COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 4 5 4 9 0

Company Name

SHANG PROPERTIES, INC. AND SUBSIDIARIES

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

Administration Office, Shangri-La Plaza Mall, EDSA corner Shaw Boulevard, Mandaluyong City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.shangproperties.com	370-2700	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
5,457	24-Jun-14	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Kinsun Ng	kinsun.ng@shangproperties.com	370-2700	

Contact Person's Address

Administration Office, Shangri-La Plaza Mall, EDSA corner Shaw Boulevard, Mandaluyong City

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

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Shang Properties, Inc.
Administration Office, Shangri-La Plaza Mall
EDSA corner Shaw Boulevard,
Mandaluyong City

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

SYCIP GORRES VELAYO & CO.

Arnel F. De Jesus
Partner
CPA Certificate No. 43285
SEC Accreditation No. 0075-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 152-884-385
BIR Accreditation No. 08-001998-15-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4751272, January 5, 2015, Makati City

March 27, 2015

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 10 2015
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SHANG
PROPERTIES®

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR
CONSOLIDATED FINANCIAL STATEMENTS

March 27, 2015

To the Securities and Exchange Commission
SEC Building, EDSA, Greenhills
City of Mandaluyong, Metro Manila

The management of **Shang Properties, Inc.** is responsible for the preparation and fair presentation of the **consolidated** financial statements as of December 31, 2014 and 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the **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 and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders have examined the **consolidated** financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.

Signed under oath of by the following:

Edward Kuok
Chairman of the Board

Wilfred Woo
Executive Assistant to the Chairman

Kinsun Ng
Vice-President – Group Financial Controller/Acting Chief Finance Officer

Level 5, Shangri-La Plaza Mall, EDSA corner Shaw Boulevard, Mandaluyong City, Metro Manila, Philippines 1550
T: (632) 370-2700 F: (632) 370-2777 www.shangproperties.com

Acknowledgement

REPUBLIC OF THE PHILIPPINES)
IN THE CITY OF) S. S.

QUEZON CITY

APR 10 2015

QUEZON CITY

Before Me, a Notary Public for and in , this ___ day of _____ 2015, the following personally appeared:

Name	Passport No.	Date/Place of Issuance
Edward Kuok Khoon Loong	A10771987	August 23, 2006, Kuala Lumpur
Wilfred Woo	BA654012	January 10, 2010, Hongkong
Kinsun Ng	501133959	November 22, 2012, Hongkong

known to me and to me known to be the same persons who executed the foregoing and they acknowledged to me that the same are their true and voluntary act and deed.

The foregoing consists of two (2) pages, including this page wherein the acknowledgement is written and signed hereto and their instrumental witnesses on each and every page hereof.

WITNESS MY HAND AND SEAL on the date and place above-stated

Doc. No. 90;
Page No. 18;
Book No. XV;
Series of 2015.

ATTY. BENJAMIN F. ALFONSO
NOTARY PUBLIC
UNTIL December 31, 2016
PTR NO. 0682987 – C – 1-20-15
IBP NO. 975680 – 12-11-2014
ROLL NO. 13296
ADM. MATTER NO. N.P -144 (2015 - 2016)
TIN NO. 177967619
MCLE EXEMPTED

SHANG PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱2,911,004,820**	₱1,891,446,943
Financial assets at fair value through profit or loss (Note 6)	**33,012,524**	30,348,704
Receivables (Notes 7 and 31)	**4,162,249,384**	3,534,271,525
Properties held for sale (Note 8)	**5,773,117,694**	2,443,509,795
Prepayments and other current assets (Note 9)	**1,805,192,006**	497,659,236
Total Current Assets	**14,684,576,428**	8,397,236,203
Noncurrent Assets		
Investments in associates (Note 10)	**410,790,229**	2,441,310,290
Investment properties (Note 13)	**27,110,867,488**	26,743,225,950
Real estate development projects (Note 14)	**11,211,283,922**	484,885,587
Available-for-sale financial assets (Note 15)	**502,822,842**	502,322,842
Property and equipment (Note 16)	**67,009,417**	67,095,620
Goodwill (Notes 12 and 17)	**269,870,864**	–
Refundable deposits	**68,493,754**	37,286,169
Deferred income tax assets - net (Note 29)	**356,407,946**	371,956,483
Total Noncurrent Assets	**39,997,546,462**	30,648,082,941
TOTAL ASSETS	**₱54,682,122,890**	₱39,045,319,144
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 18 and 31)	**₱4,883,213,157**	₱2,651,001,467
Current portion of:		
Bank loans (Note 19)	**583,333,333**	647,619,048
Deposits from tenants (Note 20)	**484,423,000**	616,747,724
Deferred lease income (Note 20)	**18,163,625**	28,628,512
Dividends payable (Note 22)	**104,294,980**	20,844,007
Income tax payable	**127,582,324**	49,379,716
Total Current Liabilities	**6,201,010,419**	4,014,220,474
Noncurrent Liabilities		
Accrued employee benefits (Note 27)	**68,502,035**	40,255,076
Bank loans - net of current portion (Note 19)	**11,565,335,572**	4,295,833,333
Deposit for future stock subscription (Note 12)	**1,959,000,000**	–
Deferred income tax liabilities - net (Note 29)	**6,589,901,691**	5,500,560,988
Deposits from tenants - net of current portion (Note 20)	**494,021,217**	338,066,025
Deferred lease income - net of current portion (Note 20)	**20,018,732**	65,591,879
Total Noncurrent Liabilities	**20,696,779,247**	10,240,307,301
Total Liabilities	**26,897,789,666**	14,254,527,775

(Forward)

	December 31	
	2014	2013
EQUITY		
Equity attributable to equity holders of the Parent Company:		
Capital stock (Note 21)	**₱4,764,058,982**	₱4,764,058,982
Additional paid-in capital	**834,439,607**	834,439,607
Treasury shares (Note 21)	**(6,850,064)**	(6,850,064)
Retained earnings (Notes 21 and 22)	**18,234,935,332**	16,142,418,632
Other components of equity (Notes 15 and 27)	**(8,046,511)**	342,764
	23,818,537,346	21,734,409,921
Equity attributable to non-controlling interests (Note 11)	**3,965,795,878**	3,056,381,448
Total Equity	**27,784,333,224**	24,790,791,369
TOTAL LIABILITIES AND EQUITY	**₱54,682,122,890**	₱39,045,319,144

See accompanying Notes to Consolidated Financial Statements.

SHANG PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013	2012
REVENUES			
Condominium sales	**₱3,764,277,893**	₱3,935,170,304	₱2,698,045,454
Rental	**2,624,893,646**	2,338,990,151	1,848,769,513
Cinema	**60,367,560**	56,448,809	53,090,582
	6,449,539,099	6,330,609,264	4,599,905,549
COST AND EXPENSES			
Cost of condominium sales (Note 24)	**2,442,444,122**	2,991,014,104	2,224,877,909
Staff costs (Note 26)	**295,539,144**	241,336,108	221,058,539
Taxes and licenses (Note 25)	**205,446,842**	145,063,414	144,573,177
General and administrative (Note 25)	**193,324,687**	156,933,328	201,934,178
Unreimbursed share in common expenses (Note 28)	**85,943,421**	96,092,860	11,051,866
Depreciation and amortization (Note 16)	**20,414,157**	18,177,996	16,589,501
Insurance	**17,620,267**	15,681,448	11,780,537
	3,260,732,640	3,664,299,258	2,831,865,707
OTHER INCOME (CHARGES)			
Interest (Note 23)	**269,361,029**	279,426,867	284,513,613
Gains on:			
Remeasurement arising from business combinations (Note 12)	**824,431,141**	–	–
Reversal of impairment loss on real estate development project (Note 14)	–	181,954,697	–
Fair value adjustment of investment properties (Note 13)	–	–	400,126,054
Foreign exchange gains (losses) - net	**880,730**	4,081,797	(2,871,943)
Others - net (Note 23)	**67,975,685**	112,392,231	124,555,744
	1,162,648,585	577,855,592	806,323,468
SHARE IN NET EARNINGS (LOSSES) OF ASSOCIATES (Note 10)	**(9,692,903)**	(4,674,079)	29,490,674
INTEREST EXPENSE AND BANK CHARGES (Note 23)	**227,066,344**	184,961,863	172,279,478
INCOME BEFORE INCOME TAX	**4,114,695,797**	3,054,529,656	2,431,574,506
PROVISION FOR INCOME TAX (Note 29)	**995,501,739**	751,429,724	536,192,511
NET INCOME	**3,119,194,058**	2,303,099,932	1,895,381,995
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets, net of tax effect (Note 15)	**350,000**	210,000	777,000
Translation adjustments	**17,554**	556,540	(415,850)
Items that will not be reclassified to profit or loss:			
Remeasurement gains (losses) on defined benefit liability, net of tax effect (Note 27)	**(8,756,829)**	23,248,589	(25,557,602)
	(8,389,275)	24,015,129	(25,196,452)
TOTAL COMPREHENSIVE INCOME	**₱3,110,804,783**	₱2,327,115,061	₱1,870,185,543

(Forward)

	Years Ended December 31		
	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
Non-controlling interests	**383,818,112**	291,827,291	248,904,958
	₱3,119,194,058	₱2,303,099,932	₱1,895,381,995
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱2,726,986,671**	₱2,035,287,770	₱1,621,280,585
Non-controlling interests	**383,818,112**	291,827,291	248,904,958
	₱3,110,804,783	₱2,327,115,061	₱1,870,185,543
BASIC AND DILUTED EARNINGS PER SHARE (Note 30)			
Based on net income	**₱0.574**	₱0.422	₱0.346
Based on total comprehensive income	**₱0.573**	₱0.427	₱0.340

See accompanying Notes to Consolidated Financial Statements.

SHANG PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

	Equity Holders of the Parent Company										
				Other Components of Equity							
				Items that may be Reclassified to Profit or Loss		Item that will Not be Reclassified to Profit or Loss					
	Capital Stock (Note 21)	Additional Paid-in Capital	Treasury Shares (Note 21)	Cumulative Changes in Fair Value of Available-for-Sale Financial Assets (Note 15)	Cumulative Translation Adjustments	Remeasurement Gains (Losses) on Defined Benefit Liability (Note 27)	Subtotal	Retained Earnings (Notes 21 and 22)	Total	Non-controlling Interests (NCI) (Note 11)	Total
BALANCES AT DECEMBER 31, 2013	₱4,764,058,982	₱834,439,607	(₱6,850,064)	₱3,062,500	(₱410,723)	(₱2,309,013)	₱342,764	₱16,142,418,632	₱21,734,409,921	₱3,056,381,448	₱24,790,791,369
Total comprehensive income (loss) recognized for the year	–	–	–	350,000	17,554	(8,756,829)	(8,389,275)	2,735,375,946	2,726,986,671	383,818,112	3,110,804,783
Acquisition of non-controlling interest (Note 12)	–	–	–	–	–	–	–	–	–	902,396,318	902,396,318
Cash dividends (Note 22)	–	–	–	–	–	–	–	(642,859,246)	(642,859,246)	(376,800,000)	(1,019,659,246)
BALANCES AT DECEMBER 31, 2014	₱4,764,058,982	₱834,439,607	(₱6,850,064)	₱3,412,500	(₱393,169)	(₱11,065,842)	(₱8,046,511)	₱18,234,935,332	₱23,818,537,346	₱3,965,795,878	₱27,784,333,224

See accompanying Notes to Consolidated Financial Statements.

	Equity Holders of the Parent Company											
				Other Components of Equity								
				Items that may be Reclassified to Profit or Loss		Item that will Not be Reclassified to Profit or Loss						
	Capital Stock (Note 21)	Additional Paid-in Capital	Treasury Shares (Note 21)	Cumulative Changes in Fair Value of Available-for-Sale Financial Assets (Note 15)	Cumulative Translation Adjustments	Remeasurement Gains (Losses) on Defined Benefit Liability (Note 27)	Subtotal	Retained Earnings (Notes 21 and 22)	Total	Non-controlling Interests (NCI) (Note 11)	Total
BALANCES AT DECEMBER 31, 2012	**₱4,764,058,982**	**₱834,439,607**	**(₱6,850,064)**	**₱2,852,500**	**(₱967,263)**	**(₱25,557,602)**	**(₱23,672,365)**	**₱14,654,957,228**	**₱20,222,933,388**	**₱2,929,404,157**	**₱23,152,337,545**
Total comprehensive income	–	–	–	210,000	556,540	23,248,589	24,015,129	2,011,272,641	2,035,287,770	291,827,291	2,327,115,061
Cash dividends (Note 22)	–	–	–	–	–	–	–	(523,811,237)	(523,811,237)	(164,850,000)	(688,661,237)
BALANCES AT DECEMBER 31, 2013	**₱4,764,058,982**	**₱834,439,607**	**(₱6,850,064)**	**₱3,062,500**	**(₱410,723)**	**(₱2,309,013)**	**₱342,764**	**₱16,142,418,632**	**₱21,734,409,921**	**₱3,056,381,448**	**₱24,790,791,369**
BALANCES AT DECEMBER 31, 2011	**₱4,764,058,982**	**₱834,439,607**	**(₱6,850,064)**	**₱2,075,500**	**(₱551,413)**	**₱–**	**₱1,524,087**	**₱13,398,957,437**	**₱18,992,130,049**	**₱2,798,249,199**	**₱21,790,379,248**
Total comprehensive income (loss)	–	–	–	777,000	(415,850)	(25,557,602)	(25,196,452)	1,646,477,037	1,621,280,585	248,904,958	1,870,185,543
Cash dividends (Note 22)	–	–	–	–	–	–	–	(390,477,246)	(390,477,246)	(117,750,000)	(508,227,246)
BALANCES AT DECEMBER 31, 2012	**₱4,764,058,982**	**₱834,439,607**	**(₱6,850,064)**	**₱2,852,500**	**(₱967,263)**	**(₱25,557,602)**	**(₱23,672,365)**	**₱14,654,957,228**	**₱20,222,933,388**	**₱2,929,404,157**	**₱23,152,337,545**

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 10 2015 SDS
RECEIVED
ELMER B. TAMAY

SHANG PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱4,114,695,797**	₱3,054,529,656	₱2,431,574,506
Adjustments for:			
Interest income (Note 23)	**(269,361,029)**	(279,426,867)	(284,513,613)
Interest expense (Note 23)	**225,860,264**	184,388,327	164,926,575
Losses (gains) on:			
Remeasurement arising from business combinations (Note 12)	**(824,431,141)**	–	–
Reversal of impairment loss on real estate development project (Note 14)	–	(181,954,697)	–
Disposal of investment in associate (Note 23)	–	(17,438,767)	–
Sale of property and equipment (Note 23)	–	(216,983)	(163,535)
Fair value adjustment of investment properties (Note 13)	–	–	(400,126,054)
Derecognition of long-outstanding liabilities (Note 23)	–	–	(8,836,466)
Depreciation and amortization (Note 16)	**20,414,157**	18,177,996	16,589,501
Dividend income (Note 23)	**(15,234,198)**	(18,823,456)	(54,695,511)
Share in net losses (profits) of associates (Note 10)	**9,692,903**	4,674,079	(29,490,674)
Adjustment of financial assets at fair value through profit or loss (Note 23)	**(2,663,820)**	1,926,992	(4,936,110)
Provision for bad debts (Note 25)	**982,363**	–	11,426,470
Unrealized foreign exchange losses (gains) - net	**(880,730)**	(3,525,257)	2,272,111
Operating income before working capital changes	**3,259,074,566**	2,762,311,023	1,844,027,200
Decrease (increase) in:			
Receivables	**(390,351,260)**	(1,949,033,659)	315,760,540
Properties held for sale	**(2,844,722,312)**	906,915,626	(839,667,226)
Real estate development project	–	(21,890,467)	–
Prepayments and other current assets	**(469,044,442)**	(40,082,817)	42,048,224
Increase (decrease) in:			
Accounts payable and other current liabilities	**1,803,634,063**	898,743,103	(359,704,790)
Deferred lease income	**(56,038,034)**	16,499,217	10,852,673
Accrued employee benefits	**15,762,280**	(230,786)	4,989,791
Cash generated from operations	**1,318,314,861**	2,573,231,240	1,018,306,412
Income taxes paid	**(745,899,225)**	(607,138,948)	(456,279,640)
Interest received	**32,141,486**	51,389,706	47,843,192
Net cash provided by operating activities	**604,557,122**	2,017,481,998	609,869,964

(Forward)

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	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment properties (Note 13)	**(₱367,641,538)**	(₱1,589,435,591)	(₱133,590,170)
Property and equipment (Note 16)	**(17,541,185)**	(14,766,250)	(27,787,692)
Investment in associate (Note 10)	**(15,000,000)**	(6,100,000)	(4,092,223)
Proceeds from sale of:			
Property and equipment	**–**	567,171	259,606
Investment in associate (Note 10)	**–**	92,000,000	–
Dividends received	**15,234,198**	18,823,456	54,695,511
Acquisition of a subsidiary, net of cash acquired (Note 12)	**(1,465,048,492)**	–	–
Decrease in real estate development projects	**284,877,078**	–	–
Decrease (increase) in refundable deposits	**(15,931,785)**	5,669,539	(13,380,985)
Net cash used in investing activities	**(1,581,051,724)**	(1,493,241,675)	(123,895,953)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan availment, net of debt issue costs (Note 19)	**3,754,336,434**	1,400,000,000	1,000,000,000
Payments of:			
Loan principal (Note 19)	**(647,619,048)**	(952,980,952)	(806,985,711)
Interest (Note 19)	**(168,584,440)**	(182,181,047)	(164,423,225)
Cash dividends paid to:			
Stockholders	**(559,408,273)**	(520,922,329)	(388,259,760)
Non-controlling shareholders of subsidiaries	**(376,800,000)**	(164,850,000)	(117,750,000)
Increase (decrease) in deposits from tenants	**(6,593,557)**	183,105,842	158,338,213
Net cash provided by (used in) financing activities	**1,995,331,116**	(237,828,486)	(319,080,483)
NET EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (Note 5)	**721,363**	4,081,797	(2,687,961)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,019,557,877**	290,493,634	164,205,567
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,891,446,943**	1,600,953,309	1,436,747,742
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱2,911,004,820**	₱1,891,446,943	₱1,600,953,309

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information and Authorization for Issue of the Consolidated Financial Statements

Corporate Information

Shang Properties, Inc. (the Parent Company), a corporation duly organized and existing in the Philippines, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 21, 1987 to acquire, own, develop, subdivide, sell, mortgage, exchange, lease or hold for investment, real estate of all kinds.

The Parent Company's registered office address, which is also its principal place of business, is Administration Office, Shangri-La Plaza Mall, EDSA corner Shaw Boulevard, Mandaluyong City.

The Parent Company's and Subsidiaries' (collectively referred to as the Group) businesses include property investment and development, real estate management, leasing, mall and carpark operations.

Shang Properties Realty Corporation (SPRC, a wholly owned subsidiary) is the developer of The Shang Grand Tower Project (TSGT), located in Makati City, The St. Francis Shangri-La Place Project (TSFSP) and the One Shangri-La Place Project (OSP), both located in Mandaluyong City.

Shang Property Developers, Inc. (SPDI, a wholly owned subsidiary) is the developer of Shang Salcedo Place Project (SSP), located in Makati City.

Acquisition of 20% Equity Interest in Shang Global City Properties, Inc. (SGCPI) and Fort Bonifacio Shangri-la Hotel, Inc. (FBSHI) from a Third Party

On April 30, 2014, the Parent Company, through its wholly owned subsidiaries, Shang Global City Holdings, Inc. (SGCHI) and Shang Fort Bonifacio Holdings, Inc. (SFBHI), acquired additional 20% interest in SGCPI and FBSHI, respectively, which were owned by a third party for a purchase price of ₱1,700,000,000. Prior to the acquisition, the Group owned 40% equity interest in SGCPI and FBSHI. On December 17, 2014, the SEC approved the merger of SGCPI and FBSHI, with SGCPI as the surviving entity (see Note 12).

Incorporation of The Rise Development Company, Inc. (TRDCI)

In 2013, the Board of KRC approved the redevelopment of its real estate project (see Note 14). As such, on April 22, 2014, The Rise Development Company, Inc. (TRDCI) was incorporated and registered with the SEC. On the same date, KRC transferred its contractual obligations in The Rise Project located in Makati City to TRDCI. As of December 31, 2014, the project is 1.88% completed.

Authorization for Issue of the Consolidated Financial Statements

The consolidated financial statements have been approved and authorized for issue in accordance with a resolution of the Board of Directors (the Board) on March 27, 2015.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements have been prepared under the historical cost basis, except for investment properties, financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) financial assets that have been measured at fair value. The consolidated financial statements of the Group are presented in Philippine Peso (Peso), which is the Parent Company's functional and presentation currency, with amounts rounded to the nearest Peso.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) as issued by the Financial Reporting Standards Council (FRSC).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and all of its subsidiaries as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014.

Subsidiaries are entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Specifically, the Group controls the subsidiary if and only if the Group has:

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

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

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements, and
- The Group's voting rights and potential voting rights.

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

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

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

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

The following are the subsidiaries for which the Parent Company acts as the principal decision maker:

	Effective Percentages of Ownership	
	2014	2013
Property Development:		
SPRC	**100.00%**	100.00%
SPDI	**100.00%**	100.00%
TRDCI (Note 14)	**100.00%**	–
SGCPI (Note 12)	**60.00%**	40%*
Leasing:		
SPSI	**100.00%**	100.00%
SLPC	**100.00%**	100.00%
KSA	**52.90%**	52.90%
Real Estate:		
IPPI	**100.00%**	100.00%
KRC	**100.00%**	100.00%
MBPI	**100.00%**	100.00%
NCRI	**100.00%**	100.00%
PSI	**100.00%**	100.00%
SFBHI	**100.00%**	100.00%
SGCHI	**100.00%**	100.00%
Property Management:		
KMSC	**100.00%**	100.00%
SPMSI	**100.00%**	100.00%
Others:		
Gipsey (BVI Company)	**100.00%**	100.00%
SHIL (BVI Company)	**100.00%**	100.00%
ELHI	**60.00%**	60.00%

**In 2013, the Group accounted for its interest in SGCPI as investment in associate.*

Except for Gipsey and SHIL, which were incorporated in the British Virgin Islands, all the other subsidiaries were incorporated in the Philippines.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following new, amended and improvements to PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) which the Group has adopted during the year. However, they do not impact the consolidated financial statements of the Group, unless otherwise stated below:

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

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
These amendments clarify the meaning of 'currently has a legally enforceable right to offset' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required.

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

- Philippine Interpretation IFRIC 21, *Levies*
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21.

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

- Annual Improvements to PFRSs (2011-2013 cycle) (PFRS 1, *First-time Adoption of PFRS*)
In the 2011 – 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards–First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.

Future Changes in Accounting Policies
New standards issued but not yet effective as at the date of issuance of the consolidated financial statements are listed below. This is a listing of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective.

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

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

- 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 interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity 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. The adoption of this interpretation will result to a change in the revenue and cost recognition from percentage of completion method to completed contract method. The Group is still monitoring the impact of this new interpretation to its consolidated financial statements.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA.

Effective January 1, 2015

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

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

  - PFRS 2, *Share-based Payment – Definition of Vesting Condition;*
  - PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination;*
  - PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets;*
  - PFRS 13, *Fair Value Measurement – Short-term Receivables and Payables;*
  - PAS 16, *Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation;*
  - PAS 24, *Related Party Disclosures – Key Management Personnel;* and
  - PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Amortization.*

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

  - PFRS 1, *First-time Adoption of PFRS – Meaning of 'Effective PFRSs';*
  - PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements;*
  - PFRS 13, *Fair Value Measurement – Portfolio Exception; and*
  - PAS 40, *Investment Property.*

Effective January 1, 2016

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

- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture – Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

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

  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal;*
  - PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts;*
  - PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements;*
  - PAS 19, *Employee Benefits – regional market issue regarding discount rate; and*
  - PAS 34, *Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'.*

Effective January 1, 2018

- PFRS 9, *Financial Instruments* – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded

from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

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

The following new standard issued by the IASB has not yet been adopted by the FRSC.

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

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

<u>Business Combinations and Goodwill</u>
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the Group elects whether to measure the NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for NCI, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification.

An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle,
- held primarily for the purpose of trading,
- expected to be realized within twelve months after the reporting period, or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- it is expected to be settled in normal operating cycle,
- it is held primarily for the purpose of trading,
- it is due to be settled within twelve months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement
The Group measures financial instruments, such as financial assets at FVPL and AFS financial assets and non-financial assets such as investment properties, at fair value at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at amortized cost are disclosed in Note 34.

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

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

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

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

For assets and liabilities that are recognized in the consolidated 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 asset or liability and the level of the fair value hierarchy as explained above.

Cash and Cash Equivalents
Cash includes cash on hand and in banks that earn interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of change in value.

Financial Instruments

Initial Recognition and Measurement
Financial instruments are recognized initially at fair value, adjusted for directly attributable transaction costs in the case of financial instruments not at FVPL. The Group recognizes a financial instrument in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Classification
Financial assets are classified as financial assets at FVPL, loans and receivables, held to maturity (HTM) financial assets, and AFS financial assets as appropriate. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The Group determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates the designation at each reporting date. As of December 31, 2014 and 2013, the group has no HTM financial assets and financial liabilities at FVPL.

Financial Assets or Liabilities at FVPL
Financial instruments at FVPL include financial assets or liabilities held for trading and those designated upon initial recognition as financial assets or liabilities at FVPL.

Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Dividends, interests and gains or losses on held for trading financial instruments are recognized in the profit or loss.

Financial instruments may be designated at initial recognition as financial assets or liabilities at FVPL when any of the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing the gains or losses on them on a different basis; (ii) the assets or liabilities are part of a group of financial instruments which are managed and their performances are evaluated on fair value basis, in accordance with a documented risk management strategy; or (iii) the financial instrument contains an embedded derivative that would need to be separately recorded.

As of December 31, 2014 and 2013, the Group has investments in shares of stock of various publicly listed companies which are classified as held for trading financial assets.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Amortized cost is calculated taking into account any discount or premium on acquisition, and includes fees that are an integral part of the EIR. The EIR amortization is included in interest income in the profit or loss. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized, impaired or amortized.

As of December 31, 2014 and 2013, the Group's loans and receivables consist of cash in banks, cash equivalents, cash in escrow, receivables (except for advances to contractors and suppliers) and refundable deposits.

AFS Financial Assets
AFS financial assets include equity investments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated as at FVPL. Financial assets may be designated at initial recognition as AFS financial assets if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

AFS financial assets are carried at fair value in the consolidated statement of financial position. Changes in fair value of such assets are accounted for in OCI in the cumulative changes in fair value of AFS financial assets until the financial assets are derecognized or until they are determined to be impaired. When an AFS financial asset is derecognized or determined to be impaired, the cumulative gains or losses previously recorded in OCI are recognized in profit or loss.

Investments in equity investments that do not have quoted market prices in an active market and whose fair values cannot be reliably measured are carried at their cost, less any impairment in value.

As of December 31, 2014 and 2013, the Group's investment in proprietary club shares and listed and unlisted shares of stock are classified as AFS financial assets.

Other Financial Liabilities
This category pertains to financial liabilities that are not held for trading nor designated as financial liabilities at FVPL upon inception of the liability.

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, other financial liabilities are carried at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in profit or loss when the liabilities are derecognized or amortized.

As of December 31, 2014 and 2013, the Group's other financial liabilities include accounts payable and other current liabilities (except for customers' deposits, reservation payables, output VAT, deferred output VAT and withholding taxes), bank loans, deposits from tenants and accrued employee benefits (excluding defined benefit liability).

Financial Guarantee
Financial guarantees are not recognized in the consolidated financial statements until an obligation to pay the liability of another party to the arrangement is established. Such liability is classified as other financial liability. It is only disclosed as part of liquidity risk of the Group.

Determination of Fair Value
The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments and all other financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using arm's-length market transactions; reference to the current market value of another instrument, which is substantially the same; and discounted cash flow (DCF) analysis and other valuation models. If the fair value cannot be measured reliably, the financial instruments are measured at cost, being the fair value of the consideration paid, in case of an asset, and received, in case of a liability. All transaction costs directly attributable to the acquisition are also included in the cost of investment.

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

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

Impairment of Financial Assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

a. *Financial Assets Carried at Amortized Cost*
For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them 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.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the profit or loss. Interest income (recorded as finance income in the profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

b. *AFS Financial Assets*
For AFS 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 AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When 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 profit or loss, is removed from OCI and recognized in the profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

c. *Financial Assets Carried at Cost*
If there is objective evidence that an impairment loss has been incurred on 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 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.

Derecognition

a. *Financial Assets*
   A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Group's consolidated statement of financial position) when:

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

   When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

b. *Financial Liabilities*
   A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of an original liability and a recognition of a new liability. The difference in the respective carrying amounts is recognized in the profit or loss.

<u>Properties Held for Sale</u>
Properties held for sale are properties being constructed or acquired for sale in the ordinary course of business, rather than for rental or capital appreciation, and are carried at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and estimated costs to sell.

Condominium Units Held for Sale
Cost of condominium units held for sale represent accumulated costs of the unsold units of the completed Projects. Cost includes those directly attributable to the construction of the Projects such as cost of land, direct materials, borrowing costs, professional and consultancy fees, and project management costs, which are allocated to the unsold units.

Construction in Progress
Cost of construction in progress represents the accumulated costs for the construction and development of the ongoing Projects. It includes those that are directly attributable to the construction of the Projects such as cost of land, direct materials, borrowing costs, professional and consultancy fees, and project management costs.

Prepayments and Other Current Assets

Prepaid Commission and Expenses
Prepaid commission and expenses include expenditures already paid but not yet incurred and from which future economic benefits are expected to flow to the Group within the normal operating cycle. These are measured at cost less allowance for impairment losses, if any.

Creditable Withholding Tax (CWT)
CWT represents taxes withheld for goods and services provided. CWTs can be claimed as credit against income tax due.

Investments in Associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries, and are generally accompanying a shareholding between 20% to 50% of the voting rights.

An investment in associate is accounted for using the equity method from the date when it becomes an associate. On acquisition of the investment, any difference between the cost of the investment and the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as follows:

a. Goodwill relating to an associate is included in the carrying amount of the investment. However, amortization of that goodwill is not permitted and is therefore not included in the determination of the Group's share in the associate's profits or losses.

b. Any excess of the Group's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Company's share in the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share in net profit or loss of an associate is reported in the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as 'Share in net profit (loss) of an associate' in the profit or loss.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate and accounts for the investment in accordance with PAS 39 from that date, provided the associate does not become a subsidiary or a joint arrangement as defined in PFRS 11. Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the profit or loss.

Investment Properties

Investment properties consist of land and buildings that are held for long-term rental yields or for capital appreciation or both, and that are not owner-occupied by the companies in the Group.

Investment properties are measured initially at their costs, including related transaction costs. The cost of a purchased investment property comprises of its purchase price and any directly attributable costs. Transaction costs include transfer taxes, professional fees and other costs necessary to bring the investment properties to the condition necessary for them to be capable of being used.

After initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recorded in profit or loss in the year in which they arise. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

The Group obtains an updated appraisal report when management believes there are significant changes in the fair values of the investment properties. The fair values of investment properties are determined by independent valuers. The fair value of each of the Group's investment property is determined whenever there are significant changes in the assumptions used in determining the fair value. An investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

A subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be reliably measured. Repair and maintenance costs are recognized in profit or loss in the period in which they are incurred.

Investment properties are derecognized when they are disposed of or permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the profit or loss. Gain or loss on disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset at the date of disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sell.

When the Group completes the construction or development of a self-constructed investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in profit or loss. If a land or building and building improvement classified as "Property and equipment" becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use. For transfer from investment property carried at fair value to property and equipment or construction in progress, the investment property's deemed cost shall be its fair value at the date of change in use.

Real Estate Development Projects

The real estate development projects are undertaken by the subsidiaries and are carried at cost less any impairment in value. Cost primarily consists of acquisition cost of the property being constructed, air rights, expenditures for the development and construction of the real estate project and borrowing costs incurred, if any, in the acquisition of qualifying assets during the construction period and up to the date of completion of construction.

Upon completion, the accumulated costs are reclassified to investment property or properties held for sale depending on the future use of the property at the then carrying amount.

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation and amortization, and accumulated impairment losses, if any.

The initial costs of property and equipment consist of their purchase prices and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the property and equipment have been put into operation, such as repair and maintenance costs, are recognized in profit or loss in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation and amortization commence once the assets are available for use and are provided on all property and equipment at rates calculated to write off the costs, less estimated residual values based on prices prevailing at the reporting date, of each asset evenly over its expected useful life as follows:

Category	Useful Lives in Years
Building improvements	25
Transportation equipment	2 to 5
Furniture, fixtures and other equipment	2 to 4

Depreciation or amortization ceases at the earlier of the date when the asset is classified as either investment property or property held for sale and the date the asset is derecognized.

The assets' estimated useful lives (EUL), and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment. The assets' estimated residual values are reviewed periodically and adjusted if appropriate.

Fully depreciated and amortized property and equipment are retained in the accounts until they are no longer in use, and no further depreciation and amortization are charged to profit or loss.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognized.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that the nonfinancial assets consisting of investments in associates, real estate development projects, property and equipment and goodwill may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired assets.

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

The following criteria are also applied in assessing impairment of specific assets:

Investments in Associates
After application of the equity method, the Group determines whether it is necessary to recognize impairment loss on the Group's investments in associates. The Group determines at each reporting date whether there is objective evidence that an investment is impaired. If that is the case, the Group calculates the amount of impairment as the difference between the fair value of the investee company and the carrying value of the investment. The difference is recognized in profit or loss.

Goodwill
Impairment testing for goodwill is performed annually and when circumstances indicate that its carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Where the recoverable amount of the CGU or group of CGUs to which goodwill has been allocated is less than its carrying amount, an impairment loss is recognized in the profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. Other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Customers' Deposits
Customers' deposits mainly represent reservation fees and advance payments. These deposits will be recognized as revenue in the consolidated statement of income as the related obligations to the real estate buyers are fulfilled.

Deposits from Tenants
Deposits from tenants are carried at the present value of future cash flows using appropriate discount rates.

The difference between the present value and the actual deposit received is treated as additional rental incentive which is recorded under "Deferred lease income" in the statement of financial position and are recognized as rental income using the straight-line method over the term of the lease.

Refundable Deposits
Refundable deposits represent cash received from customers for rent and utilities which are expected to be returned after a specified period of time, or when certain conditions are satisfied.

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

Equity

Capital Stock and APIC
Capital stock is measured at par value for all shares issued. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the "APIC" account. When shares are issued for a consideration other than cash, the proceeds are measured at the fair value of consideration received. In case the shares are issued to extinguish or settle a liability of the Parent Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Treasury Shares
Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is also recognized in the APIC. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value, upon retirement, is charged to APIC when the shares are issued.

Other Components of Equity
These are recorded for items that are directly recognized in equity, which include cumulative changes in fair value of AFS financial assets, cumulative translation adjustments and remeasurement gains (losses) on defined benefit liability. They are measured either at gross amount or net of tax effect depending on the tax laws and regulations that apply.

Other components of equity are derecognized when the related asset or liability where they arise are derecognized.

Retained Earnings
Retained earnings include cumulative profits attributable to the Parent Company's stockholders, and reduced by dividends. Retained earnings also include effect of changes in accounting policies as may be required by the standards' transitional provisions.

Dividend Distribution
The Company recognizes a liability to make cash distributions to equity holders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Group. As per the corporate laws in the Philippines, a distribution is authorized when it is declared by the Board. A corresponding amount is recognized directly in equity.

Revenue and Expense Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue and expense can be reliably measured, regardless of when the collection or payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duties.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or as an agent. The Group has concluded that it is acting as the principal in all of its major revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to properties held for sale and credit risks.

The following specific recognition criteria must also be met before revenue and expenses are recognized:

Condominium Sales
The Group assesses whether it is probable that the economic benefits will flow to the Group when the contract price is collectible. Collectability of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor its obligation. Collectability is also assessed by considering factors such as collections and credit standing of the buyer.

Revenue from condominium sales is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage of completion (POC) method is used to recognize income from condominium sales where the Group has material obligations under the sales contract to complete the real estate project after the unit is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized revenue are included in the "Customers' deposits" account in the consolidated statement of financial position. If the revenue recognition criteria under the full accrual or POC method are not met, the deposit method is applied until all the conditions for recognizing a sale are met. Until revenue from condominium sales is recognized, cash received from customers are recognized also as part of "Customers' deposits."

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works.

The cost of condominium sales recognized in profit or loss on their disposal is determined with reference to the specific cost incurred on the property, allocated to saleable area based on relative size and takes into account the POC used for revenue recognition purposes.

Estimated loss on unsold units is recognized in profit or loss immediately when it is probable that total project costs will exceed total contract revenue.

Rental
Rental revenues from the leasing of properties held under operating lease are recognized on a straight-line basis over the periods of the respective leases or on a certain percentage of gross revenue of the lessees, whichever is appropriate.

Interest Income
Interest income is recognized as it accrues, taking into account the effective yield on the asset. Interest income from accretion of installment contracts receivable is recognized using the EIR method.

Dividend Income
Revenue is recognized when the Group's right to receive the payment is established, which is generally when the Board of the investee company approved the dividend.

Other Service Income
Administration and management services, customer lounge fees, banner income, income from cinema operations and other service income are recognized when the related services have been rendered. Revenues from auxiliary services such as handling, sale of scrap materials, import break bulk and brokerage are recognized when services are provided or when goods are delivered. Money received or amounts billed in advance for rendering of services or delivery of goods are recorded as unearned income until the earning process is complete.

Commission Expense
Commissions paid to sales and marketing agents on the sale of pre-completed units are deferred when recoveries are reasonably expected and are charged to expense in the period in which the related revenues are recognized as earned. Accordingly, when the POC method is used, commissions are likewise charged to expense in the period the related revenues are recognized.

General and Administrative Expenses
General and administrative expenses are recognized as incurred.

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

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

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

Group as the Lessor
Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the rental receivables or customers' deposits and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Employee Benefits

Retirement Benefits
The net defined benefit liability or asset is the aggregate of the present value of defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

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

Defined benefit costs comprise the following:

- service cost,
- net interest on the net defined benefit liability or asset, and
- remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated 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, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI 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 by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a pre-tax 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 plan assets is higher than the present value of 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 expenditures 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 an expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the benefit and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefit are measured in accordance with the nature of the employee benefit, as either post-employment benefit, short-term employee benefit, or other long-term employee benefit. Benefits falling due more than twelve months from the reporting date are discounted to their present values.

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. The liability for leave expected to be settled more than twelve months after the end of the annual reporting period are discounted to its present value.

Foreign Currencies
The Group's consolidated financial statements are presented in Peso, which is also the Parent Company's functional currency. For each entity, the Group determines their functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gains or losses that arise from using this method.

Transactions and Balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Group Companies
On consolidation, the assets and liabilities of Gipsey and SHIL, foreign subsidiaries with functional and presentation currency of Hong Kong Dollar (HK$), are translated into Peso at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign subsidiary, the component of OCI relating to that particular foreign subsidiary is recognized in profit or loss.

Income Tax

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

In the sale of condominium units resulting to recognition of installment contracts receivable, full recognition for income tax purposes is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

Deferred Tax
Deferred tax is provided on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates and interest in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates and interest in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognized outside the consolidated statement of income is recognized outside the consolidated statement of income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority. Subsidiaries operating in the Philippines file income tax return on an individual basis. Thus, the deferred tax assets and deferred tax liabilities are offset on an per entity basis.

VAT
Revenue, expenses, assets and liabilities are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "Prepayments and other current assets" or "Accounts payable and other current liabilities" accounts, respectively, in the consolidated statements of financial position.

Earnings Per Share
Earnings per share is computed by dividing the net income attributable to equity holders of the Parent Company for the year by the weighted average number of shares outstanding during the year adjusted to give retroactive effect to any stock dividends declared during the year.

Basic earnings per share is calculated by dividing the net income attributable to equity holders of the Parent Company for the year by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is computed by dividing the adjusted net income attributable to equity holders of the Parent Company for the year by the weighted average number of shares taking into account the effects of all potential dilutive common shares.

Segment Reporting
For management purposes, the Group is organized and managed separately according to the nature of the business. These operating businesses are the basis upon which the Group reports its segment information presented in Note 4 to the consolidated financial statements.

An operating segment is a component of an entity:

a. that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
b. with operating results regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and
c. for which discrete financial information is available.

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

Events after the Reporting Date
Any post year-end event that provides additional information about the Group's financial position at the reporting date (adjusting event) is reflected in the consolidated financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements based on evaluation of relevant facts and circumstances at the reporting date. Future events may occur which can cause the assumptions used in arriving at those judgments and estimates to change. The effects of any changes will be reflected in the consolidated financial statements as they become reasonably determinable.

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 amounts recognized in the consolidated financial statements:

Property Acquisition and Business Combination

The Group acquires real estate properties. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets and liabilities. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the real estate property. The consideration is made to the extent that the significant business processes are acquired and the additional services to be provided by the subsidiary.

When the acquisition of subsidiary does not constitute a business, it is accounted for as an acquisition of a group of assets and liabilities. The purchase price of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values at the date of acquisition, no goodwill or deferred tax is recognized.

In 2014, the Group accounted for the acquisition of the 20% equity interest of Alphaland Development, Inc. (Alphaland) in SGCPI and FBSHI as a business combination achieved in stages (see Note 12).

Assessing Significant Influence over Associates

Significant influence is presumed when there is a holding of 20% or more of the voting power of the investee (held directly or indirectly, through subsidiaries). Management assessed that the Group has significant influence over all its associates by virtue of the Group's holding more than 20% voting power in the investee, representation on the board of directors, and participation in policy-making processes of the associates.

Distinction between Properties Held For Sale, Investment Properties and Property and Equipment

The Group determines whether a property is to be classified as a property held for sale or an investment property through the following:

- Properties held for sale comprise properties that are held for sale in the ordinary course of business. These are condominium units that the Group developed or is developing and intends to sell.

- Investment properties comprise land and buildings which are not occupied, substantially for use by, or in the operations of, nor for sale in the ordinary course of business of the Group, but are held primarily to earn rental income or capital appreciation.

The Group determines whether a property qualifies as an investment property or an item of property and equipment. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Property and equipment generate cash flows that are attributable not only to them but also to the other assets used in the operations of the Group.

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

The carrying values of properties held for sale, investment properties, and property and equipment as of December 31, 2014 and 2013 amounted to ₱5,773,117,694, ₱27,110,867,488, ₱67,009,417 and ₱2,443,509,795, ₱26,743,225,950, ₱67,095,620, respectively (see Notes 8, 13 and 16).

Valuation of Investment Properties
The Group's financial controller and the managers of each property determine the policies and procedures for the fair value measurement of the investment properties. External valuers are involved in the valuation of investment properties as decided annually by the Group. The selection criteria for the external valuers include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the Group analyzes the movements in the values of investment properties which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs by agreeing the information in the valuation computation to contracts and other relevant documents.

Based on the analysis performed by management, the Group has concluded that the fair value adjustment in 2014 and 2013 is insignificant (see Note 13).

Classification of Leases as Operating Lease
The Group has entered into commercial property leases on its investment property portfolio where it has determined that it retains the significant risks and rewards related to the ownership of the said investment properties.

The carrying values of investment properties as of December 31, 2014 and 2013 amounted to ₱27,110,867,488 and ₱26,743,225,950, respectively (see Note 13).

Impairment of AFS Equity Financial Assets
The Group treats AFS equity financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or whether other objective evidence of impairment exists. The determination of what is "significant" and "prolonged" requires judgment. The Group generally treats a decline of 20% or more of the original cost as "significant" and a period greater than six months as "prolonged". In addition, the Group evaluates other factors including normal volatility in share prices for quoted securities, future cash flows and discount factors for unquoted securities.

The carrying values of AFS equity financial assets amounted to ₱502,822,842 and ₱502,322,842 as of December 31, 2014 and 2013, respectively (see Note 15). Based on management's assessment, there has been no significant or prolonged decline in the fair value of AFS equity financial assets, thus, no impairment loss was recognized in 2014, 2013 and 2012.

Determination of the Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Parent Company, management determined its functional currency to be the Peso. It is the currency that mainly influences the revenues, and costs and expenses of the Group.

Classification of Financial Instruments
The Group classifies a financial instrument, or its component, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of financial asset, financial liability and equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

Financial assets are classified as financial assets at FVPL, loans and receivables, HTM financial assets, and AFS financial assets. Financial liabilities, on the other hand, are classified as financial liabilities at FVPL and other financial liabilities. The Group determines the classification at initial recognition and re-evaluates the classification at every reporting date.

Revenue Recognition
Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development. The buyer's commitment is evaluated based on collections, credit standing and location of the property. Completion of development is determined based on engineer's judgments and estimates on the physical portion of contract work done and the completion of development beyond the preliminary stage.

Condominium sales recognized amounted to ₱3,764,277,893, ₱3,935,170,304 and ₱2,698,045,454 in 2014, 2013 and 2012, respectively.

Contingencies
The Group is currently involved in various legal proceedings. The estimates of the probable costs for the resolution of these claims have been developed in consultation with the outside legal counsel handling the defense in these matters and are based upon analyses of potential reports. Based on management's assessment, these proceedings will not have a material effect on the Group's financial position and performance (see Note 32).

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities are as follows:

Purchase Price Allocation in Business Combination.
The acquisition method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at acquisition date. It also requires the acquirer to recognize goodwill. The Group's acquisition during the year has resulted in goodwill.

On April 30, 2014, the Group acquired the 20% equity interest of Alphaland in SGCPI and FBSHI. The Group recognized goodwill from the business combination amounting to ₱269,870,864 (see Notes 12 and 17).

Valuation of Financial Instruments
Financial instruments carried at fair values require the use of accounting estimates. While significant components of fair value measurement are determined using verifiable objective evidence, it would differ if the Group utilizes a different valuation methodology. Any changes in the fair values of financial instruments will affect profit or loss and equity.

The fair values of financial instruments on initial recognition are normally the transaction prices. These prices are indicative of actual and regularly occurring market transactions on an arm's length basis.

The fair values of the Group's financial assets at FVPL and AFS financial assets traded in active markets are based on quoted market prices at the reporting date. The quoted market prices used for financial assets held for trading are the current bid prices. The Group's installment contracts receivable's and deposits from tenants' fair values are based on the present values of estimated future cash flows discounted using prevailing pre-tax discount rates at the reporting date. The fair values of the other financial instruments are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group at the reporting date for similar financial instruments. The fair value measurement hierarchy of the Group's financial instruments is disclosed in Note 34.

Estimation of Allowance for Impairment of Receivables
The Group maintains an allowance for impairment of receivables at a level considered adequate to provide for potentially uncollectible receivables. The level of this allowance is evaluated by management on the basis of the factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis.

Bad debts recognized in 2014, 2013 and 2012 amounted to ₱982,362, nil and ₱11,426,470, respectively (see Note 25). Allowance for impairment of receivables amounted to ₱8,056,439 and ₱7,074,077 as of December 31, 2014 and 2013, respectively. The carrying values of the Group's receivables amounted to ₱4,162,249,384 and ₱3,534,271,525 as of December 31, 2014 and 2013, respectively (see Note 7).

Estimation of POC of the Projects
The Group's revenue and cost recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from condominium sales, recognized based on the POC, are measured principally on the basis of the actual costs incurred to date over the total estimated project costs and by reference to the estimated completion of a physical proportion of the contract work. The total project costs are estimated by the Group's technical staff and are independently reviewed by the Group's third party consultants. At each reporting date, these estimates are reviewed and revised to reflect the current conditions, when necessary.

OSP is 88.00% and 72.12% complete as of December 31, 2014 and 2013, respectively. SSP is 28.00% and 12.81% complete as of December 31, 2014 and 2013, respectively. The Rise is 1.88% complete as of December 31, 2014.

Estimation of NRV
Properties held for sale are carried at the lower of cost and NRV. NRV for completed condominium units is the estimated selling price of condominium unit less estimated costs necessary to make the sale. NRV in respect of condominium units under construction is the estimated selling price of a condominium unit less estimated costs to complete the construction, less estimated time value of money to the date of completion and less estimated costs necessary to make the sale.

As of December 31, 2014 and 2013, properties held for sale amounted to ₱5,773,117,694 and ₱2,443,509,795, respectively (see Note 8).

Determination of Fair Values of Investment Properties
The fair values of investment properties are determined by independent real estate valuation experts using recognized valuation techniques. 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. In some cases, fair values are determined based on recent real estate transactions with similar characteristics and in the location to those of the Group's assets. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from variety of sources including:

a. current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
b. recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
c. DCF projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using pre-tax discount rates that reflect current market assessments of the uncertainty in the amounts and timing of the cash flows.

The significant methods and assumptions used by the valuers in estimating fair values of investment properties are set out in Note 13. The fair values, which are also the carrying values of investment properties, amounted to ₱27,110,867,488 and ₱26,743,225,950 as of December 31, 2014 and 2013 (see Note 13).

EUL of Property and Equipment
The Group estimates the EUL of property and equipment based on the internal technical evaluation and experience with similar assets. EUL of property and equipment are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of property and equipment. There were no changes in EUL of the Group's property and equipment. As of December 31, 2014 and 2013, the carrying values of property and equipment amounted to ₱67,009,417 and ₱67,095,620, respectively (see Note 16).

Impairment of Nonfinancial Assets, Including Goodwill
The Group assesses whether there are any indicators of impairment for all nonfinancial assets at every reporting date. Nonfinancial assets with indefinite life such as goodwill are tested for impairment annually and at other times when impairment indicators exist. Other nonfinancial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

If any such indication exists or in case of nonfinancial assets with indefinite life, the recoverable amount of the asset is estimated. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Recoverable amount is estimated for an individual asset or, if it is not possible, for the CGU to which the asset belongs.

In 2013, the Group made a reassessment of the recoverable amount of the real estate development project of KRC due to the approval by its Board of its redevelopment. Accordingly, gain on the reversal of impairment loss on this project recognized in profit or loss in 2013 amounted to ₱181,954,697 (see Note 14).

As of December 31, 2014 and 2013, based on management's assessment, there are no indications of impairment for the rest of the Group's nonfinancial assets composed of properties held for sale, prepayments and other current assets, investment in associates, investment properties, real estate development projects, property and equipment and goodwill.

Estimation of Retirement Benefit Costs
The cost of defined benefit plan as well as the present value of defined benefit obligation is determined using actuarial valuations. Actuarial valuations involve making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuations, the underlying assumptions and the long-term nature, defined benefit obligation is highly sensitive to changes in the assumptions. All assumptions are reviewed at each reporting date. The net defined benefit liability as of December 31, 2014 and 2013 are ₱55,626,328 and ₱29,602,931, respectively (see Note 27).

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

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

Further details about the assumptions used are provided in Note 27.

Realizability of Deferred Income Tax Assets
The Group reviews the carrying amounts of deferred income tax assets at each reporting date and reduces them to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Group expects to generate sufficient future taxable profits to allow its recognized deferred income tax assets to be utilized. Deferred income tax assets recognized as of December 31, 2014 and 2013 amounted to ₱500,792,965 and ₱432,625,901, respectively (see Note 29). The unrecognized deferred income tax assets of the Group are disclosed in Note 29.

4. Segment Information

The Group's operating businesses are organized and managed according to the nature of the products and services marketed, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group has operations only in the Philippines.

The Group derives revenues from two main segments as follows:

Property Development
This business segment pertains to the sale of condominium units.

Leasing
This business segment pertains to the leasing operations of the Shangri-La Plaza Mall, TEC and their related carpark operations. It also includes leasing of a portion of the Parent Company's land to ESHRI.

Other business segments pertain to property management services and the results of operations of real estate entities and BVI companies.

Except for the rental revenue from ESHRI, revenues come from transactions with third parties. There is no transaction with a single external customer that amounts to 10% or more of the Group's aggregate revenues.

The segment assets, liabilities and results of operations of the reportable segments of the Group as of and for the year ended December 31, 2014 are as follows:

	Property Development	Leasing	Others	Total Segments	Eliminations	Consolidated
Revenues:						
Condominium sales	₱3,764,277,893	₱–	₱–	₱3,764,277,893	₱–	₱3,764,277,893
Rental	–	2,859,846,490	–	2,859,846,490	(234,952,844)	2,624,893,646
Cinema	–	60,367,560	–	60,367,560	–	60,367,560
Cost of condominium sales	(2,442,444,122)	–	–	(2,442,444,122)	–	(2,442,444,122)
Gross profit or revenues	1,321,833,771	2,920,214,050	–	4,242,047,821	(234,952,844)	4,007,094,977
Other income	54,802,220	22,905,278	870,245,781	947,953,279	(55,546,454)	892,406,825
Staff costs	(186,632,688)	(208,960,295)	47,259,488	(348,333,495)	52,794,352	(295,539,143)
General and administrative expenses	(75,981,444)	(112,546,749)	(4,081,096)	(192,609,289)	(715,398)	(193,324,687)
Taxes and licenses	(62,360,811)	(153,852,189)	10,766,158	(205,446,842)	–	(205,446,842)
Unreimbursed share in common expenses	–	(85,943,421)	–	(85,943,421)	–	(85,943,421)
Depreciation and amortization	(3,096,050)	(17,149,771)	(168,336)	(20,414,157)	–	(20,414,157)
Insurance	(245,975)	(17,278,530)	(95,762)	(17,620,267)	–	(17,620,267)
Segment results	1,048,319,023	2,347,388,373	923,926,233	4,319,633,629	(238,420,344)	4,081,213,285
Interest income	248,906,607	20,273,985	180,437	269,361,029	–	269,361,029
Foreign exchange gains - net	384,872	493,969	1,889	880,730	–	880,730
Share in net losses of associates	–	–	(9,692,903)	(9,692,903)	–	(9,692,903)
Interest expense and bank charges	(1,077,448)	(225,974,531)	(14,365)	(227,066,344)	–	(227,066,344)
Provision for income tax	(425,532,864)	(367,676,454)	(202,292,421)	(995,501,739)	–	(995,501,739)
Net income for the year	₱871,000,190	₱1,774,505,342	₱712,108,870	₱3,357,614,402	(₱238,420,344)	₱3,119,194,058
Segment assets	₱33,821,813,379	₱23,502,537,637	₱6,366,625,171	₱63,690,976,187	(₱9,419,643,526)	₱54,271,332,661
Associate companies	–	–	410,790,229	410,790,229	–	410,790,229
Total assets	₱33,821,813,379	₱23,502,537,637	₱6,777,415,400	₱64,101,766,416	(₱9,419,643,526)	₱54,682,122,890
Segment liabilities	₱19,605,625,096	₱12,198,862,918	₱5,138,635,900	₱36,943,123,914	(₱10,045,334,248)	₱26,897,789,666
Capital expenditures for the year	₱3,429,204	₱183,315,521	₱337,114	₱187,081,839	₱21,398,562	₱165,683,277

The segment assets, liabilities and results of operations of the reportable segments of the Group as of and for the year ended December 31, 2013 are as follows:

	Property Development	Leasing	Others	Total Segments	Eliminations	Consolidated
Revenues:						
Condominium sales	₱3,935,170,304	₱–	₱–	₱3,935,170,304	₱–	₱3,935,170,304
Rental	–	2,545,947,448	–	2,545,947,448	(206,957,297)	2,338,990,151
Cinema	–	56,448,809	–	56,448,809	–	56,448,809
Cost of condominium sales	(2,991,014,104)	–	–	(2,991,014,104)	–	(2,991,014,104)
Gross profit or revenues	944,156,200	2,602,396,257	–	3,546,552,457	(206,957,297)	3,339,595,160
Loss on sale of investment property	–	(317,379,436)	–	(317,379,436)	317,379,436	–
Other income	17,082,931	660,350,121	226,158,282	903,591,334	(791,199,103)	112,392,231
Staff costs	(60,238,037)	(175,664,382)	(7,982,792)	(243,885,211)	2,549,103	(241,336,108)
General and administrative expenses	(46,703,519)	(310,203,499)	(6,983,607)	(363,890,625)	206,957,297	(156,933,328)
Taxes and licenses	(17,850,490)	(126,481,041)	(731,883)	(145,063,414)	–	(145,063,414)
Unreimbursed share in common expenses	–	(96,092,860)	–	(96,092,860)	–	(96,092,860)
Depreciation and amortization	(1,493,164)	(16,583,461)	(101,371)	(18,177,996)	–	(18,177,996)
Insurance	(150,055)	(15,514,061)	(17,332)	(15,681,448)	–	(15,681,448)
Segment results	834,803,866	2,204,827,638	210,341,297	3,249,972,801	(471,270,564)	2,778,702,237
Interest income	244,513,058	34,661,209	252,600	279,426,867	–	279,426,867
Gain on reversal of impairment loss on real estate development project	–	–	181,954,697	181,954,697	–	181,954,697
Foreign exchange gains - net	2,418,763	1,650,275	12,759	4,081,797	–	4,081,797
Share in net losses of associates	–	–	(4,674,079)	(4,674,079)	–	(4,674,079)
Interest expense and bank charges	(539,675)	(184,386,995)	(35,193)	(184,961,863)	–	(184,961,863)
Provision for income tax	(448,239,506)	(252,262,230)	(50,927,988)	(751,429,724)	–	(751,429,724)
Net income for the year	₱632,956,506	₱1,804,489,897	₱336,924,093	₱2,774,370,496	(₱471,270,564)	₱2,303,099,932
Segment assets	₱9,711,851,940	₱27,514,160,619	₱4,099,459,524	₱41,325,472,083	(₱4,721,463,228)	₱36,604,008,855
Associate companies	–	1,959,387,171	481,923,118	2,441,310,289	–	2,441,310,289
Total assets	₱9,711,851,940	₱29,473,547,790	₱4,581,382,642	₱43,766,782,372	(₱4,721,463,228)	₱39,045,319,144
Segment liabilities	₱6,496,411,518	₱9,144,810,490	₱3,334,768,995	₱18,975,991,003	(₱4,721,463,228)	₱14,254,527,775
Capital expenditures for the year	₱253,223,655	₱513,510,669	₱258,705	₱766,993,029	₱–	₱766,993,029

The segment assets, liabilities and results of operations of the reportable segments of the Group as of and for the year ended December 31, 2012 are as follows:

	Property Development	Leasing	Others	Total Segments	Eliminations	Consolidated
Revenues:						
Condominium sales	₱2,698,045,454	₱–	₱–	₱2,698,045,454	₱–	₱2,698,045,454
Rental	–	2,012,253,556	–	2,012,253,556	(163,484,043)	1,848,769,513
Cinema	–	53,090,582	–	53,090,582	–	53,090,582
Cost of condominium sales	(2,224,877,909)	–	–	(2,224,877,909)	–	(2,224,877,909)
Gross profit or revenues	473,167,545	2,065,344,138	–	2,538,511,683	(163,484,043)	2,375,027,640
Gain on fair value adjustment of investment properties	–	386,646,054	13,480,000	400,126,054	–	400,126,054
Other income	22,887,316	868,495,330	74,240,464	965,623,110	(841,067,366)	124,555,744
Staff costs	(63,656,499)	(150,864,616)	(8,854,790)	(223,375,905)	2,317,366	(221,058,539)
General and administrative expenses	(76,143,754)	(286,558,459)	(2,716,008)	(365,418,221)	163,484,043	(201,934,178)
Taxes and licenses	(24,864,649)	(119,346,780)	(361,748)	(144,573,177)	–	(144,573,177)
Unreimbursed share in common expenses	–	(11,051,866)	–	(11,051,866)	–	(11,051,866)
Depreciation and amortization	(918,816)	(15,609,567)	(61,118)	(16,589,501)	–	(16,589,501)
Insurance	(128,640)	(11,648,150)	(3,747)	(11,780,537)	–	(11,780,537)
Segment results	330,342,503	2,725,406,084	75,723,053	3,131,471,640	(838,750,000)	2,292,721,640
Interest income	244,767,711	39,027,195	718,707	284,513,613	–	284,513,613
Foreign exchange losses - net	(2,133,165)	(714,910)	(23,868)	(2,871,943)	–	(2,871,943)
Share in net profits of associates	–	–	29,490,674	29,490,674	–	29,490,674
Interest expense and bank charges	(742,409)	(171,534,589)	(2,480)	(172,279,478)	–	(172,279,478)
Provision for income tax	(141,886,938)	(388,212,809)	(6,092,764)	(536,192,511)	–	(536,192,511)
Net income for the year	₱430,347,702	₱2,203,970,971	₱99,813,322	₱2,734,131,995	(₱838,750,000)	₱1,895,381,995
Segment assets	₱6,074,183,653	₱27,274,503,219	₱3,930,273,750	₱37,278,960,622	(₱3,813,935,456)	₱33,465,025,166
Associate companies	–	2,033,948,404	480,497,198	2,514,445,602	–	2,514,445,602
Total assets	₱6,074,183,653	₱29,308,451,623	₱4,410,770,948	₱39,793,406,224	(₱3,813,935,456)	₱35,979,470,768
Segment liabilities	₱3,901,063,378	₱9,387,591,703	₱3,352,413,598	₱16,641,068,679	(₱3,813,935,456)	₱12,827,133,223
Capital expenditures for the year	₱2,939,643	₱158,222,519	₱215,700	₱161,377,862	₱–	₱161,377,862

Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to third parties.

5. Cash and Cash Equivalents

This account consists of:

	2014	2013
Cash on hand and in banks	**₱404,681,437**	₱143,428,962
Cash equivalents	**2,506,323,383**	1,748,017,981
	₱2,911,004,820	₱1,891,446,943

Cash in banks earn interest at the prevailing bank deposit rates. Temporary investments are made for three months or less depending on the immediate cash requirement of the Group and earn interest at the respective temporary investment rates. Temporary investments, which have an average maturity of 30 days, earn interest ranging from 1.75% to 2.00% in 2014, 1.00% to 1.88% in 2013, and 3.40% to 3.53% in 2012.

Total interest income earned from cash in banks and cash equivalents amounted to ₱25,492,852, ₱44,451,855 and ₱53,284,973 in 2014, 2013 and 2012 respectively (see Note 23).

As of December 31, the Group's cash and cash equivalents include United States Dollar (US$) and Hong Kong Dollar (HK$) deposits with local banks as follows:

	US Dollar		HK Dollar	
	2014	2013	**2014**	2013
Foreign currency	**$1,488,019**	$1,153,264	**$218,002**	$371,802
Peso equivalent	**₱66,544,230**	₱51,199,142	**₱1,253,513**	₱2,129,349
Closing exchange rate per dollar as at December 31	**₱44.72**	₱44.39	**₱5.75**	₱5.73

Unrealized foreign exchange gains charged to profit or loss amounted to ₱880,730 in 2014 and ₱4,081,797 in 2013.

6. Financial Assets at FVPL

Financial assets at FVPL represent shares of stock of various publicly listed companies as of December 31, 2014 and 2013.

The movements in this account are as follows:

	2014	2013
Beginning balance	**₱30,348,704**	₱32,275,696
Fair value adjustment (Note 23)	**2,663,820**	(1,926,992)
Ending balance	**₱33,012,524**	₱30,348,704

The Group recognized unrealized gains (losses) on fair value adjustments of the investments amounting to ₱2,663,820 in 2014, (₱1,926,992) in 2013, and ₱4,936,110 in 2012 (see Note 23). There were no additions or disposals in 2014 and 2013.

7. Receivables

This account consists of:

	2014	2013
Trade:		
Installment contracts receivable	**₱2,842,228,694**	₱2,229,966,071
Rent (Note 31)	**201,286,080**	139,562,396
Nontrade:		
Advances to contractors and suppliers	**1,031,179,038**	1,133,149,175
Related parties (Note 31)	**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	**43,424,463**	12,368,799
	4,170,305,823	3,541,345,602
Less allowance for impairment loss	**8,056,439**	7,074,077
	₱4,162,249,384	₱3,534,271,525

Installment contracts receivable represent noninterest-bearing receivables from sale of condominium units with average term ranging from one to five years. Installment contracts receivables are subject to either bank financing or in-house financing and are discounted using prevailing interest rates at the dates of transactions. The differences between the present values and face values of the receivables are amortized using the EIR method over the term of the respective contracts. Interest income from accretion of installment contracts receivable amounted to ₱236,879,642, ₱228,037,161 and ₱226,248,576 in 2014, 2013 and 2012, respectively (see Note 23).

Advances to contractors and suppliers are noninterest-bearing downpayments made to them and are recouped upon every progress billings payment depending on the percentage of completion.

Rental receivables are noninterest-bearing and pertain to rental fees charged to tenants and to the Group's affiliates for the office, commercial and carpark spaces. The normal credit terms range from 30 to 60 days.

Advances to officers and employees are normally settled within the next financial year.

The terms, balances and transactions with related parties are disclosed in Note 31.

Other receivables are noninterest-bearing and consist of banner and non-tenant related receivables.

The movements of the allowance for doubtful accounts in 2014 and 2013 are as follows:

	2014	2013
Beginning balance	**₱7,074,077**	₱7,074,077
Bad debts	**982,362**	–
Ending balance	**₱8,056,439**	₱7,074,077

The following table shows the expected cash flows from installment contracts receivable as of December 31:

	2014	2013
Expected cash flows in:		
2014	**₱–**	₱2,587,692,128
2015	**4,795,800,178**	2,619,058,049
2016	**1,099,457,377**	395,512,957
2017	**570,046,949**	30,175,441
2018	**647,885,065**	–
	7,113,189,569	5,632,438,575
Less unamortized discount and unearned income	**4,270,960,875**	3,402,472,504
	₱2,842,228,694	₱2,229,966,071

As of December 31, 2014 and 2013, excess collections from condominium unit buyers based on the percentage of completion method were recorded as part of the "Customers' deposits" account amounting to ₱945,320,881 and ₱200,656,899, respectively (see Note 18).

The movements in the unamortized discount and unearned income on installment contracts receivable are as follows:

	2014	2013
Beginning balance	**₱3,402,472,504**	₱4,338,508,419
Additions	**4,869,645,906**	3,227,171,550
Recognized as sales and interest income	**(4,001,157,535)**	(4,163,207,465)
Ending balance	**₱4,270,960,875**	₱3,402,472,504

8. Properties Held for Sale

This account consists of:

	2014	2013
Condominium units held for sale	**₱103,768,502**	₱119,518,437
Construction in progress	**5,669,349,192**	2,323,991,358
	₱5,773,117,694	₱2,443,509,795

Condominium units for sale pertain to the completed residential condominium projects of the Group.

Construction in progress pertains to the Group's on-going residential and mixed-use condominium projects.

The movements in "Condominium units held for sale" account are as follows:

	2014	2013
Beginning balance	**₱119,518,437**	₱210,446,366
Recognized cost of condominium sales (Note 24)	**(15,749,935)**	(90,927,929)
Ending balance	**₱103,768,502**	₱119,518,437

The movements in "Construction in progress" account are as follows:

	2014	2013
Beginning balance	**₱2,323,991,358**	₱3,139,517,781
Construction or development costs incurred	**5,772,052,021**	2,084,559,752
Recognized cost of condominium sales (Note 24)	**(2,426,694,187)**	(2,900,086,175)
Ending balance	**₱5,669,349,192**	₱2,323,991,358

Construction in progress consists of:

	2014	2013
Construction costs	**₱3,689,140,346**	₱1,070,010,267
Land	**1,323,291,070**	825,295,950
Project management	**369,473,209**	265,603,229
Professional and consultancy fees	**287,444,567**	163,081,912
	₱5,669,349,192	₱2,323,991,358

The Group has no unusual purchase commitments as of December 31, 2014 and 2013.

Condominium units held for sale and construction in progress are stated at cost as of December 31, 2014 and 2013. There were no allowances for inventory write-down as of December 31, 2014 and 2013.

9. Prepayments and Other Current Assets

	2014	2013
Input tax	**₱1,039,008,790**	₱169,812,148
Cash in escrow	**352,027,489**	–
CWT	**222,707,813**	127,938,208
Prepaid commission	**159,004,639**	143,394,878
Other prepaid expenses	**32,443,275**	56,514,002
	₱1,805,192,006	₱497,659,236

Input tax represents VAT paid to suppliers that can be claimed as credit against the future output VAT liabilities without prescription.

Cash in escrow pertains to the cash deposited with a local bank in compliance with the escrow agreement between TRDCI, a local bank and the Housing and Land Use Regulatory Board (HLURB). The cash in escrow shall be released upon written notice of the HLURB to an escrow agent upon submission by TRDCI of certain requirements. Pursuant to the escrow agreement, the HLURB issued a temporary license to sell to TRDCI.

CWT is the tax withheld by the withholding agents from payments to the Group which can be applied against the income tax payable.

Prepaid commission pertains to the excess of the commission paid to property consultants and brokers, and the commission expense for the year based on the percentage of completion.

Other prepayments mainly consist of advance payments for insurance, real property taxes, rent, and other expenses which are normally utilized within the next financial year.

10. Investments in Associates

This account consists of:

	2014	2013
Acquisition costs		
Beginning balance	**₱2,290,388,110**	₱2,358,849,343
Reclassification as a result of business combinations (Note 12)	**(1,809,577,485)**	–
Additions to investment	**15,000,000**	6,100,000
Disposal of investment	–	(74,561,233)
Ending balance	**495,810,625**	2,290,388,110
Accumulated share in net profits		
Beginning balance	**150,922,180**	155,596,259
Reclassification as a result of business combinations (Note 12)	**(226,249,673)**	–
Share in net losses of associates	**(9,692,903)**	(4,674,079)
Ending balance	**(85,020,396)**	150,922,180
	₱410,790,229	₱2,441,310,290

On April 30, 2014, the Group obtained control over both SGCPI and FBSHI through step acquisition as discussed in Note 12. The amount of investment in associate reclassified to investment in subsidiary is ₱2,035,827,158.

In 2013, the Group sold 623,800 common shares representing 35% interest in EPRC for a total consideration of ₱92,000,000. Gain on the disposal of EPRC shares recognized in the profit or loss amounted to ₱17,438,767 (see Note 23).

The Group is restricted from declaring dividends out of the accumulated share in net profits until these are declared by the associates.

All of the Group's associates are considered to be immaterial individually. The Group's associates are as follows:

	Percentages of Ownership	
	2014	2013
Sky Leisure Properties, Inc. (SLPI)	**50.00%**	50.00%
Ideal Sites and Properties, Inc. (ISPI)	**40.00%**	40.00%
Shang Global City Properties, Inc. (SGCPI)*	–	40.00%
Fort Bonifacio Shangri-la Hotel, Inc. (FBSHI)**	–	40.00%
Others	**various**	various

** The Parent Company effectively owns 60% equity interest in SGCPI as of December 31, 2014 (see Note 12)*
*** Previously owned through SFBHI; merged with SGCPI, the surviving entity, in the current year (see Note 12)*

The aggregate amount of the Group's share in the net gains (losses) after tax and total comprehensive income (losses) of these associates are (₱9,692,903) in 2014, (₱4,674,079) in 2013 and ₱29,490,674 in 2012.

As at December 31, 2014 and 2013, the Group has no share in any contingent liabilities or capital commitments.

11. Material Partly-Owned Subsidiary

The proportion of equity interest held by the NCI of KSA and SGCPI, the Group's subsidiaries with NCI that are deemed material, are as follows:

	2014	2013
KSA	**47.1%**	47.1%
SGCPI	**40.0%**	–

The summarized financial information of material subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

KSA Realty Corporation

	2014	2013
Summarized Statements of Comprehensive		
Rental revenue	**₱905,609,013**	₱836,652,466
General and administrative expenses	**(61,821,297)**	(64,206,912)
Finance cost - net	**(1,724,886)**	(5,906,763)
Other income - net	**7,567,826**	3,796,880
Income before income tax	**849,630,656**	770,335,671
Provision for income tax	**(159,322,635)**	(150,743,910)
Total comprehensive income	**₱690,308,021**	₱619,591,761
Net income and total comprehensive income attributable to:		
Equity holders of the Parent Company	**₱365,172,943**	₱327,764,042
NCI	**325,135,078**	291,827,719
	₱690,308,021	₱619,591,761
Dividends paid to NCI	**₱376,800,000**	₱164,850,000
Summarized Statements of Financial Position		
Current assets	**₱492,715,947**	₱409,146,406
Noncurrent assets	**8,105,438,224**	8,130,403,519
Current liabilities	**(396,686,088)**	(282,405,076)
Noncurrent liabilities	**(1,823,018,230)**	(1,740,689,622)
Equity	**₱6,378,449,853**	₱6,516,455,227
Equity attributable to:		
Equity holders of the Parent Company	**₱3,374,199,972**	₱3,447,227,352
NCI	**3,004,249,881**	3,069,270,478
	₱6,378,449,853	₱6,516,497,830

	2014	2013
Summarized Statements of Cash Flows		
Operating activities	**₱770,395,062**	₱668,247,235
Investing activities	**(3,757,036)**	(1,377,852)
Financing activities	**(691,073,780)**	(586,372,512)
Net effect of exchange rate changes on cash and cash	**2,823**	26,490
Net increase in cash and cash equivalents	**₱75,567,069**	₱80,523,361

Shang Global City Properties, Inc.

	2014
Summarized Statement of Comprehensive Income	
Sale of condominium units	**₱425,762,627**
Cost of sales of condominium units	**(208,513,636)**
General and administrative expenses	**(16,697,532)**
Other income - net	**4,464,422**
Income before income tax	**205,015,881**
Provision for income tax	**58,303,499**
Total comprehensive income	**₱146,712,382**
Net income and total comprehensive income attributable to:	
Equity holders of the Parent Company	**₱88,027,429**
NCI	**58,684,953**
	₱146,712,382

Summarized Statement of Financial Position	
Current assets	**₱4,279,418,110**
Noncurrent assets	**8,290,510,828**
Current liabilities	**(5,393,047,264)**
Noncurrent liabilities	**(6,833,359,635)**
Equity	**₱343,522,039**
Equity attributable to:	
Equity holders of the Parent Company	**₱206,113,223**
NCI	**137,408,816**
	₱343,522,039

As a result of the business combination in 2014, NCI was remeasured in the consolidated statement of financial position resulting to additional balance amounting to ₱823,672,481 (see Note 12).

	2014
Summarized Statement of Cash Flows	
Operating activities	**(₱2,949,489,701)**
Investing activities	**(182,322,639)**
Financing activities	**3,378,025,000**
Net effect of exchange rate changes on cash and cash equivalents	**156,996**
Net increase in cash and cash equivalents	**₱246,369,656**

No dividends were paid to SGCPI's NCI in 2014.

The principal place of business of KSA is at 5th Floor, Tower 2, The Enterprise Center, 6766 Ayala Avenue corner Paseo de Roxas, Makati City while the principal place of business of SGCPI is at Crescent Park West District, Fort Bonifacio Global City, Taguig City.

12. Business Combination

Acquisition of additional 20% equity interest in SGCPI and FBSHI

SGCPI and FBSHI are the developers of a mixed-use hotel, condominium, and retail tower, located in Bonifacio Global City, Taguig to be known as Shangri-La at the Fort. The project is 54.73% completed as of December 31, 2014. Pre-selling of the residential units has already commenced in 2014 while the hotel is expected to begin operations in 2015.

On April 30, 2014, SGCHI and SFBHI, both wholly owned subsidiaries of the Parent Company, each entered into an agreement and acquired the 20% equity interest of Alphaland Development, Inc. (Alphaland) in SGCPI and FBSHI.

Prior to the acquisition, the Parent Company through SGCHI and SFBHI effectively owned 40% equity interest in SGCPI and FBSHI. SGCHI and SFBHI each acquired from Alphaland additional 20% interest in SGCPI and FBSHI, respectively, for a total cash consideration of ₱1,700,000,000. As a result of the step acquisition, the Group obtained controlling interest in SGCPI and FBSHI owning 60% equity interest over each of the acquired entities.

The following are the fair values of the identifiable assets acquired and liabilities assumed as of date of acquisition:

	SGCPI	FBSHI	Total
Assets			
Cash and cash equivalents	₱59,912,485	₱175,039,023	₱234,951,508
Receivables	26,961	1,342,762	1,369,723
Property under development	4,800,000,000	6,696,161,000	11,496,161,000
Prepayments and other current assets	271,722,029	566,766,301	838,488,330
Property and equipment - net	–	2,786,769	2,786,769
Refundable deposit	–	15,275,800	15,275,800
	5,131,661,475	7,457,371,655	12,589,033,130
Liabilities			
Trade and other payables	3,165,762	399,637,815	402,803,577
Income tax payable	–	13,615	13,615
Long term bank loan	–	4,098,499,138	4,098,499,138
Deposit for future stock subscription	1,976,487,102	1,941,512,898	3,918,000,000
Deferred tax liability	782,412,892	154,658,230	937,071,122
	2,762,065,756	6,594,321,696	9,356,387,452
Total identifiable net assets at fair value	2,369,595,719	863,049,959	3,232,645,678
Goodwill (Note 17)	140,355,211	129,515,653	269,870,864
Acquisition cost	₱2,509,950,930	₱992,565,612	₱3,502,516,542

As of acquisition date, the fair value of SGCPI's and FBSHI's property under development amounted to ₱4,800,000,000 and ₱6,696,161,000, respectively. Their carrying amounts in SGCPI's and FBSHI's books amounted to ₱2,373,840,000 and ₱6,180,633,566, respectively.

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	₱488,826,327	₱–	₱488,826,327	₱–	**₱488,826,327**
At fair value - quoted	13,196,515	300,000	13,496,515	500,000	**13,996,515**
	₱502,022,842	₱300,000	₱502,322,842	₱500,000	**₱502,822,842**

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

	2014	2013	2012
Beginning balance	**₱4,375,000**	₱4,075,000	₱2,965,000
Increase in fair value	**500,000**	300,000	1,110,000
Ending balance	**₱4,875,000**	₱4,375,000	₱4,075,000

16. **Property and Equipment**

This account consists of:

	2014			
	Building and Building Improvements	**Transportation Equipment**	**Furniture, Fixtures and Other Equipment**	**Total**
Cost				
Beginning balances	**₱85,001,439**	**₱32,812,778**	**₱86,339,676**	**₱204,153,893**
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	**₱36,586,869**	**₱8,145,990**	**₱22,276,558**	**₱67,009,417**

	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			Outstanding Balance			
	2014	2013	2012	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 ₱1,031,179,038.*
*** 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	₱30,348,704	₱–	₱–	₱–	₱30,348,704
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
	₱5,182,966,896	₱3,051,857,175	₱30,175,441	₱–	₱8,264,999,512
Other Financial Liabilities					
Accounts payable and other current liabilities*	₱2,077,287,434	₱–	₱–	₱–	₱2,077,287,434
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
	₱3,449,025,891	₱2,125,554,547	₱2,378,473,598	₱2,575,108,968	₱10,528,163,004

** Excluding customers' deposits, reservation payable, output VAT, deferred output VAT and withholding taxes.*
*** Excluding accrued retirement benefits of ₱29,602,931.*

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
MART1	–	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

SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Shang Properties, Inc.
Administration Office, Shangri-La Plaza Mall
EDSA corner Shaw Boulevard,
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of Shang Properties, Inc. and Subsidiaries as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, included in this Form 17-A and have issued our report thereon dated March 27, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the management of Shang Properties, Inc. and Subsidiaries. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Arnel F. De Jesus
Partner
CPA Certificate No. 43285
SEC Accreditation No. 0075-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 152-884-385
BIR Accreditation No. 08-001998-15-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4751272, January 5, 2015, Makati City

March 27, 2015

SHANG PROPERTIES, INC. AND SUBSIDIARIES

PARENT COMPANY RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

	2014
Unappropriated Parent Company retained earnings, beginning	**₱1,606,207,424**
Net income attributable to equity holders of the Parent Company closed to retained earnings	2,735,375,946
Less:	
Share in net profits of subsidiaries	(1,813,078,446)
Gain on remeasurement of previously held interest	(577,101,799)
Income from accretion of interest	(236,879,642)
Fair value adjustment of financial assets at FVPL	(2,663,820)
Add:	
Dividends received by the Parent Company from its subsidiaries	1,234,919,334
Recognition of deferred income tax liabilities (assets)	15,548,537
Share in net profits of associates	9,692,903
Add: Net income actually earned during the period	**1,365,813,013**
Less: Dividend declaration during the period	**(642,859,246)**
Total Parent Company retained earnings available for dividend declaration, end	**₱2,329,161,191**

SHANG PROPERTIES, INC. AND SUBSIDIARIES

SCHEDULE OF THE EFFECTIVE STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	Date and Transition			
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	Not early adopted		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28	Investments in Associates	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Not early adopted		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
IFRIC 10	*Interim Financial Reporting and Impairment*	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

SHANG PROPERTIES, INC.
INDEX TO FINANCIAL AND SUPPLEMENTARY
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

Signed finacial statements As of and for the year December 31, 2014		See Attached
Supplementary schedules		
Schedule A -	Financial Assets	NA
Schedule B -	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	X
Schedule C -	Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements	X
Schedule D -	Intangible Assets - Other Assets	NA
Schedule E -	Long-Term Debt	X
Schedule F -	Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)	NA
Schedule - G	Guarantees of Securities of Other Issuers	X
Schedule H -	Capital Stock	X

X - Attached

SHANG PROPERTIES INC. AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM RELATED PARTIES
DECEMBER 31, 2014

Name of Related Party	Beginning Balance	Additions	Amounts collected	Amounts written off	Current	Not Current	Ending Balance
Makati Shangri-la Hotel	191,525	10,583,255	814,163	-	9,959,552	1,064	9,960,616
The Enterprise Centre Condominium Corp.	3,249,809	41,358,633	35,671,228	-	8,908,926	28,289	8,937,215
The Shang Grand Tower Condominium Corp.	7,055,221	7,383,807	8,433,313	-	5,669,265	336,450	6,005,715
The St. Francis Shangri-la Place Condominium Corp.	3,587,000	9,513,609	8,209,952	-	4,412,834	477,823	4,890,656
EDSA Shangri-la Hotel & Resorts, Inc.	3,936,519	15,996,493	16,006,612	-	1,673,091	2,253,310	3,926,401
Ideal Sites Properties Inc.	2,903,023	703,104	5,579	-	703,104	2,897,443	3,600,548
Shangri-la Fijisian Resort	626,952	0	-	-	-	626,952	626,952
Mactan Shangri-la Hotel	273,531	652,066	656,901	-	267,259	1,437	268,695
Clavall Properties Inc.	12,665	917	1,249	-	917	11,416	12,332
Others	1,925,442	7,076,719	4,437,182	-	2,332,518	2,232,460	4,564,979
	23,761,686	93,268,603	74,236,180	-	33,927,466	8,866,642	42,794,110

SHANG PROPERTIES INC. AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2014

Name of Related Party	Beginning Balance	Additions	Amounts collected	Amounts written off	Current	Not Current	Ending Balance
Silver Hero from SPDI	2,317,500,000	-	-	-	-	2,317,500,000	2,317,500,000
Shang Global City Holdings Inc.	500,494	1,009,572,429	761	-	1,009,572,796	499,367	1,010,072,162
Shang Property Realty Corp.	1,742,415,006	80,800,624	969,590,410	-	80,800,624	772,824,597	853,625,220
Shang Fort Bonifacio Holdings, Inc.	500,127	690,430,099	1,562	-	690,429,732	498,933	690,928,665
Shangri-la Plaza Corp.	23,373,984	154,833,913	74,264,376	-	103,943,521	-	103,943,521
Shang Property Management Services, Inc.	17,174,662	5,595,657	148,096	-	5,595,657	17,026,566	22,622,222
SPI Parking Services, Inc.	4,868,210	14,262,039	11,145,327	-	7,984,922	-	7,984,922
Shang Property Developers Inc.	-	12,266,693	7,051,132	-	5,215,561	-	5,215,561
KPPI Management Services, Inc.	1,011,608	25,609	-	-	25,609	1,011,608	1,037,217
KSA Realty Corp.	245,801	1,486,891	1,306,463	-	426,229	-	426,229
Others	90,796,540	2,884,675,503	426,010,807	-	2,546,539,373	2,921,863	2,549,461,236
Total	**4,198,386,432**	**4,853,949,456**	**1,489,518,933**	**-**	**4,450,534,024**	**3,112,282,933**	**7,562,816,955**

SHANG PROPERTIES INC. AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2014

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term Debt" in related balance sheet
Term Loan	20,800,000,000	583,333,333	11,565,335,572
Total	20,800,000,000	583,333,333	11,565,335,572

SHANG PROPERTIES INC. AND SUBSIDIARIES
SCHEDULE G - Guarantees of Securities of Other Issuers
DECEMBER 31, 2014

Name of issuing entity	Title of issue of each class of security	Total amount guaranteed and outstanding	Nature of guarantee
Shang Global City Properties Inc.	Bank loan	50% of total outstanding balance (Php 6.7 Billion)	Guarantee of principal and interest

SHANG PROPERTIES INC. AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2014

Title of issue	Number of Shares Authorized	Number of Shares Issue and Outstanding	Number of Shares Reserved for options, Warrants, Converstion, and other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Common	8,000,000,000	4,764,058,982		1,648,869,372	4,816,027	3,110,373,583
Total	8,000,000,000	4,764,058,982	-	1,648,869,372	4,816,027	3,110,373,583