42,255,343	₱37,346,161

The rollforward of fair value of plan assets follows:

	2014	2013
Balance at beginning of year	₱18,512,239	₱15,149,701
Benefits paid	(4,737,744)	(587,329)
Interest income	796,254	979,705
Actuarial gain (loss) on plan assets	673,603	(2,078,292)
Contributions	424,010	5,048,454
Balance at end of year	₱15,668,362	₱18,512,239

The amounts recognized in the consolidated statements of income included in personnel costs under general and administrative expenses in Note 26 were determined as follows:

	2014	2013
Current service cost	₱2,577,412	₱2,094,588
Interest cost	1,821,325	1,863,262
Interest income	(796,254)	(979,705)
Change in effect of asset ceiling	–	20
Amount recognized in the consolidated statements of income (Note 26)	₱3,602,483	₱2,978,165

The movements of the net retirement liability recognized in the consolidated statements of financial position are as follows:

	2014	2013
Retirement liability at beginning of year	₱18,833,922	₱17,828,359
Expense recognized in the consolidated statements of income	3,602,483	2,978,165
Defined benefit cost recognized in the consolidated statements of comprehensive income:		
Actuarial loss on obligation	5,248,189	997,560
Actuarial loss on plan assets	(673,603)	2,078,292
Actual contributions	(424,010)	(5,048,454)
Net retirement liability at end of year	₱26,586,981	₱18,833,922

The movements of net remeasurement gain (loss) recognized in "Other Comprehensive Income (Loss)" (OCIL) follow:

	2014	2013
Balance at beginning of year – net	(₱27,282,459)	(₱24,206,991)
Actuarial gain (loss):		
Changes in financial assumptions	(162,956)	(165,808)
Experience	(5,392,118)	1,458,073
Demographic assumptions	306,885	(2,289,825)
Remeasurement gain (loss) - fair value of plan assets arising from financial assumptions	673,603	(2,077,908)
Remeasurement gain (loss)	(4,574,586)	(3,075,468)
Balance at end of year before deferred income tax	(31,857,045)	(27,282,459)
Less deferred income tax liabilities (assets)	9,232,604	–
Balance at end of year – net	(₱22,624,441)	(₱27,282,459)

(AMOUNTS IN PHILIPPINE PESOS)

Expected future benefit payments of the Group is shown below:

Year	Expected benefit payment
Within one year	₱23,930,735
Within 2 to 5 years	5,240,123
Beyond 5 years	12,763,821

Sensitivity analysis on the retirement benefit obligation is as follows:

	Percentage increase (decrease)	Effect on DBO
100 bps increase in discount rate	(0.7%)	(₱391,498)
100 bps decrease in discount rate	0.8%	443,005
100 bps increase in salary increase rate	0.7%	364,375
100 bps decrease in salary increase rate	(0.6%)	(327,541)
Increase in DBO, no attrition rates	12.4%	5,692,738

Asset-liability matching strategies to manage risks

The Retirement Plan Trustee has no specific matching strategy between the plan assets and the plan liabilities.

Funding arrangements

The Group is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Group's discretion.

However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then become due and payable by the Group to the Retirement Fund.

28. Lease Agreement

Group as a Lessor

The Group leased its various properties under operating lease with various lessees. The term of the lease agreements is for one to five years and is renewable upon mutual agreement of both parties. The agreements will expire in various dates up to 2014. The agreements provide that the lessees shall pay for all major and minor repairs, business taxes, and charges for water, light, telephone and other utilities expense.

Estimated future minimum rental receipts follow:

	2014	2013
Due within one year	₱6,517,683	₱5,590,175
Due beyond one year, not later than five years	5,989,646	8,556,871
	₱12,507,329	₱14,147,046

Rental income under these operating leases which amounted to ₱8,181,574 in 2014, ₱5,447,917 in 2013 and ₱6,604,501 in 2012 are all from non-related parties.

Group as a Lessee

The Group entered into operating lease agreements with related and non-related parties for its office space in Cagayan de Oro City and Metro Manila. The term of the lease agreements are for one to two years and is renewable upon the agreement of both parties.

Estimated future minimum rental payments are as follows:

	2014	2013
Due within one year	₱3,050,032	₱866,093
Due beyond one year, not later than five years	1,017,008	–
	₱4,067,040	₱866,093

Rental expense under these operating leases amounted to ₱2,154,230 in 2014, ₱916,761 in 2013 and ₱706,408 in 2012 (see Notes 20 and 26).

There are no other significant restrictions imposed by lease agreements such as those concerning dividends, additional debt and further leasing.

(AMOUNTS IN PHILIPPINE PESOS)

29. Income Taxes

a. The current income tax expense is composed of MCIT and regular corporate income tax (RCIT). Components of current income tax reported in the consolidated statements of income follows:

	2014	2013	2012
RCIT	₱10,962,491	₱11,219,303	29,731,334
MCIT	1,222,769	242,134	233,890
	₱12,185,260	₱11,461,437	29,965,224

b. The components of deferred tax accounts represent the future tax consequence of the following:

	2014	2013
Deferred tax assets		
Tax effects of:		
NOLCO	₱24,596,425	₱37,910,495
Retirement liability and unamortized past service cost	9,759,254	2,413,299
Allowance for impairment losses on investment properties	5,044,380	4,585,800
Allowance for doubtful accounts	135,968	135,968
Others	10,045,834	10,045,834
MCIT	1,698,681	723,353
	₱51,280,542	₱55,814,749

	2014	2013
Deferred tax liabilities		
Tax effects of:		
Deferred income on sale of real estate	₱84,307,505	₱84,838,507
Deferred rental income	79,814	120,153
Unrealized foreign exchange gain	815	8,077
	₱84,388,134	₱84,966,737

The Group did not recognize the deferred income tax asset on NOLCO amounting to ₱38.0 million as of December 31, 2014 since management believes that this could not be utilized prior to its expiration. NOLCO amounting to ₱77.7 million as of December 31, 2014, can be carried forward and claimed as deduction against regular taxable income for the next three (3) years as follows:

Date Incurred	Amount	Expired/Applied	Balance	Tax effect	Expiry Date
December 31, 2011	₱22,725,596	(₱22,725,596)	₱–	₱–	Expired
December 31, 2012	41,586,419	(3,239,733)	38,346,686	11,504,006	December 31, 2015
December 31, 2013	38,277,806	–	38,277,806	11,483,342	December 31, 2016
December 31, 2014	1,078,428	–	1,078,428	323,528	December 31, 2017
	₱103,668,249	(₱25,965,329)	₱77,702,920	₱23,310,876	

The following NOLCO that can be claimed as deduction against future taxable income for the next seven years until December 31, 2018, 2019, 2020 and 2021 being a renewable energy company as provided by Section 15 (d) of Republic Act 9513, Renewable Energy Act of 2008.

Date Incurred	Amount	Expired/Applied	Balance	Tax effect	Expiry Date
December 31, 2011	₱42,186	₱–	₱42,186	₱12,656	December 31, 2018
December 31, 2012	241,637	–	241,637	72,491	December 31, 2019
December 31, 2013	1,138,731	–	1,138,731	341,619	December 31, 2020
December 31, 2014	2,862,609	–	2,862,609	858,783	December 31, 2021
	₱4,285,163	₱–	₱4,285,163	₱1,285,549	

The carry forward benefits of the following MCIT can be claimed as deduction from regular corporate income tax for the next three (3) years as follows:

Date Incurred	Amount	Expired/Applied	Balance	Expiry Date
December 31, 2011	₱247,441	(₱247,441)	₱–	Expired
December 31, 2012	233,778	–	233,778	December 31, 2015
December 31, 2013	242,134	–	242,134	December 31, 2016
December 31, 2014	1,222,769	–	1,222,769	December 31, 2017
	₱1,946,122	(₱247,441)	₱1,698,681	

(AMOUNTS IN PHILIPPINE PESOS)

c. The reconciliation between the income tax expense computed at the statutory tax rate and the income tax expense (benefit) shown in the consolidated statements of income follows:

	2014	2013	2012
Income tax expense computed at statutory tax rate	₱9,469,919	₱2,041,247	₱31,231,529
Income tax effects of:			
Write-off of expired NOLCO and other deferred tax assets	15,580,431	–	2,033,729
Provision for impairment	7,889,910	–	–
Gain on sale of AFS – net	(7,602,372)	–	–
Discount on long-term debt	(7,542,763)	–	(15,890,675)
Amortization of discount on long-term debt	4,131,608	1,254,811	269,267
Change in unrecognized deferred tax assets	2,568,701	–	–
Nondeductible interest and other expenses	700,770	1,477,698	4,881,149
Amortization of discount on notes receivable	(110,151)	–	–
Excess of contribution over provision on plan assets	90,219	(663,148)	(69,468)
Interest income subject to final tax	(73,541)	(2,428,585)	(1,898,678)
Capital gains tax paid	25,800	16,175	242,549
Dividend income	(2,505)	(1,600)	–
Accounts written-off	–	354,130	–
Discount on notes receivable	–	–	214,526
Applied and expired MCIT	247,442	(8,195,194)	9,069,098
	₱25,373,468	(₱6,144,466)	₱30,083,026

2. The Group opted for the itemized deduction scheme for its income tax reporting in 2014, 2013 and 2012.

30. Earnings per Share (EPS)

Basic EPS is computed as follows:

	2014	2013	2012
Net profit attributable to equity holders of Parent Company	₱2,282,423	₱3,555,644	₱70,761,417
Divided by weighted average number of shares outstanding	1,732,865,522	1,732,865,522	1,177,146,587
Basic earnings per share	P0.00132	P0.00205	P0.06011

The Group has no dilutive potential shares as of December 31, 2014, 2013 and 2012 (see Note 21).

31. Financial Instruments

Set out below is a comparison by category of carrying values and estimated fair values of Group's financial instruments as of December 31, 2014 and 2013:

	2014	
	Carrying value	Fair value
Financial assets:		
Cash and cash equivalents (Note 6)	₱93,045,062	₱93,045,062
Accounts receivable (Note 7)*	512,932,210	512,932,210
Notes receivable (Note 8)	347,316	347,316
Refundable deposits (Note 5)	8,999,549	8,999,549
AFS investments (Note 11)	626,496,144	626,496,144
	P1,241,820,281	1,241,820,281
Financial liabilities:		
Short-term debt (Note 19)	₱265,000,000	₱265,000,000
Long-term debt (Note 19)	1,799,331,209	1,799,331,209
Accounts payable and accrued expenses (Note 18)**	317,279,133	317,279,133
Subscription payable (Notes 11 and 12)	494,482,038	494,482,038
	₱2,876,092,380	₱2,876,092,380

(AMOUNTS IN PHILIPPINE PESOS)

	2013	
	Carrying value	Fair value
Financial assets:		
Cash and cash equivalents (Note 6)	₱131,124,390	₱131,124,390
Accounts receivable (Note 7)*	499,350,851	499,350,851
Notes receivable (Note 8)	6,632,828	6,632,828
Refundable deposits (Note 5)	8,556,532	8,556,532
AFS investments (Note 11)	914,260,817	914,260,817
	₱1,559,925,418	₱1,559,925,418
Financial liabilities:		
Short-term debt (Note19)	₱220,000,000	₱220,000,000
Long-term debt (Note 19)	1,601,800,492	1,601,800,492
Accounts payable and accrued expenses (Note 18)**	272,158,256	272,158,256
Subscription payable (Notes 11 and 12)	84,550,743	84,550,743
	₱2,178,509,491	₱2,178,509,491

*Excluding nonfinancial assets amounting to ₱25,091,041 and ₱17,626,490 as of December 31, 2014 and 2013, respectively.

**Excluding nonfinancial liabilities amounting to ₱9,632,674 and ₱18,149,418 as of December 31, 2014 and 2013, respectively.

Methods and Assumptions Used to Estimate Fair Value

The carrying value of cash and cash equivalents, accounts and notes receivable, accounts payable and accrued expenses, and short-term bank debts approximates their fair value due to the short-term nature of the transactions.

AFS investments in listed companies included in Level 1 are valued based on published prices. AFS investments in golf, sports and country clubs and non-listed companies, which are not traded in active market, are included in Level 3. Cash in banks and bank loans' fair value is included in Level 2. The fair value of accounts and notes receivable, refundable deposits under noncurrent assets, accounts payable and accrued expenses, certain long-term debt (loans payable to stockholders) and subscription payable included in Level 3 and which are not traded in an active market are determined based on the expected cash flows of the underlying asset and liability based on the instrument where the significant inputs required to determine the fair value of such instrument are not based on observable market data.

The Group has no financial instruments that are carried at FVPL. There has been no reclassification from Level 2 or 3 categories during 2014 and 2013.

32. Financial Risk Management Objectives and Policies

The Group is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities. The Group's principal financial instruments comprise of cash and cash equivalents, receivables, investment in equity securities, and short and long-term debt. The main purpose of investing these financial instruments (assets) is to maximize interest yield and for capital appreciation. The main purpose of bank loans is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, refundable deposits, trade payables and accrued liabilities, which arise directly from operations. The Group's policies and guidelines cover credit risk, liquidity risk and market risks. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results and financial position. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle.

The main risks arising from the use of financial instruments are credit risk, liquidity risk, interest rate risk, equity price risk, foreign currency risk and agricultural production and price risk. The Group's BOD reviews and agrees with policies for managing each of these risks. These are summarized below:

- Credit risk

Credit risk refers to the risk that a counterparty will default and/or fail to honor its financial or contractual obligations, resulting in financial loss to the Group. The Group only transacts with recognized and creditworthy counterparties, like investing in creditworthy equities such as those listed in the Philippine Stock Exchange. Moreover, the Group follows strict credit policies and procedures in granting of credit to customers, which are regularly reviewed and updated to reflect changing risk conditions, which includes credit evaluation, administration, monitoring and collection guidelines. The Group likewise monitors exposures through continuing assessment of creditworthiness of customers, and monitoring of the aged schedules of receivables. In addition, real estate buyers are subject to standard credit check procedures, which are calibrated based on payment scheme offered.

(AMOUNTS IN PHILIPPINE PESOS)

a. Credit risk exposure

Generally, the maximum credit risk exposure of the financial assets is the carrying amounts of the Group's financial assets as summarized below:

	2014	2013
Cash and cash equivalents	₱92,094,804	₱130,235,004
Accounts receivable	512,932,210	499,350,851
Notes receivable	347,316	6,632,828
Refundable deposits	8,999,549	8,556,532
Available-for-sale investments	626,496,144	914,260,817
	₱1,240,870,023	₱1,559,036,032

The Group's cash and cash equivalents have been invested with various creditworthy banks, thus limiting exposure to credit risk, in regard to its liquid assets. The Group's contract and trade receivables consist of significant number and various customers/lot buyers. Customers of the Group have been subjected to credit evaluation prior to sale. Moreover, ownership of the shares and title of the real estate sold on installment to various customers/lot buyers are only transferred, upon full payment of the agreed total contract price.

Available-for-sale investments include investment in shares that are actively traded in the stock market. The Group uses other publicly available financial information to monitor its investments.

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

b. Credit Quality

Below is the credit quality by class of financial assets as of December 31, 2014 and 2013, gross of allowance for impairment losses.

	2014					
	Neither past due nor impaired			Past due but not impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Loans and receivables						
Cash and cash equivalents (Note 6)*	₱92,094,804	₱–	₱–	₱–	₱–	₱92,094,804
Accounts receivable (Note 7)	458,594,333	38,510,641	8,228,125	7,599,111	1,364,796	514,297,006
Notes receivable (Note 8)	347,316	–	–	–	–	347,316
Refundable deposits (Note 5)	8,999,549	–	–	–	–	8,999,549
Total loans and receivables	560,036,002	38,510,641	8,228,125	7,599,111	1,364,796	615,738,675
AFS investments (Note 11)	626,496,144	–	–	–	–	626,496,144
	₱1,186,532,146	₱38,510,641	₱8,228,125	₱7,599,111	₱1,364,796	₱1,242,234,819

	2013					
	Neither past due nor impaired			Past due but not impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Loans and receivables						
Cash and cash equivalents (Note 6)*	₱130,235,004	₱–	₱–	₱–	₱–	₱130,235,004
Accounts receivable (Note 7)	347,464,468	97,863,203	20,300,919	33,722,261	595,117	499,945,968
Notes receivable (Note 8)	6,632,828	–	–	–	–	6,632,828
Refundable deposits (Note 5)	8,556,532	–	–	–	–	8,556,532
Total loans and receivables	492,888,832	97,863,203	20,300,919	33,722,261	595,117	645,370,332
AFS investments (Note 11)	914,260,817	–	–	–	–	914,260,817
	₱1,407,149,649	₱97,863,203	₱20,300,919	₱33,722,261	₱595,117	₱1,559,631,149

*- Excluding cash on hand

High grade cash and cash equivalents are short-term placements and working capital cash fund placed, invested, or deposited in local banks belonging to the top 25 banks in the Philippines in terms of resources and profitability.

(AMOUNTS IN PHILIPPINE PESOS)

Other high grade accounts are accounts considered to be high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. Substandard grade accounts are accounts which have a probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up and extended payment terms.

Below is the aging analysis of past due but not impaired receivables:

	2014			
	Less than 30 days	30 to 60 days	More than 60 days	Total
Accounts receivable	₱1,862,751	₱1,437,025	₱4,299,335	₱7,599,111

	2013			
	Less than 30 days	30 to 60 days	More than 60 days	Total
Accounts receivable	₱3,511,678	₱2,487,272	₱27,723,311	₱33,722,261

c. Risk concentrations of the maximum exposure to credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

Given the Group's diverse base of counterparties, significantly various individual buyers of real estates and manufacturers using crude palm oil, it is not exposed to a large concentration of credit risks.

d. Impairment assessment
The Group recognizes impairment losses based on the results of the specific/individual and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract has happened, or when there is inability to pay principal or interest overdue, if any, beyond a certain threshold. These and other factors constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by the Group in assessing and measuring impairment include: (1) specific/individual assessment; and (2) collective assessment.

Under specific/individual assessment, the Group assesses each individual significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment. Among the items and factors considered by the Group when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligations during financial crises; (e) the availability of other sources of financial support; and, (f) the existing realizable value of collateral, if any. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant and for individually significant receivables when there is no apparent or objective evidence of individual impairment. A particular portfolio is reviewed on a periodic basis, in order to determine its corresponding appropriate allowances. The collective assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment on an individual assessment. Impairment losses are estimated by taking into consideration the following deterministic information: (a) historical losses/write offs; (b) losses which are likely to occur but has not yet occurred; and, (c) the expected receipts and recoveries once impaired.

• Liquidity risk

Liquidity risk refers to the risk that the Group will not be able to meet its financial obligations as they fall due. The Group ensures that investments have ample liquidity to finance operations and capital requirements and yield good returns. The Group manages liquidity by maintaining adequate reserves. Moreover, banking facilities and reserve bank lines and facilities are secured to fill in temporary mismatch of funds for new investments or projects. As of December 31, 2014 and 2013, the available credit lines with banks and outstanding balances are as follows:

(AMOUNTS IN PHILIPPINE PESOS)

	2014		
	Available credit line	Drawable line	Unpaid
UCPB	₱420,000,000	₱10,000,000	₱308,882,844
CBC	100,000,000	10,000,000	90,000,000
CBC TRUST	300,000,000	–	300,000,000
BPIF	275,983,414	–	226,812,738
BPI	224,000,000	–	183,500,000
AUB	348,748,000	–	340,723,000
PBCOM	65,000,000	–	65,000,000
MAY	60,000,000	–	60,000,000
UBP	400,000,000	–	387,391,800
	₱2,193,731,414	₱20,000,000	₱1,962,310,382

	2013		
	Available credit line	Drawable line	Unpaid
UCPB	₱420,000,000	₱–	₱374,242,824
CBC	400,000,000	–	400,000,000
BPIF	275,983,414	–	274,610,126
BPI	224,000,000	180,000,000	210,500,000
UBP	400,000,000	–	396,056,200
AUB	265,000,000	–	85,000,000
	₱1,984,983,414	₱180,000,000	₱1,740,409,150

Furthermore, long-term debts are used for financing when the business requirement calls for it to ensure adequate liquidity for its operations. Additional funding requirements may be obtained from related parties.

The following table presents the Group's non-derivative financial assets and liabilities by contractual maturity and settlement dates as of December 31, 2014 and 2013:

	2014		
	Due within one year	Due beyond one year	Total
Financial assets:			
Cash and cash equivalents (Note 6)	₱93,045,062	₱–	₱93,045,062
Accounts receivable (Note 7)	167,377,311	345,554,899	512,932,210
Notes receivable (Note 8)	347,316	–	347,316
Refundable deposits (Note 5)	8,999,549	–	8,999,549
AFS investments (Note 11)	626,496,144	–	626,496,144
	₱896,265,382	₱345,554,899	₱1,241,820,281
Financial liabilities:			
Short-term debt (Note 9)	₱265,000,000	₱–	₱265,000,000
Long-term debt (Note 9)	181,111,133	1,618,220,076	1,799,331,209
Accounts payable and accrued expenses (Note 8)	317,279,133	–	317,279,133
Subscription payable	494,482,038	–	494,482,038
	₱1,257,872,304	₱1,618,220,076	₱2,876,092,380

	2013		
	Due within one year	Due beyond one year	Total
Financial assets:			
Cash and cash equivalents (Note 6)	₱131,124,390	₱–	₱131,124,390
Accounts receivable (Note 7)	294,256,978	205,093,873	499,350,851
Notes receivable (Note 8)	6,632,828	–	6,632,828
Refundable deposits (Note 5)	8,556,532	–	8,556,532
AFS investments (Note 11)	–	914,260,817	914,260,817
	₱440,570,728	₱1,119,354,690	₱1,559,925,418
Financial liabilities:			
Short-term debt (Note 9)	₱220,000,000	₱–	₱220,000,000
Long-term debt (Note 9)	110,905,259	1,490,895,233	1,601,800,492
Accounts payable and accrued expenses (Note 8)	272,158,256	–	272,158,256
Subscription payable	84,550,743	–	84,550,743
	₱687,614,258	₱1,490,895,233	₱2,178,509,491

• Market risks

Market risk refers to the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates, and agricultural production and prices will affect the Group's income.

That objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk. The Group is subject to the following market risks:

a. Interest Rate Risk

The Group is exposed to interest rate fluctuations on their cash in bank and cash equivalents, contract receivables on sale of real estate and short-term and long-term debt. Other financial assets and liabilities which principally arise in the ordinary course of its operations, are generally short-term and noninterest-bearing.

Historically, the rate of fluctuations relative to its cash in bank and cash equivalents is minimal. Interest rates in 2014, 2013 and 2012 are approximately less than 1% for cash in banks and 1.05% to 3.60% for cash equivalents.

The contract receivables on sale of real estate are managed within the parameters approved by management. Currently, these have been offered at approved fixed rates.

Interest rates, which are highly controllable by the Parent Company, ranged from 10% to 18% in 2014 and 2013, depending on the terms and length of payment in years. Any changes in the interest rate have been subjected to thorough review and approval of the management.

Interest-bearing long-term debt carries interest rates which ranged from 5.5% to 7.3% in 2014 and 2013. Interest rates of certain debt are subject to quarterly repricing or subject to variability based on agreed terms with bank.

An increase in interest rate by 1% would decrease equity by ₱1.2 million. An equal change in the opposite would increase equity by the same amount.

b. Equity Price Risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. Changes in fair value of available-for-sale equity instruments due to a reasonably possible change in equity indices, with all other variables held constant will increase equity by 6.8 million as of December 31, 2014, if equity prices will increase by 1%. An equal change in the opposite direction would have decreased equity by the same amount.

c. Foreign Currency Risk

The Group's exposure to foreign currency risk is very minimal. The Group's policy is to maintain a level of foreign currency-denominated cash in bank that would not significantly affect the Group's financial position and results of operations due to movements in foreign exchange rates.

The following table demonstrates the sensitivity to a reasonable possible change in the Philippine Peso – United States (US) dollar exchange rate, with all variable held constant, the Group's profit before tax and the Group's equity on December 31, 2014.

Reasonably Possible Changes in US Dollar – Philippine Peso Exchange Rate	Effect on Profit before tax	Effect on Equity
1%	₱68,270	₱47,789
-1%	-68,270	-47,789

The Group's exposures to foreign currency rates vary during the year depending on the dollar denominated cash deposited in banks. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

d. Agricultural Production and Price Risk

Agricultural production risks include all factors that affect the productivity of the crop which also affect the profitability of biological assets. The variations in crop yields are affected by a range of factors such as weather conditions/climate change, pests, diseases, technological change as well as management of natural resources such as water. Agricultural production price risk is associated with variability, mostly, in output price and also in input price.

The Group reduces the agricultural production risk and price risk by implementing good farm practices, developing and improving relevant infrastructure and access to agricultural support practices, and by adopting social schemes. The Group also ensures that proper selection of planting sites has been performed.

(AMOUNTS IN PHILIPPINE PESOS)

33. Capital Management

The primary objective of the Group's capital management is to ensure its ability to continue as a going concern and maintains healthy ratios in order to support its business and maximize shareholders' value. The Group considers the following accounts as its capital:

	2014	2013
Share capital	₱1,732,865,522	₱1,732,865,522
Additional paid-in capital	586,198,947	586,198,947
Retained earnings	347,042,787	344,760,364
	₱2,666,107,256	₱2,663,824,833

The Group manages capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. The debt-to-equity ratios as at December 31, 2014 and 2013 follow:

	2014	2013
Total debt	₱3,045,437,978	₱2,406,333,110
Divided by total equity	₱2,823,883,984	₱2,784,321,171
Debt-to-equity ratio	1.08:1.00	0.86:1.00

The Group had not been subjected to externally imposed capital requirements in 2014 and 2013. No changes were made in the objectives, policies, and processes during the years ended December 31, 2014 and 2013.

34. Dividend Declaration

On June 7, 2013, the Parent Company declared stock dividends equivalent to 25% of outstanding capital stock of the Corporation for the stockholders of record as of September 12, 2013 and distributed the shares to the stockholders in October 2013.

In December 2010, the Parent Company distributed 62,500,591 shares which is net of 4,609,685 shares representing the final tax due on the treasury shares.

On August 18, 2010, the BOD approved the declaration of a total of 63,120,433 of the Parent Company's treasury shares as property dividends to be reissued at ₱3.20 per share. Shareholders as of record date owning 16 shares shall be entitled to one treasury share. No fractional shares were issued. Since the property dividend was subject to regulatory approval of the SEC, the record date was set on November 3, 2010 and the distribution date was November 29, 2010 after an instruction was received from the SEC for the BOD to set those pertinent dates.

On July 9, 2010, the Parent Company's BOD, upon the recommendation of management, declared a cash dividend of Twenty Centavos (₱0.20) per share. Conformably with the rules of the Philippine Stock Exchange, the Record Date for the dividend was August 6, 2010 and Payment Date was on August 31, 2010.

On December 27, 2006, the BOD declared cash dividends equal to ₱0.05 per share or a total of ₱49,439,315 to shareholders of record as of January 15, 2007 payable on February 8, 2007. Relative to this, dividend payable of ₱45,852,178 (net of withholding tax) was recognized in the December 31, 2006 Parent Company statements of financial position. As of December 31, 2012, dividends payable amounted to ₱2,420,541. In 2013, ₱2.3 million of the unpaid dividends of the Parent Company was closed to other income and ₱.065 million was reclassified.

35. Business Segment Information

In identifying the operating segments, management generally follows the Group's principal activities or business operations, which represent the main products and services provided by the Group as follows:

Real estate	Development of land into commercial and residential subdivision, sale of lots and residential houses and the provision of customer financing for sales
Quarry and Mining	Quarrying and mining of basalt rocks for production of construction aggregates or sand and gravel
Service/Manufacturing /Trading	Providing water supply and servicing; Manufacturing of crude palm oil; selling of goods on wholesale and retail basis
Hotel	Management of hotel operations
Agriculture	Development of land for palm oil production and sale of palm seedlings and sale of crude palm oil
Power	Operating of power plants and/or purchase, generation, production supply and sale of power. However, there was no commercial operations yet in 2014.
Holding	Holding of properties of every kind and description

The Group generally accounts for inter-segment sales and transfers as if the sales and transfers were to third parties at current market prices.

The following tables regarding business segments present assets and liabilities as of December 31 and revenue and profit information for each of the three years in the period ended December 31, 2014 (in thousands).

2014

FINANCIAL INFORMATION ABOUT BUSINESS SEGMENTS

	Real estate	Quarry, mining	Service/ Mfg/Trading	Hotel	Agriculture	Power operations	Holding	Total	Adjustments & eliminations	Consolidated
Revenues										
External revenues	₱443,619	₱9,652	₱172,731	₱10,583	₱7,143	₱–	₱–	₱643,728	₱–	₱643,728
Inter-segment revenues	8,857	–	–	–	–	–	–	8,857	(8,857)	–
Total revenues	452,476	9,652	172,731	10,583	7,143	–	–	652,585	(8,857)	643,728
Operating expenses	410,494	7,946	172,156	19,271	3,865	2,904	1,079	617,715	(5,394)	612,321
Operating profit (loss)	41,982	1,706	575	(8,688)	3,278	(2,904)	(1,079)	34,870	(3,463)	31,407
Gain on sale of AFS investments	25,521	–	–	–	–	–	–	25,521	–	25,521
Dividends income	8	–	–	–	–	–	–	8	–	8
Financial income	43,337	–	14	5	–	384	1	43,741	(268)	43,473
Financial expenses	(90,291)	–	–	(715)	–	–	–	(91,006)	268	(90,738)
Gain (loss) on sale of assets	632	–	268	(8,356)	96	–	–	(7,360)	(4)	(7,364)
Other income	17,721	–	7,912	158	–	–	–	25,791	–	25,791
Income tax benefit (expense)	(11,811)	–	(2,886)	(6,551)	(5,028)	659	244	(25,373)	–	(25,373)
Net profit	₱27,099	₱1,706	₱5,883	(₱24,147)	(₱1,654)	(₱1,861)	(₱834)	₱6,192	(₱3,467)	₱2,725
Net profit attributable to:										
Equity holders of Parent Company										₱2,283
Noncontrolling interest										442
										₱2,725
Other information										
Segment assets	₱5,418,627	₱24,043	₱878,747	₱41,864	₱270,350	₱25,634	₱1,352,857	₱8,012,122	(₱2,193,901)	₱5,818,221
Deferred tax assets	24,218	–	17,906	–	6,682	1,085	1,190	51,081	200	51,281
Total assets	₱5,442,845	₱24,043	₱896,653	₱41,864	₱277,032	₱26,719	₱1,354,047	₱8,063,203	₱2,194,101	₱5,869,502
Segment liabilities	₱2,367,769	₱12,878	₱521,720	₱18,236	₱266,838	₱6,930	₱952,782	₱4,147,153	(₱1,186,103)	₱2,961,050
Deferred tax liabilities	84,388	–	–	–	–	–	–	84,388	–	84,388
Total liabilities	₱2,452,157	₱12,878	₱521,720	₱18,236	₱266,838	₱6,930	₱952,782	₱4,231,541	(₱1,186,103)	₱3,045,438
Segment additions to property and equipment and investment properties	₱10,369	₱1,650	₱79,215	₱8,752	₱9,600	₱12,187	₱–	₱121,773	(₱12,850)	₱108,923
Depreciation and amortization	(₱10,500)	(₱169)	(₱14,537)	(₱8,583)	(₱3,171)	(₱502)	(₱2)	(₱37,464)	₱–	(₱37,464)
Impairment loss	(₱27,829)	₱–	₱–	₱–	₱–	₱–	₱–	(₱27,829)	₱26,300	(₱1,529)

2013

FINANCIAL INFORMATION ABOUT BUSINESS SEGMENTS

	Real estate	Quarry, mining	Service/ Mfg/Trading	Hotel	Agriculture	Power operations	Holding	Total	Adjustments & eliminations	Consolidated
Revenues										
External revenues	₱366,289	₱13,458	₱74,968	₱8,856	₱8,000	₱–	₱–	₱471,571	₱–	₱471,571
Inter-segment revenues	11,335	–	–	–	–	–	–	11,335	(11,335)	–
Total revenues	377,624	13,458	74,968	8,856	8,000	–	–	482,906	(11,335)	471,571
Operating expenses	337,216	7,787	113,172	18,967	5,795	1,218	2,546	486,701	(293)	486,408
Operating profit (loss)	40,408	5,671	(38,204)	(10,111)	2,205	(1,218)	(2,546)	(3,795)	(11,042)	(14,837)
Financial income	30,315	–	231	122	1	359	519	31,547	–	31,547
Financial expenses	(67,786)	–	–	(681)	–	–	–	(68,467)	–	(68,467)
Dividends income	5	–	–	–	–	–	–	5	–	5
Other income	49,375	5	1,257	(1,040)	–	–	–	49,597	–	49,597
Income tax expense (benefit)	(8,041)	–	10,398	3,354	(820)	542	711	6,144	–	6,144
Net profit	₱44,276	₱5,676	(₱26,318)	(₱8,356)	₱1,386	(₱317)	(₱1,316)	₱15,031	(₱11,042)	₱3,989
Net profit attributable to:										
Equity holders of Parent Company										₱3,556
Noncontrolling interest										433
										₱3,989
Other information										
Segment assets	₱5,116,263	₱17,122	₱747,492	₱100,865	₱259,464	₱21,402	₱744,314	₱7,006,922	(₱1,872,082)	₱5,134,840
Deferred tax assets	16,995	–	19,118	6,551	11,577	627	947	55,815	–	55,815
Total assets	₱5,133,258	₱17,122	₱766,610	₱107,416	₱271,041	₱22,029	₱745,261	₱7,062,737	(₱1,872,082)	₱5,190,655
Segment liabilities	₱2,119,394	₱11,016	₱396,756	₱59,411	₱259,194	₱177	₱739,287	₱3,585,235	(₱1,263,869)	₱2,321,366
Deferred tax liabilities	84,967	–	–	–	–	–	–	84,967	–	84,967
Total liabilities	₱2,204,361	₱11,016	₱396,756	₱59,411	₱259,194	₱177	₱739,287	₱3,670,202	(₱1,263,869)	₱2,406,333
Segment additions to property and equipment and investment properties	₱12,380	₱1,706	₱92,272	₱29,352	₱–	₱2,147	₱–	₱137,857	₱–	₱137,857
Depreciation and amortization	(₱14,449)	(₱170)	(₱7,329)	(₱2,245)	(₱3,288)	(₱88)	(₱3)	(₱27,572)	₱–	(₱27,572)
Impairment loss	(₱1,529)	₱–	₱–	₱–	₱–	₱–	₱–	(₱1,529)	₱–	(₱1,529)

(AMOUNTS IN PHILIPPINE PESOS)

2012

	FINANCIAL INFORMATION ABOUT BUSINESS SEGMENTS									
	Real estate	Quarry, mining	Service/ Mfg/Trading	Hotel	Agriculture	Power operations	Holding	Total	Adjustments & eliminations	Consolidated
Revenues										
External revenues	₱464,367	₱19,761	₱88,823	₱9,187	₱849	₱–	₱–	₱582,987	₱–	₱582,987
Inter-segment revenues	1,185	44	–	2,234	11,509	–	–	14,972	(14,972)	–
Total revenues	465,552	19,805	88,823	11,421	12,358	–	–	597,959	(14,972)	582,987
Operating expenses	407,937	15,285	113,615	18,738	33,939	376	4,837	594,667	(10,444)	584,223
Operating profit (loss)	57,615	4,520	(24,732)	(7,317)	(21,581)	(376)	(4,837)	3,292	(4,528)	(1,236)
Financial income	82,239	–	55	8,534	4	327	321	91,480	(5,030)	86,450
Financial expenses	(54,581)	–	(5,029)	(113)	–	(1,018)	–	(60,741)	5,030	(55,711)
Other income	64,839	–	5,741	336	–	–	–	70,916	–	70,916
Income tax expense (benefit)	(42,469)	–	4,831	2,050	5,324	73	108	(30,083)	–	(30,083)
Net income	₱107,643	₱4,520	(₱19,134)	₱3,490	(₱16,253)	(₱994)	(₱4,408)	₱74,864	(₱4,528)	₱70,336
Net income attributable to:										
Equity holders of Parent Company										₱70,761
Noncontrolling interest										(425)
										₱70,336
Other information										
Segment assets	₱5,097,492	₱17,122	₱673,423	₱85,441	₱259,898	₱41,930	₱190,508	₱6,365,814	(₱1,296,799)	₱5,069,015
Deferred tax assets	15,992	–	8,595	3,197	12,278	85	236	40,383	–	40,383
Total assets	₱5,113,484	₱17,122	₱682,018	₱88,638	₱272,176	₱42,015	₱190,744	₱6,406,197	(₱1,296,799)	₱5,109,398
Segment liabilities	2,151,056	10,122	286,555	32,190	261,607	19,846	183,454	2,944,830	(699,627)	2,245,203
Deferred tax liabilities	78,285	–	–	–	–	–	–	78,285	–	78,285
Total liabilities	₱2,229,341	₱10,122	₱286,555	₱32,190	₱261,607	₱19,846	₱183,454	₱3,023,115	(₱699,627)	₱2,323,488
Segment additions to property and equipment and investment properties	₱34,966	₱2,334	₱72,225	₱3,725	₱3,404	₱–	₱–	₱116,654	₱–	₱116,654
Depreciation and amortization	(₱14,091)	(₱102)	(₱3,808)	(₱2,234)	(₱3,991)	(₱4)	(₱3)	(₱24,233)	₱–	(₱24,233)
Impairment loss	(₱1,529)	₱–	₱–	₱–	₱–	₱–	₱–	(₱1,529)	₱–	(₱1,529)

The Group's external revenues as shown in the preceding tables are analyzed as follows for each major product and service category:

	2014	2013
Real estate:		
Sale of lot – real estate held for sale	₱439,826,934	₱348,599,461
Rental – investment properties	9,518,217	5,447,917
Management fees	–	23,200,000
	449,345,151	377,247,378
Service/Manufacturing and trading:		
Crude palm oil	154,290,000	64,688,505
Water service	13,477,155	12,276,412
Palm seedlings and kernel nuts	5,606,538	2,114,196
Palm acid oil	3,318,556	–
Feed oil	4,720,764	–
Crop	4,027,047	8,000,000
Palm fatty acid distillate	728,259	–
Fertilizer	39,950	165,750
	186,208,269	87,244,863
Hotel operations	8,174,384	7,078,305
	₱643,727,804	₱471,570,546

Revenues from external customers have been identified based on the principal products and services. The Group's external revenues in each of the segment do not depend on a single customer.

36. Amendments to the Articles of Incorporation

In the Board of Directors (BOD) meeting on April 4, 2014 and the annual stockholders meeting on May 9, 2014, the BOD and the shareholders representing 2/3 of the outstanding capital stock approved the amendment to **Paragraph 7**: "That the Corporation's authorized capital stock shall be increased from Two Billion Pesos (₱2,000,000,000.00) to Three Billion Pesos (₱3,000,000,000.00)". The documents required on the application to the increase in authorized capital stock were not yet submitted to the SEC as of March 19, 2015.

In a BOD meeting held on May 2, 2012 and the annual stockholders meeting on June 1, 2012, the BOD and the stockholders representing 2/3 of the outstanding capital stock approved the following amendments: (a) **Paragraph 4**: "That the term for which the Corporation is to exist is extended for another fifty (50) years from and after the date of the expiration of the original corporate term on 20 December 2016"; (b) **Paragraph 6**: "That the number of directors of this Corporation shall be Nine (9)......" and (c) **Paragraph 7**: "That the amount of the capital stock of this Corporation is One Billion Six Hundred Twenty Million Pesos (₱1,620,000,000.00), Philippine Currency, and the said capital stock is divided into One Billion Six Hundred Twenty Million (1,620,000,000) shares with a par value of One Peso (₱1.00) each, provided that, stockholders shall have no preemptive right to subscribe to unissued shares unless otherwise approved by the Board of Directors". The SEC approved the said amendments on December 28, 2012.

The BOD in its special meetings held on May 26 and June 10, 2008 approved the following amendments, confirmed by the stockholders representing not less than 2/3 of the outstanding capital stock in the annual stockholders' meeting on July 11, 2008. (a) **Paragraph 3**: "That the place where the principal office of the Corporation is to be established is in Pasig City, Metro Manila". The change in principal office was approved by SEC on March 3, 2010. The BOD, during their meeting held on November 28, 2011 and by the stockholders of the Parent Company holding at least two-thirds (2/3) of the outstanding capital stock, amended the Articles of Incorporation, changing the principal office to Xavier Estates, Upper Balulang, Cagayan de Oro City. Amendment was approved by SEC on December 28, 2011. (b) **Paragraph 7**: "That the amount of the capital stock of this Corporation is ₱15,320,000,000 and the said capital stock is divided into 15,320,000,000 shares with the par value of ₱1.00 each, provided that shareholders shall have no preemptive right to subscribed unissued shares unless otherwise approved by the Board of Directors". Pending approval from SEC for the increase in its capitalization, the Parent Company received a total of ₱187.8 million as of December 31, 2009, as deposits for future stock subscription. Additional deposits were received by the Parent Company in 2010 amounting to ₱3.8 million. Inasmuch, however, that the Parent Company no longer has use for the fresh capital intended to be raised in 2008, management has proposed that the increase in capital stock be cancelled which was subsequently approved by the BOD in its board meeting last September 16, 2010. The deposits made in consideration thereof have already been returned to the stockholders concerned in 2010.

Moreover, the BOD on its meeting on March 26, 2007 and May 30, 2007, approved the following amendment to **Paragraph 5** of the secondary purpose of the Articles of Incorporation, to read as follows: "To engage in the power business, including but not limited to power generation, power trading and power supply, and for this purpose, to bid for or acquire power generation and power related assets, facilities, concessions and contracts, and to enter into other transactions or agreements relating to power, by itself or through joint ventures or partnerships, directly or through its subsidiaries or affiliates and to purchase, hold use, sell, transfer, mortgage, exchange, or dispose of real and personal properties of every kind and description, including all commercial papers and securities or obligations of domestic/foreign corporation or associations without being a stockholder or dealer and to pay or exchange therefore, stocks, bonds or other evidences of indebtedness or securities for this or any other corporation and to exercise any and all rights and obligations as owner or holder thereof, provided it shall not function as a trust corporation".

The foregoing amendments were confirmed by the stockholders representing not less than 2/3 of the outstanding capital stock in the annual stockholders' meeting on June 1, 2007. On May 2, 2012, the BOD approved the cancellation of this amendment.

37. Other Matters

Impasug-Ong and Kalabugao Plantations

ABERDI entered into a Development Contract (DC) with Kapunungan Sa Mga Mag-uuma sa Kaanibungan (KASAMAKA) at the Municipality of Impasug-ong, Bukidnon concerning the development of Oil Palm Commercial Plantation. KASAMAKA had been granted with Community Based Forest Management Agreement (CBFMA) no. 55093, by the Department of Environment and National Resources (DENR) on December 22, 2000 covering an area of 2,510.80 hectares. Under the CBFMA, KASAMAKA is mandated to develop, manage and protect the allocated community forest project area. Moreover, it is allowed to enter into agreements or contracts with private or government entities for the development of the whole or portion of the CBFMA area. The project's objectives are to establish approximately 894 hectares into a commercial palm plantation within 5 years (2006-2011). However, ABERDI may intercrop suitable agricultural crops in the plantation and raise livestock, the harvest and produce of which shall belong to ABERDI.

The responsibilities of KASAMAKA with regards to the project are (a) to provide the land area of 894 hectares within CBFMA area for oil palm plantation and (b) to provide manpower needs of the Group in all developmental activities such as land preparation, planting, weeding, fertilization, harvesting, maintenance and others. On the other hand, the responsibility of ABERDI in regard to the project is to provide technical and financial resources to develop the 894 hectares into palm oil plantation for a period of 20 years up to 2026. Relative to the agreement, the Group paid for leasehold rights on the land that are applicable up to year 2026 (see Note 17).

Opol Plantation

NC entered into a Development Contract for the establishment of Palm Oil Plantation in Tingalan, Opol, Misamis Oriental with Kahugpongan sa mga Mag-Uuma sa Barangay Tingalan (KMBT). KMBT has been granted CBFMA No. 56297 by DENR on December 31, 2000 covering a total area of 1,000 hectares of forest lands located in Tingalan, Opol, Misamis Oriental to develop, manage and protect the allocated Community Forest Project Area. The roles and responsibilities of KMBT under the Development Contract are (a) to provide the land area within the CBFMA for oil plantation and (b) o provide manpower needs of NC in all developmental activities such as land preparation, planting, weeding, fertilization, harvesting, maintenance and others. On the other hand, the responsibility of NC in regard to the project is to provide technical and financial resources to develop the covered area into palm oil plantation for a period of 25 years.

38. Litigation

Yulo Case

On December 15, 2008, the First Division of the Supreme Court issued a resolution, denying with finality the motion for reconsideration filed by the Parent Company on October 15, 2008 concerning the case involving a claim for sum of money, specific performance and damage by a certain individual in November 2001. As a result, the Parent Company recognized an estimated litigation loss of ₱34.4 million, inclusive of 12% legal interest computed from default until judgment is fully satisfied based on the Court of Appeals amended decision on July 23, 2008 and claimant.

On July 15, 2009, pursuant to the assailed Order of the trial court dated June 25, 2009, the Parent Company paid the claimant the amount of ₱22.4 million. The said payment was made with the intention of putting closure to the case. The difference between the amount of litigation liability and the amount of settlement has been recorded by the Parent Company as withholding tax on compensation pursuant to the BIR ruling that the nature of the claim is compensation income. In May 2010, the amount recorded by the Parent Company as withholding tax on compensation was released to the Court of Appeals until the decision is final.

The presiding judge who handled the case was eventually replaced.

In an Order dated April 15, 2010, the new presiding judge, reversed the order of the former presiding judge, declaring that the judgment award is not subject to income tax and, at the same time, eliminating the threshold date of 15 July 2009 set by the former presiding judge in the computation of the total amount payable to the claimant.

The new presiding judge ruled that the Parent Company was "still obligated to pay the amount of ₱14, 075,521.24 as of April 15, 2010, subject to daily interest at the rate of ₱4, 305.73 until judgment is fully satisfied."

The Parent Company moved for reconsideration of the said order but, to no avail. The matter is elevated to the Court of Appeals and, thereafter, the Supreme Court.

In due course, the Court of Appeals and the Supreme Court confirmed that the award in favor of Yulo is subject to 32% tax.

Plaintiff filed a motion for execution with the RTC seeking additional interest. Said motion is pending resolution.

Lustre Case

The Parent Company filed with the trial court a case for rescission with damages against defendants Home Industries Development Corporation ("HIDC") and/or Mr. Antonio Lustre. The instant case was brought about by the defendants' non-delivery of lots subject of a contract to sell. The amount involved in the instant case is Six Million Four Hundred Sixty-Four Thousand Four Hundred Twenty-Five Pesos (₱6,464,425.00) [(cash actually paid by the Parent Company) ₱794,425.00 + (present value of shares of stock) ₱5,400,000.00 + (difference between value of the shares of stock at the date of the execution of the Contract to Sell and the present value of the shares of stock) ₱270,000.00]. The trial court ruled in favor of the Parent Company.

The Parent Company learned that the shares of stock forming part of the trial court's judgment award had been disposed and were no longer in the name of Defendants Home Industries Development Corporation ("HIDC") and/or Mr. Antonio Lustre. As such, the Parent Company filed an Omnibus Motion dated 18 April 2011 praying, among others, that Defendant HIDC pay the value of the shares of stock, in lieu of the actual return of the same, which regrettably was denied by the trial court.

Considering the trial court's denial of the above-mentioned Omnibus Motion, the Parent Company filed with the Court of Appeals a Motion for Amendment and/or Clarification of Judgment Based on Supervening Events ("Motion") dated 22 February 2012. This Motion was subsequently denied in a Resolution dated 27 December 2012. Consequently, the Parent Company filed a Motion for Reconsideration (Of the Resolution dated 27 December 2012).

On December 9, 2014, the Decision was executed through public sale wherein ABCI was declared the highest bidder at the bid price of Three Million Nine Hundred Ninety-Four Thousand Eight Hundred Thirty –Five Pesos & 31/100 (₱3,994,835.31). The Certificate of Sale in favor of ABCI has already been registered with the Register of Deeds on January 12, 2015 and is duly annotated on the corresponding Transfer Certificated of Title involved. HIDC has one (1) year from January 12, 2015 within which to redeem the property.

39. Treasury Shares

On June 1, 2010, the Parent Company acquired 300,000,000 treasury shares held by Baysfield Investments Limited (BIL) at the purchase price of ₱335,212,810, or about ₱1.12 per share.

On October 12, 2010, the Parent Company sold 63,865,705 common shares held in treasury at ₱3.01 per share resulting to additional paid-in capital amounting to ₱120,873,766.

As discussed in Note 1, the Parent Company's Board of Directors (BOD) approved, during their meeting on October 5, 2012, the private placement of 250.0 million of its listed common shares consisting of 173.6 million treasury common shares and 76.4 million common shares owned by a shareholder. The Placement Shares, with a par value of ₱1 per share was sold at a price of ₱2.89 per share and crossed in the Exchange on October 8, 2012.

CONTACT

Head Office

Xavier Estates Uptown, Airport Road
Cagayan De Oro City, Philippines
Marketing Tel. No. 6388 858 8784
Accounting Tel. No. 6388 858 8785

Manila Liaison Office

Suite 3304-C West Tower
Philippine Stock Exchange Building
Exchange Road, Ortigas Center
Pasig City, Philippines
Tel. No. 632 638 6832
Fax No. 632 633 3135

External Auditor

Constantino Guadalquiver & Co.

Legal Counsel

Tan Venturanza Valdez Law Offices
Picazo Buyco Fider & Santos Law Offices
Cruz Enverga & Lucero Law Offices
Lara Uy Santos Tayag and Danganan Law Offices

Transfer Agent

Professional Stock Transfers, Inc. (PTSI)
10th Floor Telecom Plaza Building
316 Sen. Gil Puyat Avenue,
Makati City, Philippines
Tel Nos. 632 687 4053 and 632 310 2114
Fax No. 632 687 2733