The fair value of other assets and liabilities approximates their carrying amounts since these are short-term in nature or with current market terms.

The cost of the acquisition is determined as follows:

	SGCPI	FBSHI	Total
Cash paid	₱1,009,571,776	₱690,428,224	₱1,700,000,000
Non-controlling interest	750,189,577	151,068,694	901,258,271
Acquisition-date fair value of previously held interest	750,189,577	151,068,694	901,258,271
	₱2,509,950,930	₱992,565,612	₱3,502,516,542

Analysis of cash flow on acquisition is as follows:

Cash paid	(₱1,700,000,000)
Net cash acquired from subsidiaries	234,951,508
Net cash outflow on acquisition	(₱1,465,048,492)

Non-controlling interest and fair value of previously held interest have been measured at the proportionate share of the net identifiable assets acquired and liabilities assumed at fair value.

Gain from remeasurement of the previously held interest to fair value amounting to ₱824,431,141 is recognized in profit or loss in 2014.

Goodwill from the business combination amounting to ₱269,870,864 comprises the fair value adjustment of the property under development of SGCPI and FBSHI.

From the date of acquisition (April 30, 2014) to December 31, 2014, SGCPI, the surviving entity in the merger, contributed ₱425,762,627 of revenue and ₱207,861,063 of income before tax to the Group. If the combination had taken place at the beginning of the year, there would be no change in the total revenue of the Group but income before tax of the Group would have been ₱4,112,988,684.

Merger of SGCPI and FBSHI

On May 5, 2014, the BOD and shareholders of SGCPI and FBSHI approved a proposed merger between SGCPI and FBSHI. On September 2, 2014, the article of merger was executed between SGCPI and FBSHI. The SEC approved the Companies' application for merger on December 17, 2014.

The merger is intended to accumulate the costs of construction in the surviving entity, allowing for better tax management. The plan of merger states that FBSHI will transfer to SGCPI its business properties, assets and liabilities that are reflected in its April 30, 2014 audited financial statements. Before and after the merger, both companies are effectively under the common control of Kerry Group Limited (KGL). KGL is the indirect parent company and investor of the stockholders of SGCPI and FBSHI. As a result, the merger was accounted for using the pooling of interests method. The merger has no effect on the carrying amounts of the Group's assets and liabilities.

13. Investment Properties

	2014		
	Land	Buildings	Total
Beginning balances	₱13,428,400,270	₱13,314,825,680	₱26,743,225,950
Additions through subsequent expenditures	–	367,641,538	367,641,538
Ending balances	₱13,428,400,270	₱13,682,467,218	₱27,110,867,488

	2013		
	Land	Buildings	Total
Beginning balances	₱12,606,825,739	₱12,546,964,620	₱25,153,790,359
Additions through:			
Acquisition	821,574,531	15,634,281	837,208,812
Subsequent expenditures	–	752,226,779	752,226,779
Ending balances	₱13,428,400,270	₱13,314,825,680	₱26,743,225,950

The Group's investment properties consist of commercial properties in Mandaluyong City and Makati City under office, retail and land classes of asset, and other parcels of land held for capital appreciation. These classes of assets are based on the nature, characteristics and risks of each property.

The fair values of the properties are based on valuations as of December 31, 2012 performed by Royal Asia Appraisal Corporation, an SEC accredited independent appraiser. The valuation models are in accordance with that recommended by the International Valuation Standards Council. The Group recorded fair value adjustments of investment properties amounting to ₱400,126,054 in 2012. The Group has assessed that the fair value adjustment in 2014 and 2013 are insignificant.

The fair value measurements for investment properties have been categorized as Level 2 for parcels land and Level 3 for office and retail properties. The current use of these properties is their highest and best use.

The fair value of the Group's land is determined using the market comparison method. Under the market comparison method (or market comparison approach), a property's fair value is estimated based on comparable transactions. The market comparison approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. The unit of comparison applied by the Group is the price per square meter (sqm). The market comparison approach is often used in combination with either DCF or the income capitalization method as many inputs to these methods are based on market comparison.

The following table presents the valuation techniques and unobservable key inputs used to value the Group's investment properties categorized as Level 3.

Class of Property	Fair Value as of December 31, 2014	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs (probability - weighted average)	Relationship of Unobservable Inputs to Fair Value
TEC (Office)	₱8,129,189,450	DCF	Rental value	₱705 to ₱2,100 per square meter	The higher the rental value, the higher the fair value
			Rent growth per annum	5%	The higher the rent growth, the higher the fair value
			Average long-term occupancy rate	97%	The higher the occupancy rate, the higher the fair value
			Inflation rate	4%	The higher the inflation rate, the lower the fair value
			Discount rate	8.6%	The higher the discount rate, the lower the fair value
Main Wing and East Wing of Shangri-La (Retail)	₱9,614,841,599	DCF	Rental value	₱400 to ₱2,800 per square meter	The higher the rental value, the higher the fair value
			Rent growth per annum	5%-7%	The higher the rent growth, the higher the fair value
			Average long-term occupancy rate	97%	The higher the occupancy rate, the higher the fair value
			Inflation rate	4%	The higher the inflation rate, the lower the fair value
			Discount rate	8.6%	The higher the discount rate, the lower the fair value

Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's useful life including an exit or terminal value. As an accepted method within the income approach to valuation, the DCF method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the real property.

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

The following are the significant unobservable inputs:

- *Future Rental Cash Inflows*
  Based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts and external evidence such as current market rents from similar properties;

- *Discount Rates*
  Reflecting current market assessments of the uncertainty in the amount and timing of cash flows;

- *Estimated Vacancy Rates*
  Based on current and expected future market conditions after expiry of any current lease;

- *Maintenance Costs*
  Including necessary investments to maintain functionality of the property for its expected useful life; and

- *Terminal Value*
  Taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

There are inter-relationships between unobservable inputs. Expected occupancy rate may impact the yield with higher occupancy rate resulting to lower yields. An increase in future rental income may be linked with higher costs. If the remaining lease term increases, the yield may decrease.

There are no changes to the valuation techniques during 2014 and 2013.

Rental revenue recognized for investment properties and direct operating expenses incurred for the leasing operations in 2014, 2013 and 2012 are as follows:

	2014	2013	2012
Rental revenue	**₱2,624,893,646**	₱2,338,990,151	₱1,848,769,513
Direct operating expenses	**440,430,051**	419,425,983	406,578,013
Profit arising from investment properties carried at fair value	**₱2,184,463,595**	₱1,919,564,168	₱1,442,191,500

14. Real Estate Development Projects

As of December 31, 2014, the Group recognized the real estate development project of SGCPI in the consolidated financial statements as a result of the business combination (see Note 12).

Real estate development project amounting to ₱11,211,283,922 as of December 31, 2014 pertains to the construction cost of the hotel portion of SGCPI's Shangri-la at the Fort project, while the construction cost of the project's condominium units are classified as Construction in Progress under Properties Held for Sale.

As of December 31, 2013, the real estate development project pertains to the project of KRC that had undergone initial development activities. Costs incurred for this project include initial construction costs, architect and professional fees, project management costs and borrowing costs.

In 2013, the Board of KRC subsequently approved the redevelopment of this real estate project. Thus, the Group reversed the accumulated impairment losses amounting to ₱181,954,697 which resulted from the uncertainty on the planned development due to suspension of the project. The recoverable amount of the real estate project is determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a four-year period. The cash flows have been prepared to reflect the market selling price of a condominium unit per square meter and the expected costs of its construction per square meter. The pre-tax discount rate applied to the cash flow projections is 21%.

In 2014, KRC acquired 100% ownership interest over TRDCI, an entity incorporated on April 22, 2014 and registered with the SEC. On the same date, KRC transferred to TRDCI its contractual obligation to develop a high rise condominium building located in Makati City. Construction activities for the project commenced during the current year. As a result, the entire carrying amount of real estate development project amounting to ₱484,885,587 was reclassified to Construction in Progress in 2014 (see Note 8).

15. AFS Financial Assets

This account consists of:

	2014	2013
At cost - unquoted	₱488,826,327	₱488,826,327
At fair value - quoted		
Acquisition cost	9,121,515	9,121,515
Cumulative changes in fair value	4,875,000	4,375,000
	13,996,515	13,496,515
	₱502,822,842	₱502,322,842

Unquoted equity securities include unlisted shares of stock which the Group will continue to carry as part of its investment. The fair value of this investment cannot be reliably determined, thus, it is carried at cost less allowance for impairment, if any.

The quoted equity securities consist of investment in various golf club shares and stocks. These are carried at fair values with cumulative changes in fair values presented as part of "Other components of equity." The fair values of these shares are based on the quoted market prices as of the reporting date.

Management intends to dispose the quoted and unquoted equity shares through sale, as the need arises.

The following table presents the movement in the carrying amount of AFS financial assets:

	December 31, 2012	Change in Fair Value	December 31, 2013	Change in Fair Value	**December 31, 2014**
At cost - unquoted	P488,826,327	P–	P488,826,327	P–	**P488,826,327**
At fair value - quoted	13,196,515	300,000	13,496,515	500,000	**13,996,515**
	P502,022,842	P300,000	P502,322,842	P500,000	**P502,822,842**

The movement in the cumulative changes in fair value of AFS financial assets is as follows:

	2014	2013	2012
Beginning balance	**P4,375,000**	P4,075,000	P2,965,000
Increase in fair value	**500,000**	300,000	1,110,000
Ending balance	**P4,875,000**	P4,375,000	P4,075,000

16. Property and Equipment

This account consists of:

	2014			
	Building and Building Improvements	**Transportation Equipment**	**Furniture, Fixtures and Other Equipment**	**Total**
Cost				
Beginning balances	**P85,001,439**	**P32,812,778**	**P86,339,676**	**P204,153,893**
Additions	**1,941,395**	**3,914,527**	**15,542,640**	**21,398,562**
Reclassification	**–**	**(1,711,605)**	**(960,574)**	**(2,672,179)**
Ending balances	**86,942,834**	**35,015,700**	**100,921,742**	**222,880,276**
Accumulated Depreciation and Amortization				
Beginning balances	**46,863,089**	**22,671,262**	**67,523,922**	**137,058,273**
Depreciation and amortization	**3,492,876**	**5,910,053**	**12,081,819**	**21,484,748**
Reclassification	**–**	**(1,711,605)**	**(960,557)**	**(2,672,162)**
Ending balances	**50,355,965**	**26,869,710**	**78,645,184**	**155,870,859**
Net Book Values	**P36,586,869**	**P8,145,990**	**P22,276,558**	**P67,009,417**

	2013			
	Building and Building Improvements	Transportation Equipment	Furniture, Fixtures and Other Equipment	Total
Cost				
Beginning balances	₱81,447,881	₱34,649,130	₱80,071,871	₱196,168,882
Additions	4,220,952	302,934	10,242,364	14,766,250
Disposals/Reclassification	(667,394)	(2,139,286)	(3,974,559)	(6,781,239)
Ending balances	85,001,439	32,812,778	86,339,676	204,153,893
Accumulated Depreciation and Amortization				
Beginning balances	45,294,668	18,041,944	61,513,442	124,850,054
Depreciation and amortization	2,235,805	6,418,455	9,985,010	18,639,270
Disposals/Reclassification	(667,384)	(1,789,137)	(3,974,530)	(6,431,051)
Ending balances	46,863,089	22,671,262	67,523,922	137,058,273
Net Book Values	₱38,138,350	₱10,141,516	₱18,815,754	₱67,095,620

Total depreciation and amortization amounting to ₱1,070,591 in 2014 and ₱461,274 in 2013 were capitalized as part of construction in progress.

As at December 31, 2014 and 2013, the gross carrying amount of fully depreciated property and equipment still in use amounted to ₱94,520,818 and ₱80,252,448, respectively.

There are no restrictions on the Group's title on the property and equipment and there are no property and equipment pledged as security for liabilities.

17. Goodwill

The Group recognized goodwill in 2014 as a result of the business combinations during the year. The excess of the acquisition cost over the fair value of identifiable assets and liabilities assumed amounted to ₱269,870,864.

On January 14, 2008, the Parent Company purchased additional equity interest in KSA resulting to control. On July 25, 2007, the Parent Company acquired Kuok Philippine Properties, Inc. through a merger where the former is the surviving entity. The aggregate amount of goodwill from both transactions was ₱394,926,466.

The recoverable amount of the goodwill arising from the acquisition of KSA was estimated based on the value-in-use computation using cash flow projections approved by management covering a five year period. Goodwill is identifiable with KSA's investment property, the CGU. The discount rate applied in 2011 to the cash flow projections was based on the Group's WACC.

In 2011, the recoverable amount of the CGU to which goodwill is allocated approximates the carrying amount of the CGU because of the increase in the discount rate to 18.37% in 2011. This resulted to recognition of full provision for impairment loss amounting to ₱394,926,466.

18. Accounts Payable and Other Current Liabilities

This account consists of:

	2014	2013
Trade:		
Accounts payable	₱240,780,549	₱122,557,039
Accrued expenses:		
Construction	925,298,088	627,788,369
Interest	47,886,875	21,973,153
Commission	47,604,434	53,253,126
Administrative	28,707,910	11,305,119
Repairs and maintenance	22,591,641	11,844,967
Outside services	13,329,749	21,403,875
Professional fees	7,930,546	6,257,637
Others	282,843,937	185,656,147
Retention payables	1,006,949,126	569,919,038
Customers' deposits	992,139,826	205,446,877
Reservation payables	367,124,866	215,404,069
Advances from condominium unit buyers	217,346,741	74,437,107
Construction bonds	54,535,992	53,150,619
Payable to contractors and suppliers	44,097,825	44,097,825
Nontrade:		
Deferred output VAT	107,826,686	84,267,893
Withholding taxes	50,767,384	21,946,411
Output VAT	43,697,652	46,648,783
Payable to related parties (Note 31)	43,629,767	43,131,010
Other current liabilities	338,123,563	230,512,403
	₱4,883,213,157	₱2,651,001,467

Accounts payable and accrued expenses are noninterest-bearing and are normally settled within 30 to 60 days and within the next financial year, respectively.

Other accrued expenses consist of accruals for utilities, advertising and promotions, insurance, other employee related cost and other general and administrative expenses.

Retention payables represent the portion of contractor billings which will be paid upon satisfaction by the contractors of the conditions specified in the contracts or until the defects have been corrected.

Customers' deposits mainly represent excess of collections from buyers over the related revenue recognized based on the percentage of completion method. This account also includes deposits for transfer and titling related expenses and reservation fees paid to the Company by prospective buyers which are to be applied against the receivable upon recognition of revenue and advance payments received for parking arrangements made with customers.

Reservation payables pertain to cash paid by the buyers of condominium units for the reservation of the units purchased. These shall be considered as part of the downpayment on the units purchased upon execution of the contracts.

Advances from condominium unit buyers pertain to the amounts received in advance from the condominium unit buyers of TSFSP for utilities, maintenance, repairs of common areas and titling fees. These will be paid to TSFSPCC and OSPCC when demanded. TSFSPCC and OSPCC are affiliates through interlocking directors.

Construction bonds pertain to cash deposits posted by tenants as security for any expenses or damages that may be incurred by SLPC in relation to construction activities conducted by the tenants during the fit-out, as well as during renovation period of the lease. It is normally returned to the tenants within six months after completion of their construction activities.

Payable to contractors and suppliers represents progress billings from various contractors for the material and labor costs incurred to date with normal credit terms of 30 to 60 days, but may go beyond as agreed.

Withholding taxes payable are expected to be settled within the next financial year.

Deferred output VAT represents output VAT on unpaid portion of recognized receivable from sale of real estate. This amount is reported as output VAT upon collection of receivable.

Output VAT represents tax due and payable after deducting the corresponding input VAT.

The terms, balances and the volume of related party transactions which were and were not eliminated during consolidation are disclosed in Note 31.

Other current liabilities pertain mainly to taxes, insurance, and various immaterial account balances.

In 2012, long-outstanding liabilities amounting to ₱8,836,466 were derecognized. There were no derecognized long-outstanding liabilities in 2014 and 2013 (see Note 23).

19. Bank Loans

This account consists of borrowings of the following entities:

	2014	2013
SGCPI (Note 12)	**₱6,752,835,572**	₱–
Parent Company	**5,095,833,333**	4,779,166,667
SLPC	**300,000,000**	164,285,714
	12,148,668,905	4,943,452,381
Less current portion:		
Parent Company	**583,333,333**	647,619,048
Noncurrent portion	**₱11,565,335,572**	₱4,295,833,333

SGCPI

On February 17, 2012, the Board of the Parent Company passed and approved a resolution wherein it will act as a surety to the loan of FBSHI, now SGCPI, the surviving entity in a merger as discussed in Note 12. On April 11, 2012, FBSHI secured a ₱10,000,000,000 long-term loan facility with a local bank to finance the construction of a hotel, serviced apartment, and residential units in Fort Bonifacio, Taguig City in relation to the Shang at the Fort Project. Under the continuing suretyship agreement executed between the Parent Company and the local bank on May 23, 2012, the Parent Company agreed to be solidarily liable to the extent of 50% of any and all amounts due under the loan agreement between FBSHI and the local bank. The local bank is entitled under current jurisprudence to demand directly from the Parent Company any and all amounts due.

Under the terms of the loan agreement, the principal amount of the loan shall be payable in 24 equal quarterly consecutive installments commencing on the 17th quarter from the initial drawdown, with the last installments in an amount sufficient to fully pay the loan. Interest shall be paid on each interest payment date for the relevant interest period based on three-month treasury bill rate as published in the PDST-F. SGCPI has the option to prepay and to fix the interest rate. Further, SGCPI is required to maintain a 2.5:1 ratio of consolidated debt to consolidated tangible net worth, which was complied with by SGCPI.

The loan is secured by an absolute and unconditional continuing suretyship of the sureties namely Shangri-La Asia Limited and the Parent Company.

The loan is subject to a front-end fee of 25 basis points (0.25%) of the total principal amount. The front-end fee is considered a transaction cost which is allocated based on each drawdown and amortized using effective interest rate. Debt issue costs also include the documentary stamp tax paid by SGCPI for each drawdown. As of December 31, 2014, unamortized debt issue cost amounted to ₱70,018,107.

Subject to the negative covenants of the loan, from and after signing the loan agreement and for as long as the loan is outstanding, SGCPI, without the prior written consent of the bank, shall not declare or pay dividends to its stockholders (other than dividends payable solely in shares of its capital stock) if payment of any sum due to the bank is in arrears.

Parent Company

On February 12, 2008, the Parent Company obtained an unsecured ten-year term loan facility from a local bank amounting to ₱3,500,000,000 with interest based on the higher between the PDST-F rate plus 0.75% per annum and the BSP overnight borrowing rate. The loan is payable in 24 equal quarterly installments commencing on the 17th quarter from the initial borrowing date and is subject to a certain debt-to-equity ratio which was complied with by the Parent Company. The Parent Company has fully drawn the facility as of December 31, 2009.

On July 30, 2012, the Parent Company obtained another ten-year loan facility from a local bank amounting to ₱5,000,000,000 with interest based on the higher between the three-month Treasury Bill rate as published in the PDST-F plus a spread of 0.75% per annum and the BSP overnight borrowing rate. The Company has a one-time option to convert from a floating rate into a fixed rate. The loan is payable in 24 equal quarterly installments, commencing on the 17th quarter from the initial borrowing date. It is secured by a 'negative pledge' on all present and future assets of the Parent Company and is subject to a debt service coverage ratio. As of December 31, 2014 and 2013, total drawdown from the facility amounted to ₱3,200,000,000 and ₱2,300,000,000, respectively.

SLPC

On June 25, 2007, SLPC obtained an unsecured seven-year term loan from a local bank amounting to ₱900,000,000 for permanent working capital and refinancing of SLPC's existing loans with interest based on the higher between the PDST-F and the BSP overnight borrowing rate. The loan is payable in 28 equal quarterly installments commencing at the initial drawdown dates, and is subject to a certain debt-to-equity ratio which was complied with by SLPC. The loan has been repaid in 2014.

On November 5, 2012, SLPC obtained an unsecured ten-year term loan facility from a local bank amounting to ₱1,400,000,000 to partially finance its mall redevelopment program with interest based on the higher between the PDST-F rate plus 0.75% per annum and the BSP overnight borrowing rate. The loan is payable in 24 equal quarterly installments commencing on the 17th quarter from the initial borrowing date and is subject to a certain debt-to-equity ratio which was complied with by SLPC.

The current and noncurrent portions of the bank loans as of December 31 and its movements during the year are as follows:

	2014	2013
Beginning principal balance	₱4,943,452,381	₱4,496,433,333
Loan acquired from SGCPI as a result of the business combination	4,098,499,138	–
Proceeds from loan availment, net of unamortized debt issue costs	3,754,336,434	1,400,000,000
Principal payments during the year	(647,619,048)	(952,980,952)
Ending principal balance	12,148,668,905	4,943,452,381
Less current portion	583,333,333	647,619,048
Noncurrent portion	₱11,565,335,572	₱4,295,833,333

Interest expense arising from the above loans charged to profit or loss in 2014, 2013 and 2012 amounted to ₱194,498,162, ₱182,181,047 and ₱164,423,225, respectively (see Note 23).

Repayment Schedule

The repayments of long-term debt are scheduled as follows:

Year	Amount
2015	₱583,333,333
2016	1,412,736,298
2017	2,268,226,218
2018	1,856,813,175
2019	1,710,979,842
2020	1,710,979,842
2021	1,710,979,842
2022	881,576,877
2023	13,043,478
	₱12,148,668,905

20. Deposits from Tenants

This account represents noninterest-bearing rental deposits from tenants equivalent to six months' rent which have been discounted using MART 1 rates and are carried at amortized cost. The difference between the discounted and face values of the deposits was recognized as deferred lease income. Deferred lease income is amortized on a straight-line basis over the lease term and is recognized in profit or loss as additional rent income. Interest is accreted on the deposits from tenants using the EIR method and is recognized as additional interest expense in profit or loss.

The movements in the unamortized discount on deposits from tenants for the years ended December 31 are as follows:

	2014	2013
Beginning balance	₱33,267,608	₱26,160,141
Additions	36,941,551	9,314,747
Amortization of discount (Note 23)	(30,224,024)	(2,207,280)
Ending balance	₱39,985,135	₱33,267,608

21. Equity

The details of the Parent Company's capital stock as of December 31, 2014 and 2013 are as follows:

	No. of Shares	Amount
Authorized - ₱1 par value	8,000,000,000	₱8,000,000,000
Unissued	(3,235,941,018)	(3,235,941,018)
Issued and fully paid	4,764,058,982	4,764,058,982
Treasury shares	(2,140,645)	(2,140,645)
Issued and outstanding	4,761,918,337	₱4,761,918,337

The Parent Company is listed in the Philippine Stock Exchange. It was registered on June 13, 1991 with total listed shares of 4,764,058,982 which was initially issued at ₱1.18 per share. As at December 31, 2014, 2013 and 2012, the Parent Company has 5,457, 5,553 and 5,899 stockholders, respectively. The details of the Parent Company's stockholders are disclosed in the annual report.

There are 2,140,645 shares that are in the treasury amounting to ₱6,850,064 as of December 31, 2014 and 2013. There are no movements in the Group's treasury shares in 2014 and 2013.

As of December 31, 2014 and 2013, retained earnings include accumulated fair value adjustments of investment properties not available for dividend declaration amounting to ₱12,322,614,883.

22. Dividends

As of December 31, 2014 and 2013, unpaid dividends amounted to ₱104,294,980 and ₱20,844,007, respectively.

The Parent Company's Board approved the declaration of the following cash dividends for the years ended December 31:

Date of Declaration	Record Date	Total	Per Share
2014			
February 19	**March 17**	**₱333,484,129**	**₱0.070**
August 14	**August 29**	**309,375,117**	**0.065**
		₱642,859,246	**₱0.135**
2013			
February 27	March 15	₱285,843,539	₱0.060
August 14	August 30	237,967,698	0.050
		₱523,811,237	₱0.110
2012			
February 17	March 5	₱200,090,477	₱0.042
August 23	September 15	190,386,769	0.040
		₱390,477,246	₱0.082

23. Interest Income, Other Income (Charges), and Interest Expense and Bank Charges

Interest Income

	2014	2013	2012
Interest on:			
Accretion of installment contracts receivable	₱236,879,642	₱228,037,161	₱226,248,576
Cash in banks and cash equivalents	25,492,852	44,451,855	53,284,973
Overdue accounts from tenants	6,988,535	6,937,851	4,980,064
	₱269,361,029	₱279,426,867	₱284,513,613

Other Income (Charges)

	2014	2013	2012
Dividend income	₱15,234,198	₱18,823,456	₱54,695,511
Administration and management fee (Note 31)	12,806,351	11,642,137	10,673,047
Customer lounge fee	8,439,786	8,267,732	6,573,821
Forfeited security deposits	6,185,855	1,425,085	17,866,901
Fair value adjustments of financial assets at FVPL	2,663,820	(1,926,992)	4,936,110
Income from back-out buyers	2,609,798	3,181,975	2,620,075
Banner income	2,141,016	2,675,584	3,043,607
Revenue from ancillary services	2,029,822	3,063,401	5,534,096
Service revenue	485,749	1,257,919	319,270
Gain on:			
Disposal of investment in associate	–	17,438,767	–
Sale of property and equipment	–	216,983	163,535
Derecognition of long-outstanding liabilities	–	–	8,836,466
Others (Note 31)	15,379,290	46,326,184	9,293,305
	₱67,975,685	₱112,392,231	₱124,555,744

Interest Expense and Bank Charges

	2014	2013	2012
Interest on bank loans and bank charges	₱196,842,320	₱182,754,583	₱171,776,128
Accretion of deposits from tenants	30,224,024	2,207,280	503,350
	₱227,066,344	₱184,961,863	₱172,279,478

24. Cost of Condominium Sales

	2014	2013	2012
SPRC	₱1,953,269,414	₱2,903,561,689	₱2,159,862,224
SPDI	262,381,970	73,465,348	–
SGCPI	208,513,636	–	–
Parent Company	18,279,102	13,987,067	65,015,685
	₱2,442,444,122	₱2,991,014,104	₱2,224,877,909

25. General and Administrative Expenses and Taxes and Licenses

General and Administrative Expenses

	2014	2013	2012
Professional fees and outside services	₱56,388,585	₱40,199,442	₱31,948,297
Janitorial, security and other services	36,805,266	29,982,384	25,497,461
Advertising and promotions	18,594,903	24,566,910	45,812,309
Utilities	16,127,671	13,923,603	17,266,737
Repairs and maintenance	8,908,204	4,037,200	3,009,479
Supplies	7,422,906	5,785,450	5,255,568
Telephone and communication	6,737,498	5,724,174	6,248,544
Condominium dues (Note 31)	5,212,612	4,452,176	21,233,778
Systems license and maintenance	4,026,878	1,936,271	2,436,643
Commission	3,301,285	3,586,279	6,266,241
Transportation and travel	2,980,597	2,945,008	2,524,495
Membership fees and dues	2,896,738	2,670,149	2,551,674
Gas and oil	1,938,806	1,693,901	1,405,820
Entertainment, amusement and representation	1,938,106	1,617,455	2,097,206
Bad debts (Note 7)	982,362	–	11,426,470
Reproduction charges	863,037	857,053	729,909
Donation	–	5,790,843	720,214
Others	18,199,233	7,165,030	15,503,333
	₱193,324,687	₱156,933,328	₱201,934,178

Taxes and Licenses

	2014	2013	2012
Real estate tax	₱94,774,820	₱68,300,448	₱68,401,493
Business taxes	79,285,330	64,326,136	69,915,032
Documentary stamp taxes	19,408,687	11,367,767	5,226,702
License and permit fees	539,630	631,744	721,509
Others	11,438,375	437,319	308,441
	₱205,446,842	₱145,063,414	₱144,573,177

26. Staff Costs

	2014	2013	2012
Salaries and wages	**₱246,583,276**	₱192,447,590	₱183,704,560
Employee benefits	**27,055,713**	20,788,573	20,604,848
Retirement benefit costs (Note 27)	**16,371,642**	22,090,972	12,371,261
Others	**5,528,513**	6,008,973	4,377,870
	₱295,539,144	₱241,336,108	₱221,058,539

27. Accrued Employee Benefits

This account consists of:

	2014	2013
Retirement benefits	**₱55,626,328**	₱29,602,931
Other employee benefits	**12,875,707**	10,652,145
	₱68,502,035	₱40,255,076

Accrued employee benefits pertain to liability for retirement, leaves and other related benefits expected to be settled more than twelve months after the end of the annual reporting period.

Retirement Benefits
The Group has a funded, noncontributory defined benefit retirement plan, providing death, disability and retirement benefits for all of its regular employees. Under the plan, the normal retirement age is 60 years old and completion of at least five years of service. Normal retirement benefit consists of a lump sum benefit equivalent to 100% of the employee's final pay for every year of service.

The plan is administered by an independent trustee bank which is under the supervision of the Group's Treasury Department (Treasury). The Treasury is responsible for investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes into account the plans' objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy).

Under the existing regulatory framework, Republic Act (RA) 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Group is compliant with this regulatory framework.

Retirement benefit costs recognized in the consolidated profit or loss as part of "Staff costs" consist of the following:

	2014	2013	2012
Current service cost	**₱15,492,700**	₱16,110,440	₱9,902,400
Net interest cost	**878,942**	5,980,532	2,468,861
	₱16,371,642	₱22,090,972	₱12,371,261

The components of remeasurements, before tax effect, in the consolidated statements of comprehensive income are as follows:

	2014	2013	2012
Actuarial loss (gain) in defined benefit obligation	**₱11,336,915**	(₱29,107,153)	₱40,622,105
Remeasurement loss (gain) in plan asset	**4,190,942**	(7,123,218)	(4,111,245)
Remeasurement loss (gain) on changes in the effect of asset ceiling	**(3,018,101)**	3,018,101	–
	₱12,509,756	(₱33,212,270)	₱36,510,860

The accrued retirement benefits recognized in the consolidated statement of financial position as part of "Accrued employee benefits" were determined as follows:

	2014	2013
Present value of defined benefit obligations	**₱157,435,294**	₱127,893,495
Fair value of plan assets	**(101,808,966)**	(101,308,665)
	55,626,328	26,584,830
Restrictions on asset recognized	**–**	3,018,101
	₱55,626,328	₱29,602,931

The movements in the present value of defined benefit obligations are as follows:

	2014	2013
Defined benefit obligation at the beginning of the year	**₱127,893,495**	₱144,505,052
Current service cost	**15,492,700**	16,110,440
Net interest cost	**5,263,469**	7,293,091
Actuarial loss (gain) arising from:		
Changes in financial assumptions	**12,122,800**	(1,093,354)
Experience adjustments	**(785,885)**	(28,013,799)
Benefits paid	**(2,551,285)**	(10,907,935)
Defined benefit obligation at the end of the year	**₱157,435,294**	₱127,893,495

The movements in the fair value of plan assets are as follows:

	2014	2013
Fair value of plan assets at the beginning of the year	**₱101,308,665**	₱85,825,088
Interest income	**4,384,527**	1,312,559
Remeasurement gain (loss)	**(4,190,942)**	7,123,218
Contributions	**306,716**	7,047,800
Fair value of plan assets at the end of the year	**₱101,808,966**	₱101,308,665

The fair value of the Group's plan assets by each class as at the end of the reporting period are as follows:

	2014	2013
Investments in debt instruments:		
Treasury notes and bonds	₱56,182,010	₱60,819,698
Corporate notes and bonds	5,745,859	5,014,949
Cash in banks	39,881,097	35,474,018
	₱101,808,966	₱101,308,665

The effect of the asset ceiling in 2013 is as follows:

	2013
(1) Net assets*	₱4,912,247
(2) Present value of available refund	1,894,146
(3) Asset limit to be recognized in the statement of financial position [lower of (1) and (2)]	1,894,146
Unrecognized asset due to asset limit	3,018,101
Liability to be recognized in the financial position	₱1,894,146

** Net assets presented represent only those companies under the Group for which the fair value of plan assets is greater than the present value of obligation.*

As of December 31, 2014, the present value of the Group's defined benefit obligation is greater than the fair value of the Group's plan assets.

Significant portion of the debt instruments held have quoted prices in an active market. The remaining plan assets do not have quoted market prices in an active market. The plan assets are highly concentrated in Treasury notes and bonds but have no credit risk since these are government obligations.

The principal actuarial assumptions used are as follows:

	2014	2013	2012
Future salary increase rate	5.00%	4.00%	5.00%
Discount rate	4.44% to 4.75%	4.25% to 5.89%	5.11% to 6.34%
Turnover rate	A scale of 10% at age 20 decreasing to 0% at age 45	A scale of 10% at age 20 decreasing to 0% at age 45	A scale of 10% at age 20 decreasing to 0% at age 45

Mortality rate is based on the 1994 Group Annuity Mortality Table for both 2014 and 2013.

The discount rates used are the single weighted average rate for each company based on bootstrapped Philippine Dealing System Treasury Reference Rates (PDST-R2) at various tenors as of December 31. Rates for intermediate durations were interpolated. The rates were then weighted by the expected benefit payments at those durations to arrive at the single weighted average discount rate.

The turnover rate represents the proportion of current plan members who will resign from service prior to their retirement date and hence be entitled to resignation benefits instead of retirement benefits.

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

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

Significant Assumptions	Defined Benefit Obligation
Discount rate	
Increase of 1%	₱12,655,707
Decrease of 1%	(13,025,893)
Future salary increase rate	
Increase of 1%	(13,834,893)
Decrease of 1%	12,073,207

The management performed an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay retirement benefits as they fall due while also mitigating the various risk of the plans. The Group's current strategic investment strategy consists of 54% treasury investments, 5% corporate investments and 41% cash.

The Group expects to contribute ₱26,709,982 to the defined benefit plan in 2015.

The average duration of the defined benefit obligation as of December 31, 2014 and 2013 ranges from 12 to 30 years and 13 to 31 years, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments:

	Expected Benefit Payments		
Plan Year	Normal Retirement	Other than Normal Retirement	Total
Less than one year	₱11,864,964	₱1,617,363	₱13,482,327
More than one year to five years	50,770,139	7,252,609	58,022,748
More than five years to 10 years	69,193,476	12,014,770	81,208,246
More than 10 years to 15 years	96,951,936	11,813,573	108,765,509
More than 15 years to 20 years	136,461,846	12,054,933	148,516,779
More than 20 years to 25 years	311,774,943	21,011,301	332,786,244

28. Unreimbursed Share in Common Expenses

SLPC collects reimbursements from tenants, based on either a fixed amount or a percentage of sales, for the tenants' share in the costs of utilities, janitorial, security and other expenses on common areas shared by SLPC and the tenants. SLPC also collects reimbursements from the tenants for the actual costs of utilities, repairs and maintenance used by the tenants in their leased areas. All unreimbursed expenses are borne by SLPC and accordingly reported as operating costs.

The details of the account for the years ended December 31 are as follows:

	2014	2013	2012
Light, power and water	₱377,273,041	₱363,579,398	₱266,587,817
Janitorial, security and other services	97,039,984	89,919,906	60,371,499
Repairs and maintenance	57,352,106	47,428,098	43,214,758
Advertising and promotions	56,117,121	41,546,349	26,207,449
Tenants' reimbursements	(501,838,831)	(446,380,891)	(385,329,657)
	₱85,943,421	₱96,092,860	₱11,051,866

29. Income Taxes

a. The details of provision for income taxes for the years ended December 31 follow:

	2014	2013	2012
Current:			
RCIT	₱816,844,302	₱804,552,294	₱458,301,717
Excess of MCIT over RCIT	4,015,210	3,285,026	–
Final tax on interest income	3,749,300	8,890,371	10,655,427
	824,608,812	816,727,691	468,957,144
Deferred	170,892,927	(65,297,967)	67,235,367
	₱995,501,739	₱751,429,724	₱536,192,511

b. The details of the recognized net deferred income tax assets (liabilities) at December 31 follow:

	2014	2013
Difference in profit, installment method versus POC method	₱284,183,755	₱269,896,657
Advance rental	63,814,474	55,167,644
Accrued expenses	47,074,369	7,258,455
Accrued employee benefits	26,960,297	12,076,523
Accumulated impairment losses	14,932,510	–
Accrued construction costs	14,389,055	16,485,382
Deferred lease income	11,472,017	–
Excess MCIT over RCIT	4,709,164	693,953
Unamortized funded past service cost	2,311,551	3,238,002
Others	443,279	1,627,819
Deferred tax assets	470,290,471	366,444,435
Unrealized increase in fair value of investment property	(6,690,778,630)	(5,488,715,753)
Unamortized discount on deposits from tenants	(12,767,123)	(11,733,665)
Unrealized gain on foreign exchange	(238,463)	5,400,478
Deferred tax liabilities	(6,703,784,216)	(5,495,048,940)
	(₱6,233,493,745)	(₱5,128,604,505)

c. The reconciliation of provision for income tax using the statutory income tax rate and the actual provision for income tax for the years ended December 31 are as follows:

	2014	2013	2012
Provision for income tax at the statutory income tax rate	₱1,234,408,738	₱916,358,897	₱729,472,352
Tax effects of:			
Remeasurement gain as a result of business combination	247,329,342	–	–
Difference between itemized and optional standard deductions (OSD)	(160,981,245)	(148,121,393)	(101,627,479)
Movements in unrecognized deferred income tax assets	33,872,226	(48,713,148)	780,452
Share in losses (profits) of associates	2,870,807	1,402,224	(6,216,170)
Interest income subjected to final tax	(2,474,580)	(4,445,186)	(5,329,656)
Other non-taxable income, net of non-deductible expenses	(359,523,549)	34,948,330	(80,886,988)
Provision for income tax	₱995,501,739	₱751,429,724	₱536,192,511

d. The Group did not recognize deferred income tax assets on the following items as of December 31, 2014 and 2013 since management believes that the Group may not have sufficient future taxable profits available to allow all or part of them to be utilized in the future or prior to expiration:

	2014	2013
NOLCO	₱56,780,645	₱15,915,878
Others	6,644,866	3,991,596

e. The Group's NOLCO which is available for deduction against future taxable income are as follows:

Year Incurred	Beginning	Incurred	Expired	Ending	Available Until
2014	₱–	₱46,875,419	₱–	₱46,875,419	2017
2013	6,905,391	–	–	6,905,391	2016
2012	2,999,835	–	–	2,999,835	2015
2011	6,010,652	–	6,010,652	–	2014
	₱15,915,878	₱46,875,419	₱6,010,652	₱56,780,645	

f. The Group's MCIT which can be applied against future income tax due are as follows:

Year Incurred	Beginning	Incurred	Expired	Ending	Available Until
2014	₱–	₱4,070,649	₱–	₱4,070,649	2017
2013	806,631	–	–	806,631	2016
2012	120,169	–	–	120,169	2015
	₱926,800	₱4,070,649	₱–	₱4,997,449	

g. The following are the provision for (benefit from) deferred income taxes directly recognized in equity:

	2014	2013	2012
Change in fair value of AFS financial assets	**₱150,000**	₱90,000	₱333,000
Remeasurement gains (losses) on defined benefit liability	**(3,752,927)**	9,963,681	(10,953,258)
	(₱3,602,927)	₱10,053,681	(₱10,620,258)

h. RA No. 9504, effective on July 7, 2008, allows availment of OSD. Corporations, except for nonresident foreign corporations, may elect to claim OSD in an amount not exceeding 40% of their gross income. In 2014 and 2013, KSA, SLPC and IPPI availed of the OSD for the computation of their taxable income.

30. Earnings Per Share

Basic and diluted earnings per share are the same since there are no dilutive potential common shares.

The computations of earnings per share for the years ended December 31 are as follows:

Based on Net Income

	2014	2013	2012
Net income attributable to equity holders of the Parent Company	**₱2,735,375,946**	₱2,011,272,641	₱1,646,477,037
Weighted average number of outstanding shares	**4,761,918,337**	4,761,918,337	4,761,918,337
Earnings per share	**₱0.574**	₱0.422	₱0.346

Based on Total Comprehensive Income

	2014	2013	2012
Total comprehensive income attributable to equity holders of the Parent Company	**₱2,726,986,671**	₱2,035,287,770	₱1,621,280,585
Weighted average number of outstanding shares (Note 21)	**4,761,918,337**	4,761,918,337	4,761,918,337
Earnings per share	**₱0.573**	₱0.427	₱0.340

There are no instruments that could potentially dilute basic earnings per share in the future.

31. Related Party Transactions and Balances

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The following are the transactions with related parties:

Related Party Transactions and Balances which were Not Eliminated During Consolidation
The terms, conditions, balances and the volume of related party transactions which were not eliminated during consolidation are as follows:

Transactions with affiliates

- A portion of the Parent Company's land is being leased by ESHRI, where the EDSA Shangri-La Manila Hotel (the Hotel) is located. The lease is for a period of 25 years commencing on August 28, 1992 and renewable for another 25 years at the option of ESHRI. Rental revenue is based on a fixed percentage of the Hotel's room, food and beverage, dry goods and other service revenue.

- SPMSI provides management services to TECCC, TSFSPCC, and TSGTCC for a minimum period of five years starting January 7, 2009, April 1, 2010 and January 7, 2007, respectively. As consideration, SPMSI shall receive from TSGTCC, TECCC and TSFSPCC monthly management fees of ₱400,000, ₱100,000 and ₱100,000, respectively, inclusive of VAT, with an escalation rate of 10% per annum. The parties agree mutually on the renewal of the agreements.

- Reimbursement of expenses paid for by SLPC for ESHRI.

- Condominium dues charged by TSFSPCC and TECCC.

- SPSI operates and manages the parking facilities of ESHRI for fixed monthly concession fee starting January 1, 2010. This fee is included in the "Others" under "Other Income (Charges)" (see Note 23).

- Sharing of expenses with affiliates.

The following are the amounts or volume of transactions during the years ended and the outstanding receivables and payables as of December 31:

	Amount/Volume			Outstanding Balance			
	2014	2013	2012	2014	2013	Terms	Conditions
Rental							
ESHRI	₱95,434,752	₱78,171,706	₱81,454,884	₱25,822,596	₱24,164,831	60-day; noninterest-bearing	Unsecured, no impairment

	Amount/Volume 2014	2013	2012	Outstanding Balance 2014	2013	Terms	Conditions
Management Services (see Note 23)							
TECCC	₱8,593,545	₱6,797,607	₱6,179,643	₱1,417,249	₱1,288,408	30-day; noninterest-bearing	Unsecured, no impairment
TSFSPCC	2,657,679	2,946,429	2,767,857	1,424,464	1,066,964	30-day; noninterest-bearing	Unsecured, no impairment
TSGTCC	1,555,127	1,898,101	1,725,547	1,650,773	2,705,657	30-day; noninterest-bearing	Unsecured, no impairment
	₱12,806,351	₱11,642,137	₱10,673,047	₱4,492,486	₱5,061,029		
Condominium dues (see Note 25)							
Parent Company	₱2,445,042	₱1,597,067	₱2,956,997	₱1,299,230	₱812,730	30-day; noninterest-bearing	Unsecured, no impairment
KSA	2,313,135	2,186,422	12,681,514	–	–	30-day; noninterest-bearing	Unsecured, no impairment
SPDI	454,435	454,435	348,057	–	–	30-day; noninterest-bearing	Unsecured, no impairment
SPRC	–	214,252	5,179,791	–	320	30-day; noninterest-bearing	Unsecured, no impairment
SPSI	–	–	67,419	–	–	30-day; noninterest-bearing	Unsecured, no impairment
	₱5,212,612	₱4,452,176	₱21,233,778	₱1,299,230	₱813,050		
Reimbursed expenses							
ESHRI	₱14,376,411	₱12,553,754	₱13,326,206	₱3,310,911	₱3,532,985	30-day; noninterest-bearing	Unsecured, no impairment
Concession fee (see Note 23)							
ESHRI	₱–	₱–	₱77,000	₱–	₱–	30-day; noninterest-bearing	Unsecured, no impairment
Affiliates' share in Group's expenses							
TECCC	₱33,583,858	₱41,952,583	₱13,116,835	₱7,519,966	₱1,961,401	30-day; noninterest-bearing	Unsecured, no impairment
Makati Shangri-La Hotel	10,583,255	714,718	756,333	9,960,616	191,524	30-day; noninterest-bearing	Unsecured, no impairment
TSFSPCC	7,485,435	6,758,066	6,525,480	3,466,192	2,520,036	30-day; noninterest-bearing	Unsecured, no impairment
TSGTCC	6,167,258	5,047,806	3,693,842	4,354,943	4,349,564	30-day; noninterest-bearing	Unsecured, no impairment
ESHRI	1,620,083	13,823,434	14,671,405	615,490	403,534	30-day; noninterest-bearing	Unsecured, no impairment
Mactan Shangri-La Hotel	652,065	598,533	813,259	268,695	273,532	30-day; noninterest-bearing	Unsecured, no impairment
Clavall Properties, Inc.	917	4,555	801,706	12,332	12,665	30-day; noninterest-bearing	Unsecured, no impairment
Mactan Beachfront Resources, Inc.	(6,525)	3,927	1,087	(7,459)	30	30-day; noninterest-bearing	Unsecured, no impairment
Shangri-La Fijisian Resort	–	–	–	626,952	626,952	Payable on demand; noninterest-bearing	Unsecured, no impairment
Others	5,354,071	11,541,095	696,933	4,572,438	537,082	30-day; noninterest-bearing	Unsecured, no impairment
	₱65,440,417	₱80,444,717	₱41,076,880	₱31,390,165	₱10,876,320		

	Amount/Volume			Outstanding Balance			
	2014	2013	2012	2014	2013	Terms	Conditions
Group's share in affiliates' expenses (see Note 18)							
TECCC	₱634,940	₱576,027	₱14,787,584	₱73,142	₱–	30-day; noninterest-bearing	Unsecured, no impairment
TSFSPCC	560,096	214,679	1,662,215	320	15,793	30-day; noninterest-bearing	Unsecured, no impairment
Others	482,761	470,906	149,137	98,375	143,467	30-day; noninterest-bearing	Unsecured, no impairment
	₱1,677,797	₱1,261,612	₱16,598,936	₱171,837	₱159,260		

Transactions with associates

- On February 17, 2012, the Board of the Parent Company passed and approved a resolution wherein it will act as a surety to the loan of FBSHI. On April 11, 2012, FBSHI has secured a ₱10,000,000,000 long-term loan facility with a local bank to finance the construction of a hotel, serviced apartment, and residential units in Fort Bonifacio, Taguig City in relation to the Shang at the Fort Project. Under the continuing suretyship agreement executed between the Parent Company and the local bank on May 23, 2012, the Parent Company agreed to be solidarily liable to the extent of 50% of any and all amounts due under the loan agreement between FBSHI and the local bank. The local bank is entitled under current jurisprudence to demand directly from the Parent Company any and all amounts due. Should demand be made, the Parent Company will recognize a liability. As a result of the business combination, FBSHI's obligation from the loan agreement was transferred to SGCPI, the surviving entity after the merger with FBSHI (see Note 12). As of December 31, 2014 and 2013, the Parent Company has not recorded any liability in connection with the loan.

- Sharing of expenses with associates.

	Amount/Volume			Outstanding Balance			
	2014	2013	2012	2014	2012	Terms	Conditions
Associates' share in Group's expenses							
FBSHI	₱9,493,210	₱11,220,668	₱5,282,230	₱–	₱1,388,329	30-day; noninterest-bearing	Unsecured, no impairment
ISPI	703,105	604,466	601,161	3,600,548	2,903,023	30-day; noninterest-bearing	Unsecured, no impairment
	₱10,196,315	₱11,825,134	₱5,883,391	₱3,600,548	₱4,291,352		
Group's share in an associate's expenses (see Note 18)							
SLPI	₱–	₱–	₱	₱42,158,700	₱42,158,700	Payable on demand; noninterest-bearing	Unsecured, no impairment

Outstanding balances from the above related party transactions as at December 31 follow:

	2014	2013
Receivables:		
Affiliates:		
Share in expenses	₱31,390,165	₱10,876,320
Management services	4,492,486	5,061,029
Reimbursed expenses	3,310,911	3,532,985
Associates	3,600,548	4,291,352
	₱42,794,110	₱23,761,686
Accounts payable and other current liabilities:		
Associate	₱42,158,700	₱42,158,700
Affiliates:		
Condominium dues	1,299,230	813,050
Share in expenses	171,837	159,260
	₱43,629,767	₱43,131,010

Compensation of key management personnel consist of the following:

	2014	2013	2012
Salaries and other short-term employee benefits	₱37,603,264	₱36,457,991	₱44,003,067
Post-employment benefits	2,989,031	2,451,986	2,765,177
	₱40,592,295	₱38,909,977	₱46,768,244

There are no stock option plans for officers and employees and no other long-term benefits aside from retirement benefits.

Related Party Transactions and Balances Eliminated During Consolidation
The terms, conditions, balances and the volume of related party transactions which were eliminated during consolidation are as follows:

a. Lease of Parent Company's land and the East Wing of the Shangri-La Plaza Mall to SLPC

	2014	2013	2012
Rental income	₱201,679,019	₱137,860,212	₱110,049,049

A portion of the Parent Company's land where the Shangri-La Plaza Mall is located is being leased to SLPC. The lease is for a period of 25 years from January 6, 1993. Rental revenue is based on a certain percentage of SLPC's annual rental revenue from mall operations plus a certain percentage of the carpark's net income.

In 2013, the Parent Company also leased to SLPC, the East Wing of the Shangri-La, the mall area of OSP, for a certain percentage of SLPC's rental revenue from the mall from January 1, 2013 to September 30, 2013.

b. Usufruct agreement between the Parent Company, SLPC and SPSI

On January 16, 2002, the Parent Company entered into a usufruct agreement with SLPC and SPSI. SPSI will be granted limited usufructuary rights over the Parent Company's and SLPC's parking spaces for a consideration equivalent to a certain percentage of SPSI's gross income less direct and indirect expenses. The agreement is subject to renewal on a yearly basis. Rental income of the Parent Company and SLPC, and rental expenses of SPSI are as follows:

	2014	2013	2012
SLPC	**₱11,754,610**	₱10,043,538	₱10,545,010
Parent Company	**5,811,469**	7,461,777	6,754,155
	₱17,566,079	₱17,505,315	₱17,299,165

c. Lease of East Wing of the Shangri-La Plaza Mall by SPRC to SLPC

	2014	2013	2012
Rental income	**₱55,894,923**	₱13,695,318	₱–

SPRC and SLPC entered into a memorandum of agreement whereby SLPC will operate the mall establishment and constitute it as the East Wing of the Shangri-La. The lease is for a period of five years from October 1, 2013 and renewable upon mutual agreement by the parties. Rental revenue is based on a certain percentage of SLPC's annual rental revenue from that mall.

d. SPSI has an agreement with KSA, whereby SPSI is to manage and operate the parking slots of KSA, which commenced on January 1, 2009. The agreement is renewable upon mutual agreement by the parties. In consideration of the agreement, the parties agreed on the following revenue-sharing scheme: KSA shall receive the amount equivalent to 75% of the monthly gross parking revenue, less applicable VAT, while SPSI shall receive the amount equivalent to 25% of the monthly gross parking revenue, less applicable VAT. Income of KSA and expenses of SPSI, which are equivalent to KSA's share are as follows:

	2014	2013	2012
Rental income and expense	**₱29,796,157**	₱26,512,768	₱24,036,327

e. The Parent Company leases its office space and SPRC leases a unit on Level 1 in Shangri-La Plaza Mall from SLPC.

The Parent Company's lease agreement is for a period of three years starting November 1, 2002. By mutual agreement of the parties, the contract of lease was renewed on May 16, 2010 for another three years which commenced on May 17, 2010 and ended on May 16, 2013. The Parent Company's rental expense is exclusive of VAT and subject to five percent escalation every year.

In 2010, SPRC and SLPC entered into a lease agreement, whereby SPRC shall lease a unit on Level 1 in Shangri-La for the higher of: (a) a minimum guarantee rent, or (b) a certain percentage of gross sales, exclusive of VAT. The lease commenced on May 1, 2010 and will end on April 30, 2014, subject to renewal as may be mutually agreed by the parties.

Rental expenses of the Parent Company and SPRC, and rental income of SLPC are as follows:

	2014	2013	2012
SPRC	**₱7,319,287**	₱7,316,402	₱7,898,898
Parent Company	**3,592,934**	4,067,282	4,200,604
	₱10,912,221	₱11,383,684	₱12,099,502

The Parent Company's and SPRC's refundable deposits from these transactions amounted to ₱425,424 and ₱650,000 as of December 31, 2014 and 2013.

f. Management agreement between KSA and SPMSI:

	2014	2013	2012
Management fee	**₱2,804,013**	₱2,549,103	₱2,317,366

KSA entered into a management agreement with SPMSI for a monthly fee of ₱150,000 with 10% annual escalation for a period of five years starting March 2013. The parties agree mutually on the renewal of the agreement. SPMSI shall provide on-site property leasing management including Head Office support services and periodic audit to ensure compliance with international practices; perform staff recruitment, training and performance evaluation; and perform financial management, including billing and collection and budget provisioning.

g. In 2011, SPDI obtained an unsecured, noninterest-bearing, payable on or before December 31, 2012 loan from SHIL amounting to ₱2,317,500,000. As of December 31, 2014 and 2013, this loan has not been settled.

h. Parent Company's dividend income from declarations of the following subsidiaries:

	2014	2013	2012
SLPC	**₱725,000,000**	₱600,000,000	₱700,000,000
KSA	**423,200,000**	185,150,000	132,250,000
SPSI	**4,200,000**	3,500,000	3,500,000
SPMSI	**4,000,000**	–	3,000,000
SPDI	**75,000,000**	–	–
	₱1,231,400,000	₱788,650,000	₱838,750,000

i. In 2013, the Parent Company and SPRC entered into a Deed of Absolute Sale for a parcel of land owned by the Parent Company with total square meter area of 9,852 located at Internal Road, Shangri-la Place, Mandaluyong City for a total consideration of ₱640,380,000. This resulted to a loss on sale of the land amounting to ₱317,379,436 which was eliminated during consolidation.

j. Reimbursement of expenses paid for by a related party on behalf of a related party and vice-versa.

k. Unsecured, noninterest-bearing receivables and payables between related parties.

Outstanding balances from the above related party transactions at December 31 which were eliminated during consolidation are as follows:

	2014	2013
Receivables of the Parent Company from:		
SGCHI	₱1,010,072,162	₱500,127
SPRC	853,625,220	1,742,415,006
SFBHI	690,928,665	500,494
SLPC	103,943,521	23,373,984
SPMSI	22,622,222	17,174,662
SPSI	7,984,922	4,868,210
SPDI	5,215,561	–
KMSC	1,037,217	1,011,608
KSA	426,229	245,801
	₱2,695,855,719	₱1,790,089,892
Payables of the Parent Company to:		
SPDI	₱620,480,000	₱519,301,810
SLPC	1,169,881	2,513,943
SPRC	505,996	1,261,043
	₱622,155,877	₱523,076,796
Receivables of:		
SHIL from SPDI	₱2,317,500,000	₱2,317,500,000
Others	2,549,461,236	90,796,540
	₱4,866,961,236	₱2,408,296,540

The receivables and payables between related parties, except for those arising from reimbursement of expenses and those that are unsecured and noninterest-bearing which are payable on demand, have normal credit terms of 30 to 90 days, but may go beyond as agreed.

32 Commitments and Contingencies

On July 14, 1993, a complaint was initially filed before the Regional Trial Court (RTC) - Pasig by the principal contractor of the Shangri-La Plaza Mall against the Parent Company and the Board for the recovery of the balance of alleged unpaid construction work, compensatory and moral damages, legal fees and litigation costs totaling about ₱122,000,000, exclusive of interest. In the answer *ex abundante ad cautelam*, as a counterclaim, the Parent Company is asking for approximately ₱182,000,000 in overpayment plus ₱7,000,000 in damages and litigation costs. Due to technical reasons, the principal contractor re-filed the case on or about June 23, 1998 with the Construction Industry Arbitration Commission (CIAC).

On October 27, 1998, the RTC-Pasig issued an order directing the parties to arbitrate their dispute under the Arbitration Law. A similar order was issued by the CIAC on February 3, 1999 dismissing the proceedings instituted before it by the plaintiff. The plaintiff, accordingly, served a demand for arbitration dated April 5, 1999 under the provisions of the Arbitration Law.

The arbitration hearing, during which both the Parent Company and the principal contractor were given the opportunity to present their witnesses, commenced in December 2006 and ended with the decision of the Arbitral Tribunal promulgated on July 31, 2007. In its decision, the Arbitral Tribunal awarded to the principal contractor the sum of ₱46,905,987, and to the Parent Company, the sum of ₱8,387,484 (net award to the principal contractor was ₱38,518,503).

The principal contractor has appealed the Arbitral Tribunal's decision to the Court of Appeals, praying for the award of the full amount of its claim. The Parent Company has partially appealed the said decision, praying for the reduction of the award to the plaintiff. The Court of Appeals, in its decision dated August 12, 2008 and resolution dated April 16, 2009, awarded to the principal contractor ₱24,497,556, unpaid progress billings based on the original scope of work, and denied the Parent Company of its motion for partial reconsideration.

On June 5, 2009, the Parent Company filed a Petition for Review on Certiorari to the Supreme Court praying to issue an order or decision: (a) declaring the Parent Company as not liable to the principal contractor for unpaid progress billings based on the original scope of work, (b) ordering the principal contractor to pay the Parent Company ₱7,590,000 as liquidated damages, and (c) setting aside or reversing the Court of Appeal's decision and resolution insofar as they are adverse to the Parent Company. On a Petition for Review on Certiorari dated June 11, 2009, the principal contractor prayed to the Supreme Court to modify the decision and resolution of the Court of Appeals, to award the principal contractor the full amount of its claim. Both petitions are pending resolution by the Supreme Court as of March 27, 2015.

The Parent Company and SLPC have other pending legal cases which are being contested by the Parent Company, SLPC and their legal counsels. Management and the legal counsels believe that the final resolution of these cases will not have a material effect on the Group's financial position and results of operations.

33. Lease Commitments

The Group entered into lease agreements with third parties covering the freehold buildings and their improvements. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Rental income from percentage of gross revenue of lessee recognized in the profit or loss amounted to ₱121,382,947, ₱124,074,911 and ₱80,173,290 in 2014, 2013 and 2012, respectively.

The minimum future rental collections under non-cancellable operating leases follow:

	2014	2013	2012
Within one year	**₱2,823,156,660**	₱1,918,343,828	₱1,462,742,004
After one year but not more than five years	**4,642,450,449**	1,475,431,761	1,744,146,930
More than five years	**267,882,864**	234,408,500	93,283,161
	₱7,733,489,973	₱3,628,184,089	₱3,300,172,095

34. **Fair Value Measurement and Financial Instruments**

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2014:

	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured at Fair Value				
Financial assets at FVPL	**₱33,012,524**	**₱–**	**₱–**	**₱33,012,524**
Investment properties:				
Land	–	**13,428,400,270**	–	**13,428,400,270**
Buildings	–	–	**13,682,467,218**	**13,682,467,218**
	–	**13,428,400,270**	**13,682,467,218**	**27,110,867,488**
	₱33,012,524	**₱13,428,400,270**	**₱13,682,467,218**	**₱27,143,880,012**
Assets for which Fair Values are Disclosed				
Loans and receivables				
Receivables*	**₱–**	**₱1,811,049,656**	**₱–**	**₱1,811,049,656**
Refundable deposits	–	68,493,754	–	68,493,754
	–	1,879,543,410	–	1,879,543,410
AFS financial assets:				
Unquoted	–	–	488,826,327	488,826,327
Quoted	13,196,515	–	–	13,196,515
	13,196,515	–	488,826,327	502,022,842
	₱13,196,515	**₱1,879,543,410**	**₱488,826,327**	**₱2,381,566,252**
Liabilities for which Fair Values are Disclosed				
Accounts payable and other current liabilities**	**₱–**	**₱3,392,834,018**	**₱–**	**₱3,392,834,018**
Bank loans	–	**12,148,668,905**	–	**12,148,668,905**
Deposits from tenants	–	**978,444,217**	–	**978,444,217**
Accrued employee benefits***	–	**12,875,707**	–	**12,875,707**
	₱–	**₱16,532,822,847**	**₱–**	**₱16,532,822,847**

** Net of unamortized discount and unearned income of ₱4,270,960,875 in 2014 and advances to contractors and suppliers of ₱1,031,179,058.*

*** Excluding customers' deposits, reservation payable, output VAT, deferred output VAT and withholding taxes.*

****Excluding accrued retirement benefits of ₱55,626,328*

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2013:

	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured at Fair Value				
Financial assets at FVPL	₱30,348,704	₱–	₱–	₱30,348,704
Investment properties:				
Land	–	13,428,400,270	–	13,428,400,270
Buildings	–	–	13,314,825,680	13,314,825,680
	–	13,428,400,270	13,314,825,680	26,743,225,950
	₱30,348,704	₱13,428,400,270	₱13,314,825,680	₱26,773,574,654
Assets for which Fair Values are Disclosed				
Loans and receivables				
Receivables*	₱–	₱2,401,122,350	₱–	₱2,401,122,350
Refundable deposits	–	37,286,169	–	37,286,169
	–	2,438,408,519	–	2,438,408,519
AFS financial assets:				
Unquoted	–	–	488,826,327	488,826,327
Quoted	13,496,515	–	–	13,496,515
	13,496,515	–	488,826,327	502,322,842
	₱13,496,515	₱2,438,408,519	₱488,826,327	₱2,940,731,361
Liabilities for which Fair Values are Disclosed				
Accounts payable and other current liabilities**	₱–	₱2,077,287,434	₱–	₱2,077,287,434
Bank loans	–	4,943,452,381	–	4,943,452,381
Deposits from tenants	–	954,813,749	–	954,813,749
Accrued employee benefits***	–	10,652,145	–	10,652,145
	₱–	₱7,986,205,709	₱–	₱7,986,205,709

** Net of unamortized discount and unearned income of ₱3,402,472,504 in 2013 and advances to contractors and suppliers of ₱1,133,149,175.*
*** Excluding customers' deposits, reservation payable, output VAT, deferred output VAT and withholding taxes.*
**** Excluding accrued retirement benefits of ₱29,602,931.*

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There have been no assets and liabilities transferred between Level 1, Level 2 and Level 3 during the period.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Financial Assets at FVPL
The fair value of financial assets at FVPL is based on quoted market prices at the reporting date. The quoted market prices used for financial assets held by the Group were the current bid prices.

Cash and Cash Equivalents, Receivables, Accounts Payable and Other Current Liabilities, Dividends Payable and Accrued Employee Benefits
Due to the short-term nature of cash and cash equivalents, receivables other than installment contracts receivable, accounts payable and other current liabilities, dividends payable and accrued employee benefits their carrying values were assessed to approximate their fair values.

Installment Contracts Receivable
The fair value of installment contracts receivable approximates their carrying value as the interest rates they carry approximate the interest rates on comparable instruments in the market.

Refundable Deposits and Deposits from Tenants
The fair values of deposits from tenants were based on the present value of estimated future cash flows using MART-1 rates at the reporting date. Discount ranges from 1.01% to 3.55% and 0.4% to 5.38% as of December 31, 2014 and 2013, respectively.

AFS Financial Assets
The fair value of quoted equity securities is based on market bid prices as of the reporting date. The fair value of unquoted equity securities is not reasonably determinable.

Bank Loans
The carrying value of the bank loans with variable interest rates approximates their fair value because of recent and quarterly repricing based on market conditions.

35. Financial Risk Management Objective and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, financial assets at FVPL, loans and receivables, AFS financial assets and other financial liabilities. These are held primarily to finance the Group's operations and capital expenditures. The Group's financial instruments, such as cash and cash equivalents, trade receivables and trade payables, arise directly from the conduct of the Group's operations.

The main risks arising from the use of the financial instruments are interest rate risk, credit risk and liquidity risk.

Risk management is carried out by the Group's management under policies approved by the Board. The Group's management identifies and evaluates financial risks in close cooperation with the Group's operating units.

The main objective of the Group's financial risk management is to minimize the potential adverse effects of the unpredictability of financial markets on the Group's financial performance. The Board provides principles for overall risk management, as follows:

Interest Rate Risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The cash flows of the Group's bank loans that are exposed to interest rate risk as of December 31, 2014 are disclosed in Note 19.

Interest rates on all bank loans are based on the higher between the PDST-F rate and the BSP overnight borrowing rate.

The Group's interest rate risk management policy focuses on reducing the overall interest expense and exposure to change in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing loans with floating interest rates as it can cause a change in the amount of interest payments.

Interest on financial instruments with floating rates is repriced at intervals of less than one year. Interest on financial instruments with fixed rates is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the tables above are noninterest-bearing and are therefore not subject to interest rate risk. The Group invests excess funds in short-term placements in order to mitigate any increase in interest rate on borrowings.

The following table represents the impact on the Group's income before income tax brought about by reasonably possible change in interest rates, with all other variables held constant, as of December 31 until its next financial reporting date:

	Change in Interest Rate	Effect on Income before Income Tax
2014	Increase by 0.95%	₱45,754,940
	Decrease by 0.95%	(45,754,940)
2013	Increase by 0.50%	(24,717,262)
	Decrease by 0.50%	24,717,262

There is no other effect on the Group's equity other than those already affecting profit or loss.

Credit Risk

Credit risk is the risk that the Group will incur losses because its counterparties failed to discharge their contractual obligations. The Group has no significant concentration on credit risk. Sales of residential condominium units that are on installment basis are supported by post-dated checks from the buyers. Titles to properties sold are not released unless full payment is received. In the case of leasing operation, tenants are subjected to credit evaluation and are required to put up security deposits and pay advance rentals, if necessary.

The following table shows the maximum exposure to credit risk for each component of financial assets in the consolidated statements of financial position as of December 31.

	2014	2013
Financial assets at FVPL	₱33,012,524	₱30,348,704
Loans and receivables:		
Cash and cash equivalents*	2,630,057,461	1,862,306,550
Receivables:		
Installment contracts receivable**	2,842,228,694	2,229,966,071
Rent	201,286,080	139,562,396
Related parties	42,794,110	23,761,686
Advances to officers and employees	7,695,914	1,373,381
Interest	1,697,524	1,164,094
Others	30,578,550	5,294,722
Cash in escrow***	352,027,489	–
Refundable deposits	68,493,754	37,286,169
	6,176,859,576	4,300,715,069
AFS financial assets	502,822,842	502,322,842
	₱6,712,694,942	₱4,833,386,615

** Excludes cash on hand of ₱280,947,359 in 2014 and ₱21,640,393 in 2013.*
*** Net of unamortized discount and unearned income of ₱4,270,960,875 in 2014 and ₱3,402,472,504 in 2013.*
**** Under prepayments and other current assets.*

The net maximum exposure to credit risk for cash in banks, after taking into account insurance on bank deposits, amounted to ₱116,234,079 in 2014 and ₱114,188,569 in 2013.

The following tables provide information regarding the credit risk exposure of the Group by classifying its financial assets according to the credit ratings of the debtors as of December 31:

	2014								
	Neither Past Due nor Impaired		Past Due but Not Impaired						
	Non-Investment Grade: Satisfactory	Non-Investment Grade: Unsatisfactory	30 Days	90 Days	120 Days	150 Days	More than 150 Days	Past Due and Impaired	Total
Financial assets at FVPL	₱33,012,524	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱33,012,524
Loans and receivables:									
Cash and cash equivalents*	2,630,057,461	–	–	–	–	–	–	–	2,630,057,461
Receivables:									
Installment contracts receivable**	2,842,228,694	–	–	–	–	–	–	–	2,842,228,694
Rent	126,343,388	–	37,175,507	8,788,413	5,107,592	6,861,126	17,010,052	–	201,286,078
Related parties	–	–	–	–	–	–	42,794,110	–	42,794,110
Advances to officers and employees	7,695,914	–	–	–	–	–	–	–	7,695,914
Interest	1,697,524	–	–	–	–	–	–	–	1,697,524
Others	35,368,024	–	–	–	–	–	–	8,056,440	43,424,464
Cash in escrow***	352,027,489	–	–	–	–	–	–	–	352,027,489
	5,995,418,494	–	37,175,507	8,788,413	5,107,592	6,861,126	59,804,162	8,056,440	6,121,211,734
AFS financial assets	502,822,842	–	–	–	–	–	–	–	502,822,842
	₱6,531,253,860	₱–	₱37,175,507	₱8,788,413	₱5,107,592	₱6,861,126	₱59,804,162	₱8,056,440	₱6,657,047,100

	2013								
	Neither Past Due nor Impaired		Past Due but Not Impaired						
	Non-Investment Grade: Satisfactory	Non-Investment Grade: Unsatisfactory	30 Days	90 Days	120 Days	150 Days	More than 150 Days	Past Due and Impaired	Total
Financial assets at FVPL	₱30,348,704	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱30,348,704
Loans and receivables:									
Cash and cash equivalents*	1,862,306,550	–	–	–	–	–	–	–	1,862,306,550
Receivables:									
Installment contracts receivable**	2,229,966,071	–	–	–	–	–	–	–	2,229,966,071
Rent	97,649,603	–	19,338,592	2,970,950	4,140,445	3,634,788	11,828,018	–	139,562,396
Related parties	–	–	–	–	–	–	23,761,686	–	23,761,686
Advances to officers and employees	1,373,381	–	–	–	–	–	–	–	7,695,914
Interest	1,164,094	–	–	–	–	–	–	–	1,697,524
Others	5,294,722	–	–	–	–	–	–	7,074,077	12,368,799
	4,197,754,421	–	19,338,592	2,970,950	4,140,445	3,634,788	35,589,704	7,074,077	4,277,358,940
AFS financial assets	502,822,842	–	–	–	–	–	–	–	502,822,842
	₱4,730,925,967	₱–	₱19,338,592	₱2,970,950	₱4,140,445	₱3,634,788	₱35,589,704	₱7,074,077	₱4,810,530,486

** Excludes cash on hand of ₱280,947,359 in 2014 and ₱21,640,393 in 2013.*

*** Net of unamortized discount and unearned income of ₱4,270,960,875 in 2014 and ₱3,402,472,504 in 2013.*

**** Under prepayments and other current assets.*

Financial instruments classified under "neither past due nor impaired" include high grade credit quality instruments because there were few or no history of default on the agreed terms of the contract. "Past due and impaired" pertains to those financial instruments that are long outstanding and have been provided with allowance for impairment losses.

The credit quality of the financial assets classified under neither past due not impaired was determined as follows:

Cash and cash equivalents, financial assets at FVPL and AFS financial assets are based on the nature of the counterparties and the Group's internal rating system.

Receivables which are satisfactory pertains to receivables from existing and active tenants, customers, related parties, counter parties, officers and employees; while unsatisfactory pertains to receivables from tenants, customers, related parties and counter parties that have already ceased their respective operations, and officers and employees that are no longer employed by the Group.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to settle or meet its obligations on time or at reasonable prices. The Group maintains sufficient cash and cash equivalents in order to fund its operations. The Group monitors its cash flows and carefully matches the cash receipts from its condominium sales and leasing operations against cash requirements for its construction activities. The Group utilizes its borrowing capacity, if necessary, to further bolster its cash reserves.

The following tables summarize the maturity profile of financial assets compared with the contractual undiscounted payments of financial liabilities in order to provide a complete view of the Group's liquidity as of December 31.

	2014				
	Within 1 Year	Over 1 to 3 Years	Over 3 to 5 Years	Over 5 Years	Total
Financial Assets					
Financial assets at FVPL	₱33,012,524	₱–	₱–	₱–	₱33,012,524
Loans and receivables:					
Cash and cash equivalents	2,911,004,820	–	–	–	2,911,004,820
Receivables:					
Installment contracts receivable	4,795,800,178	1,669,504,326	647,885,065	–	7,113,189,569
Rent	201,286,080	–	–	–	201,286,080
Related parties	42,794,110	–	–	–	42,794,110
Advances to officers and employees	7,127,724	–	–	–	7,127,724
Interest	1,697,524	–	–	–	1,697,524
Others	64,221,266	–	–	–	64,221,266
Cash in escrow**	352,027,489	–	–	–	352,027,489
Refundable deposits	68,493,754	–	–	–	68,493,754
	8,444,452,945	1,669,504,326	647,885,065	–	10,761,842,336
AFS financial assets	502,822,842	–	–	–	502,822,842
	₱8,980,288,311	₱1,669,504,326	₱647,885,065	₱–	₱11,297,677,702
Other Financial Liabilities					
Accounts payable and other current liabilities*	₱2,979,365,856	₱–	₱–	₱–	₱2,979,365,856
Bank loans	583,333,333	1,870,833,334	1,312,500,000	8,382,002,238	12,148,668,905
Deposits from tenants	84,247,874	408,284,464	470,074,443	40,830,856	1,003,437,637
Financial guarantee (Note 31)	120,101,625	–	–	–	120,101,625
Accrued employee benefits***	–	–	–	12,875,707	12,875,707
	₱3,767,048,688	₱2,279,117,798	₱1,782,574,443	₱8,435,708,801	₱16,264,449,730

* *Excluding customers' deposits, reservation payable, output VAT, deferred output VAT and withholding taxes.*
** *Under prepayments and other current assets.*
*** *Excluding accrued retirement benefits of ₱55,626,328.*

	2013				
	Within 1 Year	Over 1 to 3 Years	Over 3 to 5 Years	Over 5 Years	Total
Financial Assets					
Financial assets at FVPL	P30,348,704	P–	P–	P–	P30,348,704
Loans and receivables:					
Cash and cash equivalents	1,891,446,943	–	–	–	1,891,446,943
Receivables:					
Installment contracts receivable	2,587,692,128	3,014,571,006	30,175,441	–	5,632,438,575
Rent	139,562,396	–	–	–	139,562,396
Related parties	23,761,686	–	–	–	23,761,686
Advances to officers and employees	1,373,381	–	–	–	1,373,381
Interest	1,164,094	–	–	–	1,164,094
Others	5,294,722	–	–	–	5,294,722
Refundable deposits	–	37,286,169	–	–	37,286,169
	4,650,295,350	3,051,857,175	30,175,441	–	7,732,327,966
AFS financial assets	502,322,842	–	–	–	502,322,842
	P5,182,966,896	P3,051,857,175	P30,175,441	P–	P8,264,999,512
Other Financial Liabilities					
Accounts payable and other current liabilities*	P2,077,287,434	P–	P–	P–	P2,077,287,434
Bank loans	730,638,969	1,501,945,625	1,674,461,849	1,507,061,250	5,414,107,693
Deposits from tenants	581,004,488	362,378,245	44,698,624	–	988,081,357
Financial guarantee (Note 31)	60,095,000	261,230,677	659,313,125	1,057,395,573	2,038,034,375
Accrued employee benefits**	–	–	–	10,652,145	10,652,145
	P3,449,025,891	P2,125,554,547	P2,378,473,598	P2,575,108,968	P10,528,163,004

** Excluding customers' deposits, reservation payable, output VAT, deferred output VAT and withholding taxes.*
*** Excluding accrued retirement benefits of P29,602,931.*

36. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating, comply with externally imposed capital requirements, and maintain healthy capital ratios in order to support its business and maximize stockholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2014, 2013 and 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by capital. The Group includes within net debt bank loans less cash and cash equivalents. Capital pertains to total equity less NCI.

	2014	2013
Net Debt		
Bank loans	₱12,148,668,905	₱4,943,452,381
Less cash and cash equivalents	2,911,004,820	1,891,446,943
	9,237,664,085	3,052,005,438
Capital		
Total equity	27,784,333,224	24,790,791,369
Less NCI	3,965,795,878	3,056,381,448
	23,818,537,346	21,734,409,921
Gearing Ratio	38.78%	14.04%

The Group was able to meet its capital management objectives.

37. Note to Statements of Cash Flows

The principal noncash transaction under investing activities pertains to the acquired total assets amounting to ₱9,647,345,695 and total liabilities amounting to ₱9,453,381,223 as a result of the business combination (see Note 12).

38. Acronyms and Abbreviations

The following are the acronyms and abbreviations used in the consolidated financial statements with the meanings as specified below:

Acronyms/ Abbreviations		Meaning
AFS	–	available-for-sale
ALM	–	Asset-Liability Matching Study
APIC	–	additional paid-in capital
BSDC	–	Brown Swallow Development Corporation
BSP	–	Bangko Sentral ng Pilipinas
BVI	–	British Virgin Islands
CGU	–	cash generating unit
CIAC	–	Construction Industry Arbitration Commission
CWT	–	creditable withholding tax
EIR	–	effective interest rate
ELHI	–	EPHI Logistics Holdings, Inc.
EPRC	–	Exchange Properties Resources Corporation
ESHRI	–	EDSA Shangri-La Hotel and Resort, Inc.
EUL	–	estimated useful lives
FBSHI	–	Fort Bonifacio Shangri-la Hotel, Inc.
FRSC	–	Financial Reporting Standards Council
FVO	–	fair value option
FVPL	–	fair value through profit or loss
GFA	–	gross floor area
HK$	–	Hong Kong Dollar
HLURB	–	Housing and Land Use Regulatory Board
HTM	–	held to maturity
IASB	–	International Accounting Standards Board
IFRIC	–	International Financial Reporting Interpretations Committee
IPPI	–	Ivory Post Properties, Inc.
ISPI	–	Ideal Sites and Properties, Inc.
KMSC	–	KPPI Management Services Corporation
KRC	–	KPPI Realty Corporation
KSA	–	KSA Realty Corporation
MARTI	–	the average of the top 60% of bids by tenor for government securities submitted by fixing banks
MBPI	–	Martin B. Properties, Inc.
MCIT	–	minimum corporate income tax
MOA	–	memorandum of agreement
NCI	–	non-controlling interests
NCRI	–	New Contour Realty, Inc.
NOLCO	–	net operating loss carryover
NRV	–	net realizable value

Acronyms/ Abbreviations		Meaning
OCI	–	other comprehensive income
OSD	–	optional standard deduction
OSP	–	One Shangri-La Place Project
OSPCC	–	One Shangri-La Place Condominium Corporation
PAS	–	Philippine Accounting Standard
PDST-F	–	Philippine Dealing System Treasury Fixing
PDST-R2	–	Philippine Dealing System Treasury Reference Rates
PFRS	–	Philippine Financial Reporting Standards
POC	–	percentage of completion
PSE	–	Philippine Stock Exchange
PSI	–	Perfect Sites, Inc.
RA	–	Republic Act
RCIT	–	regular corporate income tax
RTC	–	Regional Trial Court
SEC	–	Securities and Exchange Commission
SFBHI	–	Shang Fort Bonifacio Holdings, Inc.
SGCHI	–	Shang Global City Holdings, Inc.
SGCPI	–	Shang Global City Properties, Inc.
SHIL	–	Silver Hero Investments Limited
SLPC	–	Shangri-La Plaza Corporation
SLPI	–	Sky Leisure Properties, Inc.
SPDI	–	Shang Property Developers, Inc.
SPMSI	–	Shang Property Management Services, Inc.
SPRC	–	Shang Properties Realty Corporation
SPSI	–	SPI Parking Services, Inc.
SSP	–	Shang Salcedo Place Project
TCT	–	transfer certificates of title
TEC	–	The Enterprise Center
TECCC	–	The Enterprise Center Condominium Corporation
TRDCI	–	The Rise Development Company, Inc.
TSFSP	–	The St. Francis Shangri-La Place Project
TSFSPCC	–	The St. Francis Shangri-la Place Condominium Corporation
TSGT	–	The Shang Grand Tower Project
TSGTCC	–	The Shang Grand Tower Condominium Corporation
US$	–	United States Dollar
VAT	–	value-added tax
WACC	–	weighted average cost of capital

Corporate Directory

ONE SHANGRI-LA PLACE
Tel: (63 2) 370-2600
Fax: (63 2) 370-2626
Show Suite and Sales Office
Level 1, Shangri-La Plaza
EDSA corner Shaw Boulevard
Mandaluyong City 1550
sales@oneshangri-laplace.com
www.oneshangri-laplace.com

SHANG SALCEDO PLACE
Tel: (63 2) 519-0000 or 519-8080
Fax: (63 2) 519-9111
Show Suite and Sales Office
Level 3, Tower 1, The Enterprise Center
6766 Ayala Avenue corner Paseo de Roxas
Makati City 1212
sales@shangsalcedoplace.com
www.shangsalcedoplace.com

SHANGRI-LA AT THE FORT
Tel: (63 2) 752-7378
Mezzanine level, Makati Shangri-La
Manila, Ayala Avenue corner Makati Avenue
Makati City
horizonhomes.slfm@shangri-la.com
www.shangri-la.com

SHANGRI-LA PLAZA
Tel: (63 2) 370-2500
Fax: (63 2) 633-4474 or 633-4492
www.shangrila-plaza.com
EDSA corner Shaw Boulevard
Mandaluyong City 1550

THE ENTERPRISE CENTER
Tel: (63 2) 752-1000
Fax: (63 2) 886-5001
www.theenterprisecenter.com.ph
6766 Ayala Avenue corner Paseo de Roxas
Makati City 1212

THE SHANG GRAND TOWER
Tel: (63 2) 909-5000 to 04
Fax: (63 2) 909-5006
www.theshanggrandtower.com
98 Perea Street corner dela Rosa Street
Legaspi Village, Makati City 1229

THE ST. FRANCIS SHANGRI-LA PLACE
Tel: (63 2) 239-2517
Fax: (63 2) 570-6981
www.thestfrancistowers.com
Internal Road corner St. Francis Street
Mandaluyong City 1550

THE RISE MAKATI
Tel: (63 2) 843-7473
Showsuite and Sales Office
4th Avenue corner Rizal Drive,
Bonifacio Global City,
Taguig 1634
sales@therisemakati.com
www.therisemakati.com

Investor Relations Information

PRINCIPAL OFFICE
Tel: (63 2) 370-2700
Fax: (63 2) 370-2777
Level 5, Shangri-La Plaza
EDSA corner Shaw Boulevard
Mandaluyong City 1550
info@shangproperties.com
www.shangproperties.com

PRINCIPAL BANKERS
Bank of the Philippine Islands
Metropolitan Bank and Trust Company
Banco De Oro

AUDITORS
Sycip Gorres Velayo & Co.

LEGAL COUNSELS
Abello Concepcion Regala & Cruz
Romulo, Mabanta, Buenaventura,
Sayoc & Delos Angeles

PROPERTY VALUER
Royal Asia Appraisal Corporation

STOCK TRANSFER AGENT
Rizal Commercial Banking Corp.
Ground Floor, GPL Building
221 Sen. Gil Puyat Avenue,
Makati City, Metro Manila

KEY DATES
- Regular Board Meeting: Quarterly
- Annual Stockholder's Meeting:
  Any day in June of each year
- Fiscal Year: 1 January to 31 December

SHANG
PROPERTIES®

Level 5, Shangri-La Plaza,
EDSA corner Shaw Boulevard
Mandaluyong City 1550 Philippines
Tel: (63 2) 370-2700
Fax: (63 2) 370-2777
info@shangproperties.com
www.shangproperties.com