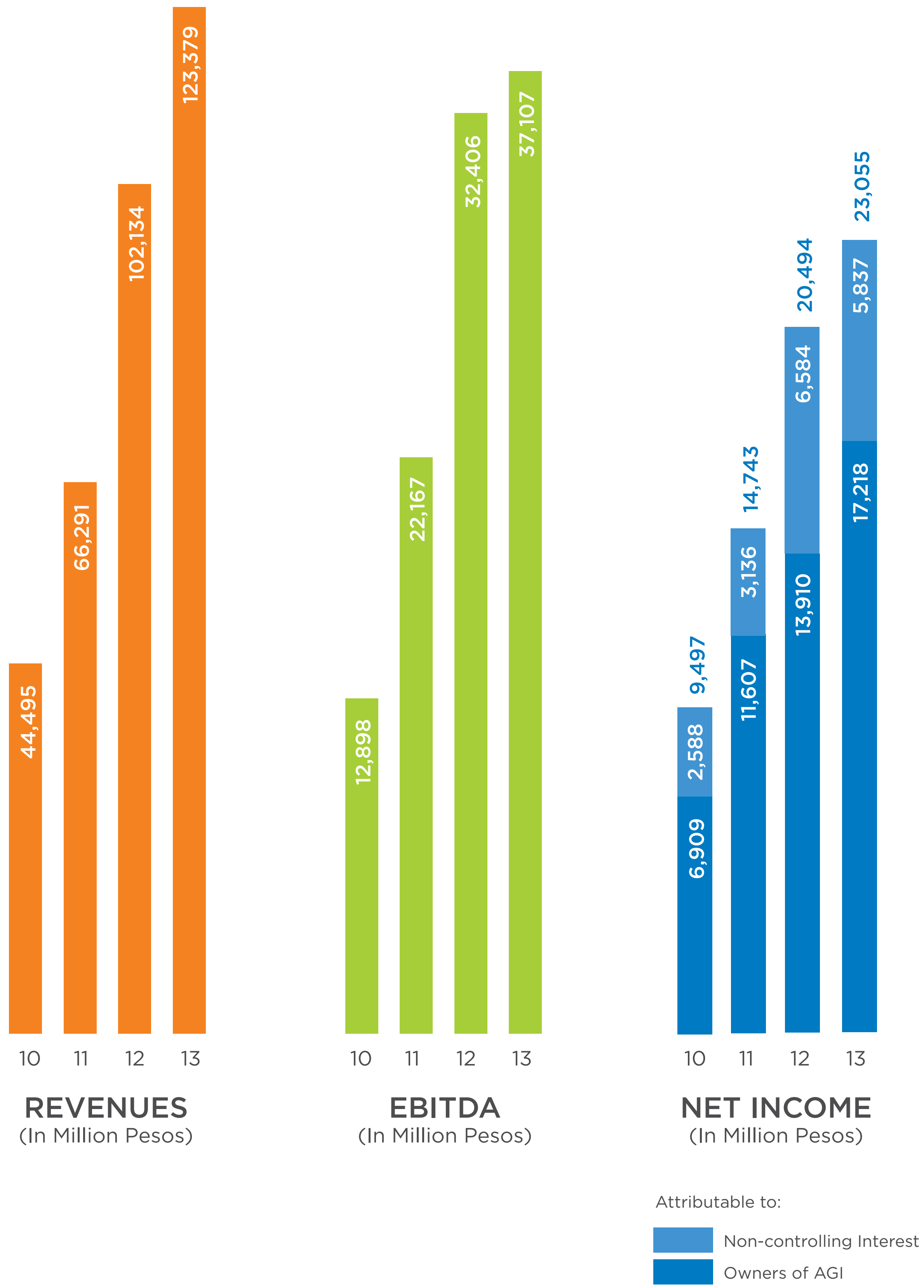
ALLIANCE GLOBAL

ANNUAL REPORT **2013**

The Art of Success


44,495
66,291
102,134
123,379
10
11
12
13
REVENUES
(In Million Pesos)
12,898
22,167
32,406
37,107
10
11
12
13
EBITDA
(In Million Pesos)
9,497
2,588
6,909
14,743
3,136
11,607
20,494
6,584
13,910
23,055
5,837
17,218
10
11
12
13
NET INCOME
(In Million Pesos)
Attributable to:
Non-controlling Interest
Owners of AGI

MESSAGE FROM THE CHAIRMAN

AGI's total revenues for 2013 grew by a hefty 20.8 percent to P123.38 billion from P102.13 billion the previous year.

There is no single formula for success in business. Making it good in a highly competitive business arena requires considerable creativity—creativity in making decisions that matter, creativity in planning projects that will make a difference, and creativity in managing people effectively to allow them to live up to their potential. I am happy and proud to note that our leaders in Alliance Global Group, Inc. (AGI) not only have the requisite creativity to fulfill this mandate, but passion and expertise to succeed in our line of businesses as well. Our numbers for 2013 speak for us in this regard.

The year 2013 was definitely a challenging one for the Philippines, as the country had to deal with a few strong typhoons and a huge earthquake. Despite these natural calamities, however, the country was able to register a gross domestic product (GDP) growth of 7.2 percent at the end of the year, even higher than the 6.8 percent growth rate in 2012. This largely unexpected economic upturn was boosted mainly by the services and industry sectors and by the record levels in OFW remittances.

Mirroring the country's impressive economic performance for 2013, AGI turned in another exceptional year in practically all areas of operations. Our five business segments—real estate through Megaworld Corporation (Megaworld) and Global-Estate Resorts, Inc. (GERI); tourism entertainment and gaming through Travellers International Hotel Group, Inc. (Travellers International); food and beverage through Emperador Inc.; and quick-service restaurants through Golden Arches Development Corporation (GADC), which holds the local franchise for McDonald's fast-food restaurants—all contributed to AGI's robust growth for the year.

AGI's total revenues for 2013 grew by a hefty 20.8 percent to P123.38 billion from P102.13 billion in the previous year. This record-breaking performance was a result of the robust performances of our subsidiaries. Out of the P123.38 billion consolidated revenues, Megaworld contributed P35.12 billion, reflecting a 27.5 percent increase from P27.5 billion; Emperador Inc. saw its revenues grow by 26.6 percent to P29.86 billion from P23.59 billion; Travellers International (through Resorts World Manila) contributed P33.4 billion, an increase of 7.4 percent; GADC and GERI contributed revenues of P15.81 billion and P1.76 billion, respectively, showing year-on-year increases of 15.8 percent and 26.5 percent.

Our net income for the year went up by 12.5 percent to P23.1 billion, from P20.5 billion in 2012, while the portion attributable to owners of the parent company grew by 23.8 percent to P17.2 billion in 2013 from P13.9 billion the previous year, on the back of strong revenues from our five subsidiaries.

Megaworld, the biggest contributor to our revenues for the year, sustained its strong performance in the past years by posting a record P68.2 billion in reservations sales from new projects that it launched in 2013. In turn, real estate sales increased by 16.9 percent year-on-year while rental income from office developments and lifestyle malls grew by 21 percent from 2012. The company also realized a gain of P763.8 million on the acquisition of a wholly owned subsidiary. Megaworld remains the biggest residential developer and BPO office space landlord in the country today.

Emperador Inc. continued its strong showing in the distilled spirits industry for the year with Emperador Brandy registering a higher sales volume of 33 million cases sold as compared to 31 million cases sold in 2012. Emperador Light and The BaR flavored alcoholic drinks, in turn, maintained their good sales performance with the latter even adding a new variant during the year. Emperador Inc.'s acquisition of Bodega San Bruno in Spain in January 2013 also allowed the company to offer Emperador Deluxe just a couple of months after. Emperador Deluxe was well-received in the market and in less than a year became one of the best-selling brands in the imported liquor segment.

With the impressive performance of its flagship project, Resorts World Manila, Travellers International was able to register record revenues for 2013 driven by higher gaming volume. Moreover, the proceeds of Travellers International's IPO enabled the company's assets to expand by a huge 27.6 percent to P61.2 billion in 2013. This will allow the company to fast-track the latest phases of its expansion program.

GADC's quick-service business, in turn, continued to grow on the back of the company's continuous expansion and reimaging program. The company opened 37 new restaurants in 2013 and reimaged 36 existing ones. Also contributing to GADC's revenue growth are the expansion of business extensions and the aggressive advertising and promotional campaigns to support new and existing products.

As the newest member of the AGI family, GERI, our integrated tourism estate developer, showed a relatively strong perfomance in 2013, improving on its real estate sales and hotel operations by 32.3 percent and 151.9 percent, respectively. The development of GERI's two flagship projects—Boracay Newcoast and Twin Lakes in Tagaytay—is still ongoing with new developments being initiated within the two master-planned resorts.

I am happy to note that the past year has been a highly successful one for AGI. Not only were we able to achieve our profit and growth objectives for the year with lots to spare, we were able to set the foundation for even better things to come in the future.

As we look into the future, we believe that we are armed with strong brands that have weathered diverse challenges to come up better and even stronger. We assure you that we will not let our past successes lull us into complacency. Instead, we will forge ahead with an even firmer resolve to do better than ever, with the confidence of knowing that we have, after all, mastered the art of success.

ANDREW L. TAN
Chairman & CEO

OPERATIONAL HIGHLIGHTS

MEGAWORLD

Megaworld was the biggest contributor to AGI revenues in 2013, sustaining its strong performance in the past years by posting a record P68.2 billion in reservations sales from 18 projects that it launched in 2013. Real estate sales increased by 16.9 percent and rental income from office developments and lifestyle malls grew by 20.9 percent. Megaworld remains the biggest residential developer and BPO office space landlord in the country today.

EMPERADOR INC.

Emperador Inc. continued its strong showing in the distilled spirits industry with Emperador Brandy registering a higher sales volume of 33 million cases sold in 2013 as compared to 31 million cases in 2012. Emperador Inc.'s acquisition of Bodega San Bruno in Spain allowed the company to offer Emperador Deluxe in 2013. Emperador Deluxe was well-received in the market and in less than a year became one of the best-selling brands in the imported liquor segment.

TRAVELLERS
INTERNATIONAL

The impressive performance of Resorts World Manila helped Travellers International to register a significant increase in revenues for 2013. Total gross revenues reached a record P33.4 billion in 2013, an increase of 7.4 percent from the previous year's figure. The proceeds of Travellers International's IPO, in turn, enabled the company's assets to expand by a huge 27.6 percent and arm the company with what it needs to fast-track the latest phases of its expansion program.

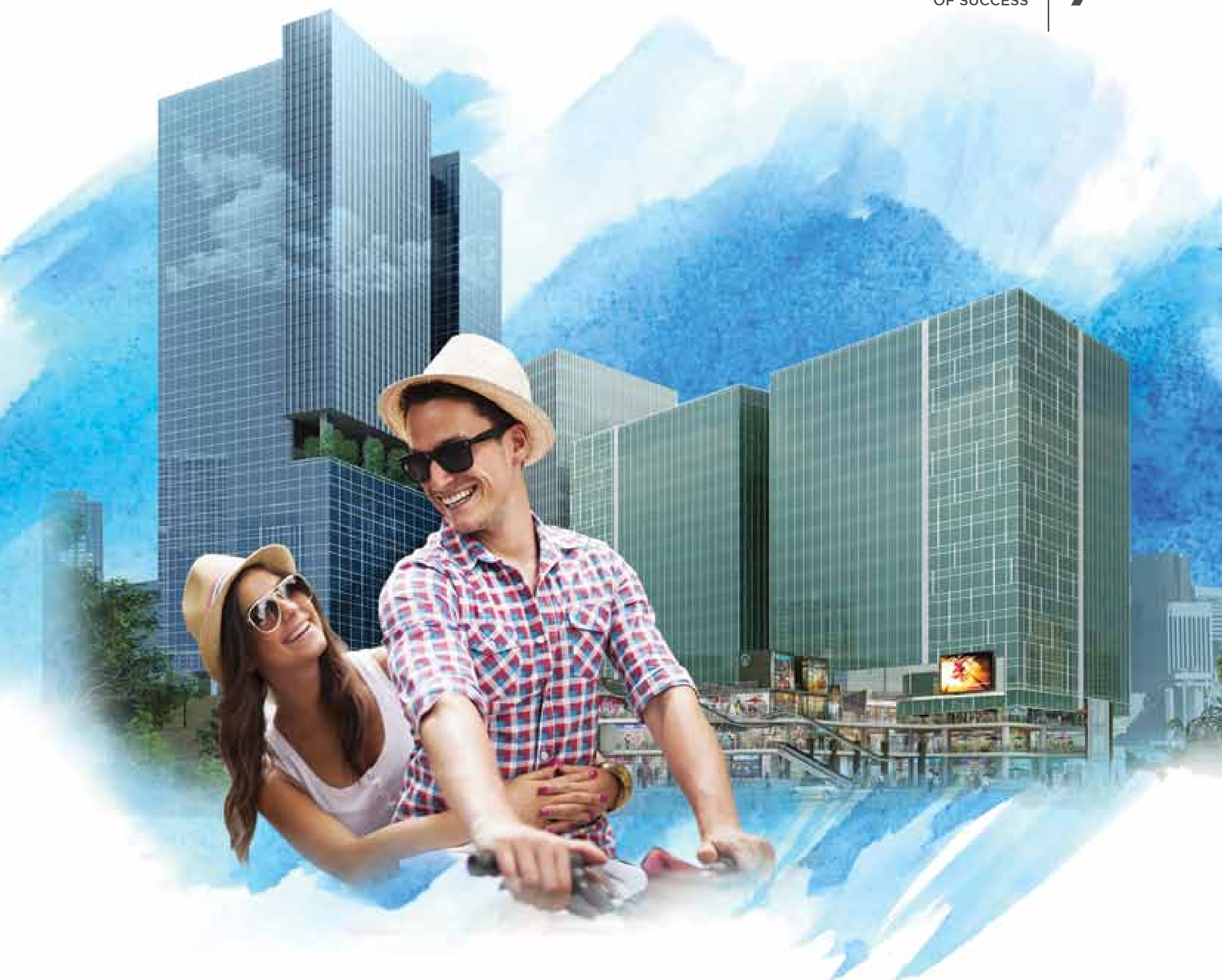
GLOBAL-ESTATE

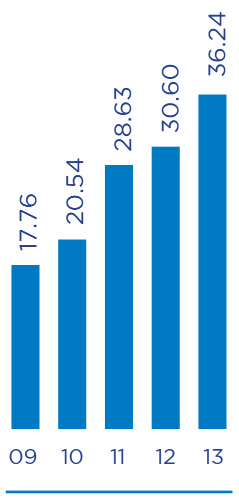
Global-Estate Resorts, Inc. (GERI) showed a strong showing in 2013, improving on its real estate sales and hotel operations by 32.3 percent and 151.9 percent, respectively. The development of GERI's two flagship projects—Boracay Newcoast in Boracay and Twin Lakes in Tagaytay—is still ongoing with new developments being initiated within the two master-planned resorts.

Golden Arches Development Corporation (GADC) continued to grow on the back of the company's continuous expansion and re-imaging program. The company opened 37 new restaurants in 2013 and re-imaged 36 existing ones. Also contributing to GADC's revenue growth are the expansion of business extensions and the aggressive advertising and promotional campaigns to support new and existing products.

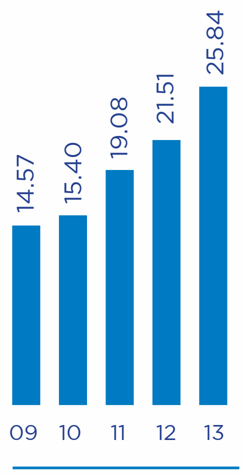
CREATING PERFECT COMMUNITIES

Since its inception in 1989, Megaworld has always been firm in its resolve to create communities that matter. Project after project, the company has seen to it that the communities it develops not only provide tenants with the comfort and convenience they need but also contribute substantially to the enhancement and beautification of the metropolitan landscape. For 24 years, the company has striven to create perfect townships and mixed-use developments while successfully building its own reputation as the largest township and residential condominium developer, and BPO office developer and landlord in the country.

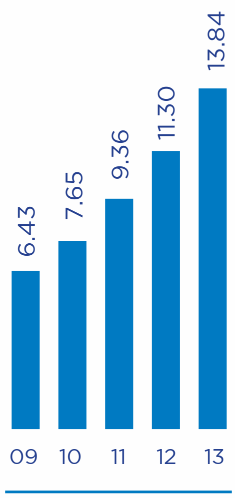




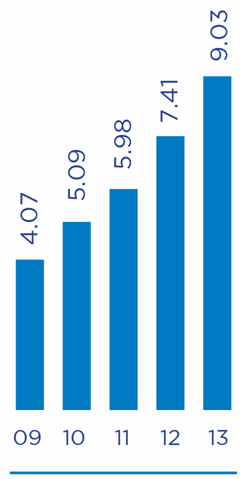
CONSOLIDATED REVENUES
(in Billion Pesos)



REAL ESTATE REVENUE
(in Billion Pesos)



EBITDA
(in Billion Pesos)



NET INCOME
(in Billion Pesos)

MEGAWORLD CORPORATION

One Eastwood Avenue

Eastwood City

The heart of the company's vision of creation, however, is in the 10 existing communities which are in different stages of completion. These communities perfectly embody Megaworld's pioneering "live-work-play-learn" concept...

In 2013, the company continued on its growth track as it ventured into new locations and tapped new markets. Buoyed by the country's exceptional economic growth in 2013, Megaworld saw the demand for its projects increase significantly as evidenced by the numbers that the company turned in for the year. Megaworld's consolidated net income rose by 22 percent year-on-year from P7.41 billion to P9.03 billion, which includes a P763-million non-recurring gain from the acquisition of a subsidiary.

Consolidated total revenues—made up of real estate sales, rental income, hotel income, and other revenues—in turn, grew by 18 percent for the year. The bulk of revenues generated came from the sale of the company's luxury condominium units, which amounted to P21.25 billion, an increase of 17 percent from P18.17 billion in 2012.

The demand for more office spaces, particularly by companies in the BPO industry, once again helped kick up the company's rental income by a hefty 21 percent from P4.99 billion in 2012 to P6.04 billion. By the end of 2013, Megaworld had the largest inventory of BPO office space in the country, with a total of 509,000 square meters.

In the constant pursuit of its vision to create perfect communities, Megaworld launched 11 new projects in 2013. These new projects effectively add to the company's ongoing property development projects both in Metro Manila and in the countryside. The heart of the company's vision of creation, however, is in the 10 existing communities which are in different stages of completion. These communities perfectly embody Megaworld's pioneering "live-work-play-learn" concept which ensures that whatever the tenants need, they can get within spitting distance of their homes or workplaces.

Eastwood City

Eastwood City is Megaworld's first-ever integrated township as well as its most successful project to date. It is also the first-ever implementation of the company's "live-work-play-learn" development concept, with complete facilities, amenities, and establishments. The mega-community spans 18.5 hectares and currently houses 19 luxury condominium towers, 10 world-class corporate buildings, seven ongoing residential projects, the country's first IT park, and three first-class lifestyle malls. Launched in 1997, Eastwood City is still in the process of continuous expansion. Upon completion, the community will have more than 20 high-rise residential towers with a total of over 8,000 condominium units. It will also have more than 270,000 square meters of high-grade office buildings and 60,000 square meters of entertainment and retail space.

Eastwood City is currently home to more than 25,000 residents and over a hundred corporate tenants—including several BPO firms—with around 55,000 employees working in 10 office towers. It has been tagged as the top employer and dollar-earner among the 70 IT special economic zones in the country.

In just 16 years of existence, Eastwood City has already proven categorically that innovative property development does have its merits, as long as the innovation is in line with a well-thought-out plan of action.

Lucky Chinatown
美 加 廣 場

Binondo is undoubtedly one of the most historically significant commercial districts in Manila. Once the country's majestic hub of commerce, it has been eclipsed by the newer, modern establishments elsewhere in the metropolis. Then, along came Megaworld's Cityplace, and Binondo was given a much-needed revitalization and boost.

Conceptualized to bring back the former glory of Chinatown, Cityplace is currently on track to be the most important property development project in the area in years. The 2.5-hectare Cityplace is the largest and most modern mixed-use development in Binondo in the last 20 years and is poised to bring back the former glory of Chinatown.

Aptly dubbed "The New Chinatown," the complex effectively echoes the old era but ushers in more modern elements to keep up with the times. The new Lucky Chinatown Mall, for instance, is a world-class shopping center patterned after the commercial centers of Hong Kong, perfectly suited for the unique Filipino-Oriental culture of Binondo. The shopping center has five levels with a total of 108,000 square meters of floor space. It houses 168 shops and restaurants, a supermarket, a gaming arcade, and five modern movie houses.

Lucky Chinatown Mall

The shopping center has five levels with a total of 108,000 square meters of floor space. It houses 168 shops and restaurants, a supermarket, a gaming arcade, and five modern movie houses.

MEGAWORLD CORPORATION

Newport City

The 25-hectare, Newport City was master-planned to revive the country's then-ailing tourism industry by fully integrating luxury residences with prime corporate office spaces and a world-class entertainment complex.

The multi-use complex also hosts the Cityplace Twin Towers, a residential condominium which will have 525 residential units that are designed for younger Binondo residents looking for a nicer, more modern place to live in, as well as shop owners who own stores and other establishments in the three-level podium mall below. Cityplace also hosts the Chinatown Walk, a 20-meter-wide and 200-meter-long stretch of retail shops and restaurants. If there is one place that effectively captures the best of both the old and the new, it is definitely Cityplace.

NEWPORT CITY

Newport City is one of those rare property development projects that jump from zero to hero in no time at all. In just eight short years since Megaworld broke ground for this project, Newport City has become a world-class tourist haven and a total entertainment spot for both local and foreign travelers. The 25-hectare Newport City was master-planned to revive the country's then-ailing tourism industry by fully integrating luxury residences with prime corporate office spaces and a world-class entertainment complex. Located in Pasay City, right across from the Terminal 3 of the Ninoy Aquino International Airport (NAIA), Newport City is home to several first-class residential condominium projects and a cyber park that hosts modern corporate offices and BPO buildings. Upon completion, Newport City will have around 6,100 modern residential condominium units.

The center of activity in Newport City is the world-famous Resorts World Manila, the country's first integrated tourism estate. Considered as the new leisure capital of the Philippines, Resorts World Manila is a joint project of AGI subsidiary Travellers International and Genting Hong Kong. The 12-hectare complex boasts multi-cultural fine dining restaurants; a state-of-the-art performing arts theater that has staged several international acts and musicals; a high-end shopping mall; and a world-class gaming center. It also features three modern hotels: the five-star Manila Marriott Hotel; the six-star all-suites Maxims Hotel, the first of its kind in the country; and the budget-class three-star Remington Hotel.

The Forbes Town Center is the newest center of business and leisure in the metropolis is aimed at young urban professionals and business executives.

Forbes Town Center

The Forbes Town Center is a sprawling five-hectare mega-community in Bonifacio Global City. The newest center of business and leisure in the metropolis is aimed at young urban professionals and business executives. When completed, the township will have 12 residential towers that will house a total of 3,552 units, as well as establishments that cater to the various needs of residents and office workers.
The township is adjacent to the Manila Polo Club, Forbes Park, and the Manila Golf and Country Club which provides residents a breathtaking half-a-kilometer view of its golf course.

Forbes Town Center's newest attraction is the Burgos Circle, an enclave with residential condominiums and a small park right at its center.
A retail strip in the vicinity hosts 37 popular restaurants and several establishments and retail shops that provide the people living and working in Forbes Town Center with everything they need.

McKinley West

The 34.5-hectare McKinley West is Megaworld's newest integrated township project and one of the largest projects of the company to date. The mixed-use community is located in the former JUSMAG property in Fort Bonifacio just behind Forbes Park.

Megaworld has allocated around P22 billion over the next 20 years to develop the huge McKinley West property in which 60 percent of the area will be used for residential development projects. The remaining area will be used for leisure amenities, access roads, and wide open spaces with lush greenery. Inspired by the designs of cosmopolitan Europe, McKinley West will also have sustainability features such as rainwater collection facilities, green buildings, and tree-lined streets. The project will bring the total development portfolio of Megaworld at the Bonifacio Global City to around 108 hectares.


Forbes Town Center

McKinley Hill

McKinley Hill is designed to perfectly embody Megaworld's pioneering "live-work-play" development concept with two new elements—"learn" and "shop"—thrown in.

MCKINLEY HILL

Still a work in progress, McKinley Hill is designed to perfectly embody Megaworld's pioneering "live-work-play" development concept with two new elements—"learn" and "shop"—thrown in. Upon completion, the mega-township will have 34 residential condominium buildings with a total of around 4,713 condominium units, 482 residential lots, and 17 offices all occupying a total area of more than 300,000 square meters. The community will have single-detached homes, townhouses, a mid-rise condominium, high-rise luxury residences, a Venetian-themed mall, and a modern events venue—all of which are in different stages of completion.

McKinley Hill also hosts several BPO office buildings within a PEZA-accredited cyber park; three international schools namely the Chinese International School of Manila, the Enderun Colleges, and the Korean International School Philippines; and the embassies of the United Kingdom, Republic of South Korea, United Arab Emirates, and Qatar.

The residential center of the community is The Venice Luxury Residences, a residential complex designed to capture the visual grandeur and the romantic ambience of Venice itself. The complex also features the man-made Grand Canal, the first of its kind in the country, and the Venice Piazza, an Italian-inspired mall that features replicas of well-known Venetian landmarks such as the St. Mark's Clock Tower.

Manhattan Garden City

Manhattan Garden City is the very first commuter-friendly, transit-oriented residential development project in the country. Located at the Araneta Center in Cubao, the residential complex seamlessly integrates with the existing mass-transit systems in the city: the LRT 2 and the MRT 3. Moreover, the 5.7-hectare Manhattan Garden City is considered as the largest single residential development in the country to date with a total of around 9,000 units upon completion.

The residential complex also features a 720-meter elevated garden walkway that connects the complex's 20 towers to each other as well as to the stations of the transit systems in the area. This not only provides residents the facility to go to and from the complex's different towers but also gives commuting residents easy access to the LRT and MRT. Most importantly, Manhattan Garden City stands as Megaworld's contribution to the local government's redevelopment efforts for the Araneta Center, with the intent of bringing back the old glory of Cubao as a prime shopping and entertainment center in the city.

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THE MACTAN NEWTOWN

The Mactan Newtown represents Megaworld's very first attempt to bring the company's pioneering "live-work-play-learn" concept to the countryside. Launched only in 2012, The Mactan Newtown is the company's first major mega-community project in Cebu and its first outside of Metro Manila. The 28.8-hectare township is designed to combine office spaces, luxury condominiums, leisure amenities, retail shops, and a hotel in one setting, much like most of Megaworld's integrated communities in Metro Manila.

The Mactan Newtown was recently declared a special economic zone by PEZA. It is one of three Megaworld communities and the first of two Megaworld projects outside of Metro Manila to be given special economic zone status. Its proximity to the Mactan-Cebu International Airport, the second largest international airport in the country, makes it a prime residential location for business executives, BPO professionals, and lifestyle travelers. The cyber park is the facility's special area for corporate buildings, some of which were designed as BPO-friendly office spaces. In fact, Megaworld has allocated a total of 150,000 square meters specifically for BPO offices alone.

Megaworld also plans to construct a learning center in the complex, in a joint venture with the Lasallian Schools Supervision Office (LASSO). Aptly named The Newtown School of Excellence, the center will be built over 7,000 square meters of land and will have state-of-the-art

Manhattan Garden City

Iloilo Business Park

The business park will also be home to the Iloilo Convention Center, a joint venture between Megaworld and the local government, which is slated to open in 2015 and, once completed, can accommodate more than 3,000 people at a time.

facilities such as laboratories and audio-visual rooms, as well as open and covered courts and green spaces. The school is expected to start offering classes for the primary level in school year 2016-2017.

The Mactan Newtown is adjacent to Shangri-La Mactan and Portofino and is near the Magellan Bay, thus offering residents easy access to beaches and resorts. The township is also near the Marcelo Fernan Bridge, which links Mactan to Cebu, another important tourist destination.

Megaworld's provincial expansion shifted to a higher gear with the launch in 2012 of a mega-community project in Iloilo, the acknowledged business and commercial center of Western Visayas. Aptly named Iloilo Business Park, the huge 72-hectare mixed-use complex is designed to host first-class hotels, a modern commercial area, a lifestyle mall, and BPO office buildings.

The business park will also be home to the Iloilo Convention Center, a joint venture between Megaworld and the local government, which is slated to open in 2015 and, once completed, can accommodate more than 3,000 people at a time. The convention center was designed to provide a venue for big conventions and conferences as well as trade fairs and even major shows by local and international artists. The centers of activity of the complex, however, are expected to be the planned Megaworld Center Mall, the very first upscale mall to be put up in Iloilo, and the kilometer-long Festive Walk, an open-air retail strip patterned after the outlet shops in the U.S. Megaworld's move to Iloilo City is part of the company's plan to transform cities outside of Metro Manila to become progressive and financially viable investment centers and tourist destinations.

Uptown Bonifacio is envisioned to be a huge community of modern condominiums, offices, and retail shops. The township is currently being developed in phases and will have 500,000 square meters of residential space, 400,000 square meters of office space and 90,000 square meters of commercial space once completed.

UPTOWN
BONIFACIO

Uptown Bonifacio is Megaworld's latest township project in the booming Bonifacio Global City. To be developed under a joint venture arrangement with the Bases Conversion Development Authority, the 15.4-hectare Uptown Bonifacio is envisioned to be a huge community of modern condominiums, offices, and retail shops. The township is currently being developed in phases and will have 500,000 square meters of residential space, 400,000 square meters of office space and 90,000 square meters of commercial space once completed. The whole complex will be patterned after the cosmopolitan designs of Paris, London, Milan, New York and Tokyo.

Although Megaworld's thrust has mainly been to create new communities in prime yet underdeveloped locations, the company continues to look at the long-established centers of life, leisure, and business for viable property development projects. As such, the ten aforementioned major communities are complemented by Megaworld's residential condominium projects in the cities of Makati and San Juan.

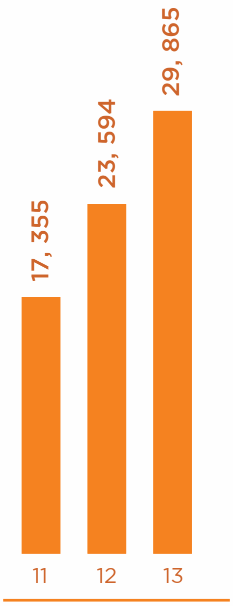
Looking back over the years, it is clear that Megaworld has been steadfast in its commitment to build not only communities that matter, where they matter; but communities that are perfect in every way. For Megaworld, the perfect community is one which raises the standards of living of residents and tenants and provides them with the comfort and convenience they need and deserve. Indeed, raising the standards of living has never been easy. However, Megaworld has effectively lived up to the challenge time and time again.

Uptown Bonifacio

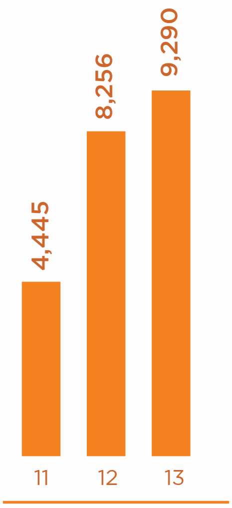
EMPERADOR INC.

THE COLOR OF TRIUMPH

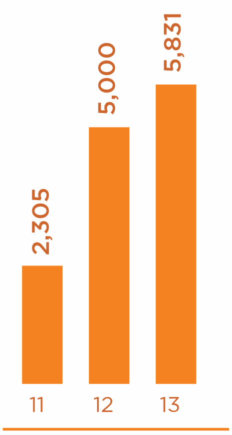
Colors are oftentimes associated with different things. In fact, people believe that colors can actually influence our emotions, our actions, and sometimes even our responses to different things and ideas. For instance, white is the color of purity and perfection. Black is considered the color of mystery and secretiveness while green is the color of life and nature.



REVENUES
(in Million Pesos)



GROSS PROFIT
(in Million Pesos)



NET PROFIT
(in Million Pesos)

In terms of financial performance, the year was another fruitful one for Emperador Inc. as consolidated revenues grew by a hefty 27 percent to P29.9 billion, from P23.6 billion the previous year.

Gold, in turn, is the color of achievement, success, prosperity, and triumph. Those who know Emperador Brandy and are familiar with the brandy's distinct golden color know this only too well. For through the years, Emperador Brandy, the flagship product of Emperador Inc., has been the embodiment of victory and accomplishment.

The year 2013 was no different for Emperador Inc., as Emperador continued to be the best-selling brandy in the world. For one thing, Emperador Brandy sold 33 million cases all over the world for the year, cornering almost 20 percent of the global brandy market. Moreover, some 400 million bottles of Emperador Brandy were sold in Asia, mostly in the Philippines and the Middle East. In Manila alone, seven out of 10 liquor bottles sold were Emperador Brandy bottles.

In terms of financial performance, the year was another fruitful one for Emperador Inc. as consolidated revenues grew by a hefty 27 percent to P29.9 billion, from P23.6 billion the previous year. Net income also improved substantially for the year, growing by 17 percent to P5.8 billion from P5 billion in 2012 and making Emperador Inc. the most profitable liquor company in the Philippines in 2013.

Despite the implementation of higher liquor taxes in 2013 and its consequent effects on product prices, Emperador Brandy continued to lead the competition with a 7 percent growth in volume for the year. This allowed Emperador to corner a huge 50 percent of the market in 2013.

Emperador Inc.'s acquisition in 2013 of Bodega San Bruno from one of the largest and oldest liquor and wine conglomerates in Spain allowed the company to own one of the world's best brandy stocks that are quite rare, high-quality and aged for more than 40 years in Spanish wineries. Emperador Inc. allocated around P5.8 billion to purchase the vineyards and brandy production facilities.

Just months after the acquisition, Emperador Inc. launched the new Emperador Deluxe Spanish Edition brandy, using the purchased authentic brandy stock that's aged in the wineries of Jerez, Spain. The new golden-amber-colored product carries the fine aroma of Palomino grapes, toffee, almonds, and honey; and a smooth, subtle flavor. Emperador Deluxe was well-received in the market and in less than a year became one of the best-selling brands in the imported liquor segment. Emperador Deluxe also helped further establish Emperador as a global brand and a major player in the premium liquor category.

Emperador Inc.'s acquisition in 2013 of Bodega San Bruno from one of the largest and oldest liquor and wine conglomerates in Spain allowed the company to own one of the world's best brandy stocks...

EMPERADOR INC.

From an initial offer price of P8.98, the Emperador Inc. stock price went up to P10.70 at the end of the year, equivalent to a 19 percent gain in share price.

The acquisition also enabled the company to pursue innovations in brandy production, particularly in a thriving but highly competitive global market. Most importantly, the acquisition provided a platform for the company to expand its global footprint and product offerings.

Another important achievement by the company in 2013 was the company's listing in the stock exchange. From an initial offer price of P8.98, the Emperador Inc. stock price went up to P10.70 at the end of the year, equivalent to a 19 percent gain in share price.

Emperador Light, The BaR flavored alcoholic drinks, and Carlo Rossi wines remained an important contributor to the company's bottom line as demand for these product lines remained strong for the year.

Created to appeal to a younger and more outgoing adventurous market segment, The BaR continued to be the best ready-to-drink flavored vodka in the market. In 2013, Emperador Inc. introduced The BaR Margarita, a ready-to-serve next-generation cocktail. The BaR Margarita effectively filled in a gap in the market by offering an over-the-counter pre-mixed version of a highly popular cocktail previously available only in bars.

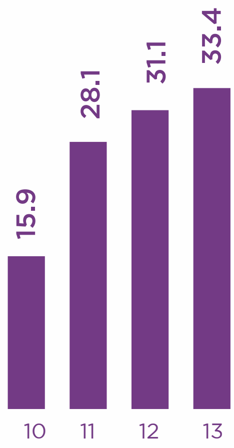
Carlo Rossi, on the other hand, has earned the distinction of being the best-selling wine in the Philippines, owing largely to the product's widespread availability and the unique fruity character of its wines. In fact, based on AC Nielsen's offtake numbers, one out of five wine bottles sold in the Philippines is a Carlo Rossi.

Indeed, the year 2013 was another prosperous one for Emperador Inc. Not only was the year replete with achievements, it was also marked with success in all of the company's undertakings. As things stand, nobody can deny that the golden amber color of Emperador Brandy is indeed the color of triumph.

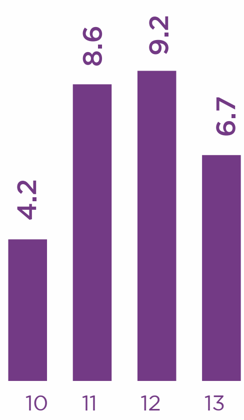
Carlo Rossi, on the other hand, has earned the distinction of being the best-selling wine in the Philippines, owing largely to the product's widespread availability and the unique fruity character of its wines.

AT THE HEART OF LEISURE AND ENTERTAINMENT

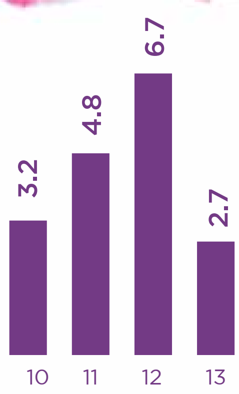
As young as the company is, Travellers International has already made serious strides towards its lofty goal of making the Philippines the premier world-class integrated entertainment and tourism destination in Asia, through its flagship project, Resorts World Manila, the country's very first integrated entertainment and tourism resort.



GROSS REVENUES
(in Billion Pesos)



EBITDA
(in Billion Pesos)



NET INCOME
(in Billion Pesos)

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC.

…the company embarked on an important initial public offering (IPO) during the year and began trading on the Philippine Stock Exchange under the ticker "RWM."

Launched in August 2009, Resorts World Manila occupies 11 hectares of prime real estate within the 25-hectare Newport City in Pasay. It has the largest gaming facility in the Philippines, housed on three levels, that includes 300 table games and over 2,000 gaming machines. Moreover, the resort complex has three fully operational hotels: the all-suite Maxims Hotel, the five-star Marriott Hotel, and the mid-range Remington Hotel that offers real value in an excellent location.

Every year since its opening, Resorts World Manila has succeeded in taking entertainment and tourism in the Philippines to a higher level in more ways than one, raising the bar for the rest who will follow. For Travellers International, this has been a major achievement, manifesting how far the company has gone in just a few years. But this was just the beginning.

Coming off a breakout 2012 with its official consolidation into the AGI fold and record performance, Travellers International capitalized on the momentum of growth it had built and continued to blaze a trail in 2013.

For one thing, the company embarked on an important initial public offering (IPO) during the year and began trading on the Philippine Stock Exchange under the ticker "RWM." In line with the IPO, the company conducted an international roadshow that covered not only Manila but Kuala Lumpur, Hong Kong, Singapore, New York, Boston, and London as well.

The international offering consequently received a strong demand from these first world cities. In fact, the international tranche was covered on the very first day of book-building and was significantly oversubscribed upon the closing of books. The transaction effectively attracted orders from around 100 global institutional accounts.

The domestic tranche fared equally well, enjoying a strong demand and being oversubscribed several times.

The company's expansion plans also gained substantial headway in 2013. Construction work on extensions and improvements to two existing hotels was in full swing during the year; one such extension is the Marriott Hotel Manila's new Grand Ballroom. The ballroom was designed to maximize the integrated resort's expansive property and is expected to open at the Newport City Cyber Tourism Zone in March 2015.

The development of two new hotels—the Hilton Manila Hotel and the Sheraton Manila Hotel—was also set in motion during the year. Travellers International aims to complete 350 rooms each for Hilton Manila Hotel and Sheraton Manila Hotel by the fourth quarter of 2017. The construction of the two world class hotels will ultimately make Resorts World Manila a five-hotel integrated resort.

The development of two new hotels—the Hilton Manila Hotel and the Sheraton Manila Hotel—was also set in motion during the year.

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC.

Total gross revenues reached a record P33.4 billion in 2013, an increase of 7.4 percent from the previous year's figure.

Travellers International also secured the approval of the Philippine Amusement and Gaming Corporation (PAGCOR) to expand the gaming segment of its integrated resort project. The company can now offer as many as 420 gaming tables and 4,148 gaming machines. As of end-2013, the company has 287 gaming tables, much like in the previous year. Slot machines, however, increased in number from 1,684 the previous year to 1,822 in 2013, while electronic table game machines more than doubled in number from 100 to 210 for the same period.

The impressive performance of Resorts World Manila in 2013 allowed Travellers International to register substantial growth in revenues.

Total gross revenues reached a record P33.4 billion in 2013, an increase of 7.4 percent from the previous year's figure. Gross gaming revenues contributed P30 billion of the gross and registered a 6.9 percent increase despite experiencing the lowest win rate in the company's history. The rise in gaming revenues was driven mainly by a hefty increase in volume from the VIP segment and a similarly strong mass segment volume growth.

In turn, revenues from hotel, food, beverage and others grew to P2.5 billion, 17 percent higher than the previous year's revenues. Occupancy rates for the company's three hotels also registered an increase.

The proceeds of Travellers International's IPO during the year enabled the company's assets to expand by a huge 27.6 percent to P61.2 billion by the end of 2013. This will allow the company to fast track the second and third phases of its expansion plans.

The past few years have indeed been prosperous for Travellers International and this is something that the company knows only too well. With this in mind, Travellers International has taken it upon itself to give back to the community it serves through a well thought-out corporate social responsibility (CSR) program. Among the various CSR initiatives that the company has undertaken in 2013 was a program to fund the construction of two four-story buildings holding around 400 classrooms for the Addition Hills Elementary School in Mandaluyong City and the construction of 24-room four story buildings for the Pasay City East High School and the Tambo Elementary School in Parañaque City. These projects were done in partnership with PAGCOR and with the objective of helping alleviate the shortage of classrooms in public schools.

It is without a doubt that the year 2013 was a favorable one for Travellers International. Not only was the company able to improve the country's standing in the global tourism map, it was also able to achieve its objectives of growth and profitability. In only a few years' time, Travellers International has become one of the major growth drivers in the AGI family as it continues to initiate projects that effectively place the country right at the heart of leisure and entertainment in the Philippines and in Asia.

Not only was the company able to improve the country's standing in the global tourism map, it was also able to achieve its objectives of growth and profitability.

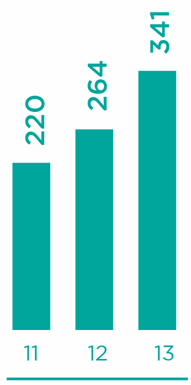
GLOBAL-ESTATE

CREATING BEAUTIFUL REASONS TO COME TO THE PHILIPPINES

The whole world knows that the Philippines is loaded with tourist attractions that travelers always dream of experiencing—lovely beaches, exciting adventure spots, beautiful and exotic destinations, picturesque sceneries, friendly and accommodating locals, and an awe-inspiring cultural mix. While Philippine tourism has been on an upswing in the past few years, there is still so much room for growth in this sector.

REVENUES
(in Million Pesos)

EBITDA
(in Million Pesos)



NET INCOME
(in Million Pesos)

GLOBAL-ESTATE RESORTS, INC.

GERI registered P1.76 billion in total revenues in 2013, a huge 27 percent increase from the company's total revenue figure of P1.39 billion the previous year.

This is something that Global-Estate Resorts, Inc. (GERI) is fully aware of. With this in mind, GERI has resolved to create more beautiful and comfortable attractions in the country to make tourists take notice. Indeed, GERI has effectively initiated several projects that aim to take the country's tourism industry to greater heights.

GERI is currently the leading developer of integrated tourism estates in the Philippines with a land bank of over 3,000 hectares. The company is engaged in developing master-planned communities that feature world-class lifestyle and leisure offerings that aim to set new standards in the country's tourism industry.

Only on its third year as a member of the AGI family, GERI registered P1.76 billion in total revenues in 2013, a huge 27 percent increase from the company's total revenue figure of P1.39 billion the previous year. Net income grew to P341 million for the year from P264 million in 2012, an impressive 29 percent growth.

In its mission to enhance Philippine tourism, GERI is currently at work on two major integrated and master-planned tourism projects: the Boracay Newcoast and the Twin Lakes resort community near Metro Tagaytay. The company has initially allotted a total of P20 billion for these two flagship projects which will include world-class resorts and first-rate facilities and amenities.

The Boracay Newcoast is being developed at a budget of P15 billion on 150 hectares of land that occupy roughly 15 percent of Boracay. It is considered the single largest piece of land in the island.

With its proximity to the world-famous Boracay beaches, Boracay Newcoast is designed to be a leisure-driven community that will boost Boracay's long-term tourism growth by helping increase tourist arrivals year to year.

Although Boracay is known to have numerous lodging houses for transients, the Boracay Newcoast complex will be offering four world-class hotels for the more discriminating tourists. One of the hotels will be AGI's own hotel brand. Right now, two hotels are currently being developed in the complex: the Boracay Savoy Hotel and the Boracay Belmont Luxury Hotel.

The 559-room Boracay Savoy Hotel is aimed at redefining the night scene in Boracay as the island is being positioned to be the Ibiza of Asia where electronic dance music events are regularly held. Part of the hotel complex is a row of retail establishments with a 400-square-meter roof deck dance floor that overlooks the pool and the bars.

The Newcoast Village, the Town Center Shophouse District, the Boutique Hotel District, and the Oceanway Residences are also being developed within Boracay Newcoast.

Twin Lakes, GERI's second flagship project, is a 1,300-hectare community in Laurel, Batangas, just off Metro Tagaytay. The company is initially putting in P5 billion for the development of this first-of-a-kind vineyard resort community expected to be the premiere medical and educational tourism destination in the country. Twin Lakes has a panoramic view of Taal Volcano and the Taal Lake and offers a unique resort lifestyle centered on Tagaytay's beautiful scenery, the fresh greenery and year-round cool weather.

One of the major projects within Twin Lakes is the garden-themed Domaine Le Jardin, a 33-hectare residential village whose design was inspired by the garden-laden scenery of Tagaytay. Domaine Le Jardin is the first residential community in the country to offer properties with specially built terrace areas.

The other major development within Twin Lakes is The Vineyard Residences, a cluster of residential towers located in a 69-hectare mixed-use complex aptly called the Vineyard. The Vineyard Residences currently showcases two prime condominiums named Merlot and Chardonnay, which are in different stages of completion.

The Vineyard Residences offers a luxurious yet laid-back lifestyle suited to Tagaytay's cool weather and scenic views. Another unique offering of the residential complex is that it is beside the first and only chateau and vineyard in the Calabarzon area, a definite plus for wine lovers.

The Boracay Newcoast is being developed at a budget of P15 billion on 150 hectares of land that occupy roughly 15 percent of Boracay.

GLOBAL-ESTATE RESORTS, INC.

The company intends to do this by providing fresh attractions to Tagaytay while offering a totally new resort experience to visitors.

With the Twin Lakes project, GERI aims to revive the former glory of Tagaytay, which used to be a favorite weekend destination of families from Metro Manila and the nearby provinces. The company intends to do this by providing fresh attractions in Tagaytay while offering a totally different resort experience to visitors.

GERI also launched new major projects in other key cities in the country. The company launched a mixed-use development project in Iloilo called the Sta. Barbara Heights that will feature residential spaces, a town center, international schools, a sports hub, world-class hotels, an IT park, and other establishments and shops. The huge 170-hectare township property is the first of its kind in the region and is envisioned to transform Iloilo into a major business district in the near future.

The Iloilo International Avenue runs through Sta. Barbara Heights and will provide easy access to residents going to and from the township. The avenue also makes the nearby Iloilo International Airport easier to access. Also adjacent to the township are historical landmarks like the Iloilo Golf Course and Country Club, the oldest golf course in Asia, and the Sta. Barbara Church and Convent.

Indeed, the year 2013 has been a busy and fruitful one for GERI. The company, however, doesn't plan to rely on past achievements to carry it towards its growth objectives in the coming years.

The company has set an annual revenue and income growth target of at least 20 percent and, to achieve this, GERI plans to expand its current projects and initiate new ones.

The company aims to launch additional components for Boracay Newcoast and Twin Lakes. In Boracay Newcoast, the company is set to launch Phase 2 of the Belmont Luxury Hotel and Phase 3 of Boracay Portico. GERI also aims to develop its third residential condominium project at Twin Lakes' Vineyard Residences called the Shiraz.

Part of the company's growth strategy is the development of 561 hectare Southwoods City, a fully integrated township in Laguna. Southwoods City is envisioned to be the next central business district and the main residential, business, commercial and leisure hub south of Metro Manila.

The very first project in the township is the Pahara at Southwoods, a luxury residential community that offers a self-sustaining lifestyle to its residents. Pahara, a Bengali term for hills, was so named due to the development's location, which is within the green slopes of the Manila Southwoods Golf and Country Club. GERI will also be developing within the township the Southwoods Mall, a huge lifestyle shopping center with 68,515 square meters of leasable space.

With all the developments in the past year, GERI is in a much better position to sustain its momentum of growth. In fact, the company has formulated major growth initiatives for the coming years, some of which are: continuing its investment in the company's human resources through the establishment of a learning center, increasing the company's recurring income through a substantial increase in the number of hotel rooms among other things, utilizing internally generated funds and equity to finance development and meet operating expenses, and cooperating fully with the new parent company in shared services.

In June 2014, GERI was consolidated into Megaworld which controls a total of 80.4 percent of the company's stock. This bodes well for GERI, considering Megaworld's leadership position in the property development industry and its reputation of growth and achievement.

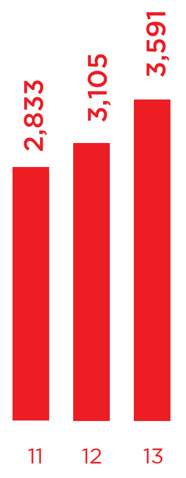
GERI has definitely come a long way since its entry into the AGI family a few years ago. Not only has its tourism estate projects created more beautiful reasons to come to the Philippines, they have also contributed significantly to the growth and strength of AGI as a whole. In the process, the company has enhanced the country's image as a major Asian tourist destination. Now with a new parent company, GERI is poised to implement bigger and better projects and boost the country's tourism industry even more.

GERI also aims to develop its third residential project at Twin Lakes' Vineyard Residences called the Shiraz.

A GLIMPSE OF A GREAT 2013 FOR THE GOLDEN ARCHES

When one thinks of McDonald's, it always has been about great-tasting food, warm smiles of the crew and happy faces of customers. No restaurant chain globally has been associated with happiness as strongly as McDonald's has. Since it opened its very first store in the Philippines in 1981, McDonald's has succeeded in serving happiness to millions of Filipino customers every day making them say 'Hooray for Today!'

REVENUES
Rendering of Services
(in Million Pesos)



GROSS PROFIT
(in Million Pesos)

NET INCOME
(in Million Pesos)

GOLDEN ARCHES DEVELOPMENT CORP.

2013 ended strong with close to 40 new restaurants.

The year finished strong with a total of 408 restaurants across the country. Of these, 56 percent are owned by GADC...

It is therefore not surprising that McDonald's has become one of the most successful quick-service restaurant chains in the country today.

Golden Arches Development Corporation (GADC) is the master franchise holder of McDonald's in the Philippines headed by its Founder and Chairman George T. Yang. Close to a decade ago, GADC became a 100% Filipino-owned company with AGI as their partner. The brand has since embarked on a journey to become Filipino customers' first choice.

On the Map

In 2013, McDonald's Philippines continued to be aggressive in restaurant expansion. It opened 37 new restaurants reaching out to more Filipino families especially in new territories like Kalibo, Aklan, Naic, Cavite and Surigao. The year finished strong with a total of 408 restaurants across the country. Of these, 56% are owned by GADC while the rest are owned by independent franchisees.

On top of new restaurant openings, McDonald's has also re-imaged close to 40 of its existing restaurants in the country. The re-imaged restaurants bear hip, modern designs with sleek and fun interiors, giving a warmer and accommodating ambiance to its loyal customers.

McDonald's also continuously provide customers with more ways to enjoy their favourites anytime, anywhere even outside the restaurant walls by opening more McDelivery hubs, Dessert Centers, Drive-Thru and 24 Hour restaurants.

Thousands of Filipinos nationwide enjoyed their free McMuffin in celebration of National Breakfast Day.

McSpicy Chicken Burger

With its aim of having 500 restaurants in the country by 2015 within reach, GADC will open more new restaurants in new territories, re-image its existing restaurants and continue innovations on accessibility—setting its sights to serve and spread happiness to more Filipinos.

Customer Delight

McDonald's has also been aggressive in exciting customers with new products and promotions.

The first quarter of the year started with the second 'Hooray for Today' breakfast campaign anchored on encouraging customers to start their day on a positive note at McDonald's. This led to the celebration of the first ever National Breakfast Day. As part of the biggest regional breakfast activation done in Asia Pacific, Middle East and Africa, participating McDonald's restaurants in the Philippines each gave 1,000 free Egg McMuffin sandwiches.

2013 was the year when McSpicy 'spiced up your day'. The new chicken burger that is spiced just right, became an instant favourite amongst Filipinos, especially when paired with the limited time offer of Shake Shake Fries.

McDonald's Philippines also re-affirmed its commitment to family in 2013. The return of the iconic Happy Meal Red Box paved the way for kids and even kids-at-heart to rediscover happiness in a box.

With its aim of having 500 restaurants in the country by 2015 within reach, GADC will open more new restaurants in new territories, re-image its existing restaurants and continue innovations on accessibility — setting its sights to serve and spread happiness to more Filipinos.

GOLDEN ARCHES DEVELOPMENT CORP.

Customers discover happiness with the return of the iconic Happy Meal Box!

McDonald's Philippines received the Golden Arch Award 2012-2013 at the Worldwide Convention held in Orlando, Florida.

Total revenues increased by P2.15 billion or 15.7% from P13.66 billion in 2012 to P15.81 billion in 2013. The company also enjoyed positive net income increase of 13.7%...

These are just some of the initiatives McDonald's had for its customers for the year and as a result garnering its highest market share to date--from 22% in 2012 to 26% by the end of 2013, it was definitely a strong year for the brand.

Total revenues increased by P2.15 billion or 15.7% from P13.66 billion in 2012 to P15.81 billion in 2013. The company also enjoyed positive net income increase of 13.7% versus previous year despite continuous increase in operating costs.

Sales from company-owned restaurants rose by 15.3% while revenue from franchisees increased by 21.5%. GADC's revenue growth extended to the first quarter of 2014 as it increased by 12.9% compared to the company's earnings during the same period in 2013.

On top of the numbers, GADC was also lauded globally as it received the Golden Arch Award, the highest recognition given by McDonald's Corporation to franchisees all over the world for exceptional execution in restaurant operations, commitment to people, and valuable contributions to the community. The award affirms GADC's embodiment of what the McDonald's system is all about--passion, energy and excellence.

Making a Difference

With all its success, McDonald's Philippines knows that it owes it all to its customers. Through the Ronald McDonald House Charities

Employees distributed relief packs in areas affected by Typhoon Yolanda.

(RMHC), McDonald's charity of choice, the company gave back to the communities it serves. RMHC's two flagship programs, McDo Read to Learn & McDo Bahay Bulilit, champion children's well-being through education. To date, McDo Read to Learn Program, together with the Department of Education (DepEd), has provided close to 5,000 public schools with beginning reading toolkits for elementary students while McDo Bahay Bulilit Day Care Centers are now in more than 20 areas in partnership with Department of Social Welfare & Development (DSWD).

RMHC's disaster and relief program, McDo Bigay Tulong was also activated to help those affected by natural calamities that hit the country in 2013. During the aftermath of Typhoon Yolanda, McDo Bigay Tulong opened its first Command Center operating as a hub for re-packing and distribution of goods. McDonald's Philippines through RMHC, was able to help over 70,000 families in Leyte.

With a robust foundation on value, quality and service and with the mindset of remaining relevant to what the customers need, McDonald's Philippines remains committed to provide an enjoyable customer experience for Filipinos. Its passion to provide great-tasting food, quality service, exciting initiatives, warm restaurant ambiance and its involvement in the community will always be solid. At the same time, growing the business will always be a top goal.

McDonald's will definitely keep on spreading happiness to more Filipino customers that will say, 'Love ko 'to!'

RMHC's two flagship programs, McDo Read to Learn & McDo Bahay Bulilit, champion children's well-being through education while RMHC's disaster and relief program, McDo Bigay Tulong was also activated to help those affected by natural calamities that hit the country in 2013.

BOARD OF DIRECTORS

ANDREW L. TAN
Chairman & Chief Executive Officer

Dr. Tan has served as Chairman of the Board since September 2006 and as Vice-Chairman of the Board from August 2003 to September 2006. Mr. Tan is concurrently the Chairman of the Board and President of Megaworld Corporation, Megaworld Land,Inc., Richmonde Hotel Group International Limited, and Yorkshire Holdings, Inc. He is also Chairman of Emperador Inc., Global-Estate Resorts, Inc., Emperador Distillers, Inc., Alliance Global Brands, Inc., Consolidated Distillers of the Far East, Inc., Eastwood Cyber One Corporation, Empire East Land Holdings, Inc., Megaworld Central Properties, Inc., Megaworld Foundation, Inc., Townsquare Development Inc., and Adams Properties, Inc. He also serves as Vice-Chairman and Treasurer of Golden Arches Development Corporation; Golden Arches Realty Corporation. He sits in the boards of Andresons Global, Inc., Travellers International Hotel Group, Inc., and Twin Lakes Corporation. He pioneered the live-work-play-learn model in the real estate development through the Megaworld Corporation's integrated township communities, fueling the growth of the business process outsourcing ("BPO") industry, food and beverage, and quick service restaurants industries. Dr. Tan graduated Magna Cum Laude from the University of the East with a degree of Bachelor of Science in Business Administration.

SERGIO R. ORTIZ-LUIS, JR
Vice-Chairman / Independent Director

Mr. Ortiz-Luis has served as Independent Director and Vice-Chairman of the Board since September 2007. He is the President of the Philippine Exporters Confederation, Inc. (PHILEXPORT) and Honorary Chairman and Treasurer of the Philippine Chamber of Commerce & Industry. He is also Honorary Chairman of Integrated Concepts & Solutions, Inc. and Vice-Chairman of Export Development Council. He is a Director of Waterfront Philippines, Inc., Philippine Estate Corporation, B.A. Securities, Manila Exposition Complex, Inc., and Forum Pacific Inc. (FPI Philippines). He is also an Independent Director of AB Capital, Waterfront Philippines, Inc.

KINGSON U. SIAN
Director and President

Mr. Sian has served as Director and President since February 20, 2007. He is also the President of Travellers International Hotel Group Inc. and Executive Director of Megaworld Corporation and Chairman & President of Asia Finest Hotels & Resorts, Inc., Megaworld Resort Estates, Inc., Prestige Hotels & Resorts, Inc., and Manila Bayshore Property Holdings, Inc. He is also a Director of Emperador Inc. and Asia E-Commerce, Inc. Mr. Sian graduated from the University of the Philippines with the degree of Bachelor of Science in Business Economics. He obtained his Masteral Degree in Business Administration for Finance and Business Policy from the University of Chicago.

KATHERINE L. TAN
Director & Treasurer

Ms. Tan has served as Director and Treasurer since February 2007. She is the Chairman & President of Andresons Global, Inc. and Choice Gourmet Banquet, Inc. She is also Director/President of Consolidated Distillers of the Far East, Inc., Raffles and Company, Inc., and The Andresons Group, Inc. She is the Director/Treasurer, Emperador Inc., Alliance Global Brands, Inc., Emperador Brandy, Inc., Emperador Distillers, Inc., and Yorkshire Holdings, Inc. She is also Director of Empire East Land Holdings, Inc., Emperador International Limited, Kenrich Corporation, McKesterPik-Nik International Limited, Megaworld Corporation, Megaworld Cayman Islands, Inc., Venezia Universal Limited, and The Bar Beverage, Inc. She is the Treasurer of Newtown Land Partners, Inc. Ms. Tan graduated from St. Scholastica's College with a degree in Nutrition.

BOARD OF DIRECTORS PROFILE

WINSTON S. CO
Director

Mr. Co has served as Director of Alliance Global Group, Inc. since 1998 where he previously was Vice Chairman of the Board from November 1999 to August 2003 and Chairman from June 1998 to October 1999. He is the Chairman & President of New Town Land Partners, Inc., Chairman of Anglo Watsons Glass, Inc. and Director/ President of Emperador Inc. and Emperador Distillers, Inc. He sits in the boards of Alliance Global Brands, Inc., Forbes Town Properties & Holdings, Inc., McKester Pik-Nik International Limited, Raffles & Company, Incorporated, and The Bar Beverage, Inc. He is also Senior Vice President of The Andresons Group, Inc. Mr. Co is a Magna Cum Laude graduate of Jose Rizal College with a Bachelor of Science in Commerce.

KEVIN ANDREW L. TAN
Director

Mr. Tan has served as Director since April 20, 2012. He is concurrently a Director of Emperador Distillers, Inc., Alliance Global Brands, Inc., Anglo Watsons Glass, Inc., Yorkshire Holdings, Inc., The Bar Beverage, Inc., Emperador Brandy, Inc., and New Town Land Partners, Inc. He has over 11 years of experience in retail leasing, marketing and operations. He currently heads the Commercial Division of Megaworld Corporation, which markets and operates the Megaworld Lifestyle Malls, including Eastwood Mall and The Clubhouse at Corinthian Hills in Quezon City, Venice Piazza at McKinley Hill and Burgos Circle at Forbestown Center, both in Fort Bonifacio, California Garden Square in Mandaluyong City, Newport Mall at Resorts World Manila in Pasay City, and Lucky Chinatown Mall in Binondo, Manila. Mr. Tan holds a Bachelor of Science Business Administration degree, major in Management, from the University of Asia and the Pacific.

ALEJO A. VILLANUEVA, JR
Independent Director

Mr. Villanueva has served as Independent Director since August 2001. He is the Chairman of Ruru Courier Systems, Inc. and Vice Chairman of Public Relations Counsellors Foundation of the Philippines, Inc. He is concurrently an Independent Director of Emperador Inc., Empire East Land Holdings, Inc., and Suntrust Home Developers, Inc. He is also Director of First Capital Condominium Corporation, a non-stock non-profit corporation. He is a professional consultant who has more than twenty years of experience in the fields of training and development, public relations, community relations, institutional communication, and policy advocacy, among others. He has done consulting work with the Office of the Vice President, the Office of the Senate President, the Commission on Appointments, the Securities and Exchange Commission, the Home Development Mutual Fund, the Home Insurance Guaranty Corporation, Department of Agriculture, Philippine National Railways, International Rice Research Institute, Rustan's Supermarkets, Louis Berger International (USAID-funded projects on Mindanao growth), World Bank (Subic Conversion Program), Ernst & Young (an agricultural productivity project), Chemonics (an agribusiness project of USAID), Price Waterhouse (BOT program, a USAID project), Andersen Consulting (Mindanao 2000, a USAID project), Renardet S.A. (a project on the Privatization of MWSS, with World Bank funding support), Western Mining Corporation, Phelps Dodge Exploration, and Marubeni Corporation. Mr. Villanueva obtained his bachelor's degree in Philosophy from San Beda College, summa cum laude. He has a master's degree in Philosophy from the University of Hawaii under an East-West Center Fellowship. He also took up special studies in the Humanities at Harvard University. He studied Organizational Behavior at INSEAD in Fontainebleau, France. He taught at the Ateneo Graduate School of Business, the UST Graduate School, and the Asian Institute of Journalism.

In 2002, the Company adopted a Manual on Corporate Governance in order to institutionalize the rules and principles of good corporate governance in the entire organization in accordance with the Code of Corporate Governance promulgated by SEC (A Revised Manual was adopted by the Company on July 20, 2014 pursuant to SEC Memorandum Circular No. 6, Series of 2009 and as amended by SEC Memorandum Circular No. 9, Series of 2014).

Audit Committee
The Company's Audit Committee is responsible for ensuring that all financial reports comply with internal financial management and accounting standards, performing oversight financial management functions, pre-approving all audit plans, scope and frequency and performing direct interface functions with internal and external auditors. This Committee has three members, two of whom are independent directors. An independent director serves as the head of the committee.

Compensation and Remuneration Committee
The Company's Compensation and Remuneration Committee is responsible for establishing a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, as well as providing oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy and control environment. This Committee consists of three members, including at least one independent director.

Nomination Committee
The Company's Nomination Committee pre-screens and shortlists all candidates nominated to become a member of the Board of Directors in accordance with qualifications prescribed by law and the Company's Manual of Corporate Governance. This Committee has three voting members, including at least one independent director.

Evaluation System
The Company has designated a Compliance Officer who is tasked with monitoring compliance with the provisions of its Manual of Corporate Governance. The Compliance Officer, who is directly reporting to the Chairman of the Board, has established an evaluation system to measure or determine the level of compliance by the Company with its Manual. A Self-Rating System on Corporate Governance was implemented and submitted to SEC and PSE in July 2003.

Deviations from Manual and Sanctions Imposed
In 2013, the Company substantially complied with its Manual of Corporate Governance and did not materially deviate from its provisions. No sanctions have been imposed on any director, officer or employee on account of non-compliance.

Plan to Improve Corporate Governance
Pursuant to SEC Memorandum Circular No. 6, Series of 2009 (and as amended by SEC Memorandum Circular No. 9, Series of 2014), the Company has revised its Manual of Corporate Governance to make its provision compliant with the Revised Code of Corporate Governance.

Among the measures undertaken by the Company in order to fully comply with the provisions of the leading practices on good corporate governance adopted in its Manual on Corporate Governance are monitoring and evaluation of the internal control system for corporate governance. The Company likewise maintains an active website where its Annual Reports, Quarterly Reports, Financial Statements and other disclosures are uploaded for easy access and reference by the investing public. The Company is committed to good corporate governance and continues to improve and enhance the evaluation system for purposes of determining the level of compliance by the Company with its Manual on Corporate Governance.

a. Key Performance Indicators

Presented below are the top five (5) key performance indicators of the Company and subsidiaries:

In Million Pesos	2013	2012	2011
REVENUES[1]	123,379	102,134	66,291
NET PROFIT[1]	23,055	20,494	14,743
NET PROFIT TO OWNERS OF AGI[1]	17,218	13,910	11,607
TOTAL ASSETS	332,400	272,211	220,559
CURRENT ASSETS	197,690	152,316	128,620
CURRENT LIABILITIES	50,585	45,196	36,246
Revenue growth	20.8%	54.1%	
Net profit growth	12.5%	39.0%	
Attributable to equity holders of parent	23.8%	19.8%	
Net profit rate	18.7%	20.1%	22.2%
Attributable to equity holders of parent	14.0%	13.6%	17.5%
Return on investment/assets	6.9%	7.5%	6.7%
Current ratio	3.91x	3.37x	3.55x
Quick ratio	2.62x	2.15x	2.37x

[1]Revenues and net profit included the P3,132 million income from acquisition of GERI by AGI in 2011 and P764 million from acquisition of a realty corporation by MEG in 2013. Also included in 2013 is the P2,905 million income realized by AGI from the offering of EMP shares, or P2,889 million net of P16 million stock transaction tax.

- *Revenue growth – measures the percentage change in revenues over a designated period of time. Performance is measured both in terms of amount and volume, where applicable.*
- *Net profit growth – measures the percentage change in net profit over a designated period of time.*
- *Net profit rate– computed as percentage of net profit to revenues - measures the operating efficiency and success of maintaining satisfactory control of costs.*
- *Return on asset investment [or capital employed]– the ratio of net profit to total assets - measures the degree of efficiency in the use of resources to generate net income.*
- *Current ratio – computed as current assets divided by current liabilities – measures the ability of the business to meet its current obligations. To measure immediate liquidity, quick assets [cash,marketable securities, accounts receivables] is divided by current liabilities.*

b. Discussion and Analysis of Operation

The following discussion and analysis must be read in conjunction with the submitted audited consolidated financial statements and the related notes thereto.

b.1 Results of Operations:

By Subsidiary groups:

	MEG[a]	EMP	RWM[b]	GADC	GERI	Others[c]	TOTAL
2013							
Revenues	35,348	29,865	32,913	15,977	1,759		
Interco	-230	0	0	0	0		
Consolidated	**35,118**	**29,865**	**32,913**	**15,977**	**1,759**	**7,747**	**123,379**
% contribution	28.5%	24.2%	26.7%	12.9%	1.4%	6.3%	100%
Costs and expenses	23,748	21,960	30,107	14,744	1,305		
Interco	412	-17	-33	0	-14		
Consolidated	**24,160**	**21,943**	**30,074**	**14,744**	**1,291**	**2,755**	**94,967**
Net profit	9,035	5,831	2,740	788	341		
Interco	-649	16	33	0	14		
Consolidated	**8,386**	**5,847**	**2,773**	**788**	**355**	**4,906**	**23,055**
% contribution	36.4%	25.4%	12.0%	3.4%	1.5%	21.3%	100%
Net profit to owners	**5,254**	**5,271**	**1,178**	**387**	**224**	**4,904**	**17,218**
% contribution	30.5%	30.6%	6.8%	2.3%	1.3%	28.5%	100%
2012							
Revenues	30,551	23,594	31,850	13,924	1,384		
Interco	-3,012	0	0	0	0		
Consolidated	**27,539**	**23,594**	**31,850**	**13,924**	**1,384**	**3,843**	**102,134**
% contribution	27.0%	23.1%	31.2%	13.6%	1.4%	3.7%	100%
Costs and expenses	20,887	16,765	25,047	12,899	1,066		
Interco	-2,105	-13	-103	0	0		
Consolidated	**18,782**	**16,752**	**24,944**	**12,899**	**1,066**	**2,574**	**77,017**
Net profit	7,412	5,000	6,734	694	264		
Interco	-908	13	103	0	0		
Consolidated	**6,504**	**5,013**	**6,837**	**694**	**264**	**1,182**	**20,494**
% contribution	31.7%	24.5%	33.4%	3.4%	1.3%	5.7%	100%
Net profit to owners	**3,722**	**5,013**	**3,470**	**336**	**188**	**1,181**	**13,910**
% contribution	26.8%	36.0%	25.0%	2.4%	1.3%	8.5%	100%

	MEG[a]	EMP	RWM[b]	GADC	GERI	Others[c]	TOTAL
2011[2]							
Revenues[1,3]	28,633	17,355		12,097	1,042		
Interco	-2,486	0		0	0		
Consolidated	**26,147**	**17,355**	**2,419**	**12,097**	**1,042**	**7,231**	**66,291**
Costs and expenses	18,462	14,184		11,116	774		
Interco	17	0		0	0		
Consolidated	**18,479**	**14,184**		**11,116**	**774**	**3,643**	**48,196**
Net profit	**5,672**	**2,305**	**2,419**	**648**	**220**	**3,479**	**14,743**
Net profit to owners	**2,953**	**2,305**	**2,419**	**309**	**142**	**3,479**	**11,607**
Year-on-year Change							
2013							
Revenues	27.5%	26.6%	3.3%	14.7%	27.1%	101.6%	20.8%
Costs and expenses	28.6%	31.0%	20.6%	14.3%	21.1%	7.0%	23.3%
Net profit	28.9%	16.6%	-59.5%	13.5%	34.5%	315.1%	12.5%
Net profit to owners	41.2%	5.2%	-66.1%	15.2%	19.2%	315.2%	23.8%
2012							
Revenues	5.3%	36.0%		15.1%	32.8%	-46.8%	54.1%
Costs and expenses	1.6%	18.1%		16.0%	37.7%	-29.3%	59.8%
Net profit	14.7%	117%		7.1%	20.0%	-66.0%	39.0%
Net profit to owners	26.0%	117%	43.4%	8.7%	32.4%	-66.0%	19.8%

Amounts are in million Pesos. Numbers may not add up due to rounding off. The above follows grouping of accounts at AGI consolidated level, so revenues may not tally the totals separately reported by subsidiaries as there may be items reclassified from/to revenues to/from costs at AGI consolidated level.

[a]MEG above excluded the gains from sale of AGI shares of P109.9 million and P2 billion in 2013 and 2011, respectively, which were reclassified to APIC under Equity section. Included in 2013 is P763.8 million gain on acquisition of a new subsidiary, Woodside Greentown Properties, Inc..

[b]RWM revenues are presented before taking out promotional allowance of P2.5 billion and P1.7 billion in 2013 and 2012, respectively; these are included under costs and expenses at AGI conso level. RWM is consolidated beginning 2012; for 2011, it is the Group's share in RWM's net profit that is shown.

[c]Others included AGI's P3.1 billion gain on acquisition of GERI in 2011 and P2.9 billion from offering of EMP shares in 2013.

These strong performances are reflected in the profit and loss accounts, as follows:

	2013	2012	2011	2013 Vs 2012	2012 Vs 2011
REVENUES					
Sale of goods	56,519	44,083	37,713	28.2%	16.9%
Consumer goods	29,588	23,703	18,135	24.8%	30.7%
Revenues from real estate (RE) sales	26,931	20,380	19,578	32.1%	4.1%
RE sales	22,159	16,757	16,360	32.2%	2.4%
Realized gross profit on RE sales	3,235	2,295	1,999	40.9%	14.8%
Interest income on RE sales	1,537	1,328	1,219	15.8%	8.9%
Rendering of services	56,687	50,523	16,344	12.2%	209.1%
Gaming	30,004	28,058		6.9%	n/m
Sales by company-operated quick-service restaurant	14,554	12,622	11,029	15.3%	14.4%
Franchise revenues	1,256	1,033	847	21.5%	22.0%
Rental income	6,396	5,351	3,863	19.5%	38.5%
Other services	4,477	3,459	605	29.4%	471.7%
Include Hotel operations	3,284	2,732	392	20.2%	596.9%
Share in net profits of associates and joint ventures	0	118	2,540	-100%	-95.3%
Finance and other income	10,173	7,410	9,694	37.3%	-23.6%
TOTAL	123,379	102,134	66,291	20.8%	54.1%
COSTS AND EXPENSES					
Cost of goods sold	37,532	28,387	26,719	32.2%	6.2%
Consumer goods sold	20,071	15,260	13,312	31.5%	14.6%
RE sales	13,015	9,655	10,315	34.8%	-6.4%
Deferred gross profit on RE sales	4,446	3,472	3,092	28.1%	12.3%
Cost of services	27,337	22,652	9,436	20.7%	140.1%
Gaming-license fees, promo allowances	9,040	7,873		14.8%	
Services	18,297	14,779	9,436	23.8%	56.6%
Other operating expenses	25,076	21,726	8,221	15.4%	164.3%
Selling and marketing	13,163	11,449	3,587	15.0%	219.2%
General and administrative	11,913	10,277	4,634	15.9%	121.8%
Share in net losses of associates and joint ventures – net	14	0			
Finance costs and other charges	5,009	4,252	3,821	17.8%	11.3%
TOTAL	94,967	77,017	48,196	23.3%	59.8%

Amounts in million pesos; numbers may not add up due to rounding off. *n/m-not meaningful.*

For the Year Ended December 31, 2013 vs. 2012

Net profit for the year went up by 12.5% to P23.1 billion from P20.5 billion a year ago while the portion attributable to owners of the parent company grew by 23.8% to P17.2 billion from P13.9 billion a year ago, as driven by the strong revenues from all subsidiary groups.

Megaworld's performance is buoyed on its stronger residential sales and higher leasing income from its office and retail portfolio. It launched a total of 18 projects in 2013 – 10 for Megaworld (One Eastwood Avenue Tower 2 in Eastwood, Uptown Parksuites in Uptown Bonifacio, The Florence Tower 1 in McKinley Hill, Manhattan Plaza Tower 1 in Araneta Center, Bayshore Residential Resort Phase 2 in Pasay City, One Manchester Place Tower 1 in The Mactan Newtown Cebu, One Madison Place Tower 1,2,3 as well as commercial lots in Iloilo Business Park in Iloilo City), 5 for Empire East (San Lorenzo Place Tower 3 in Makati, Kasara Urban Residences Tower 3 and The Rochester Tower 6 in Pasig City, and Cambridge Clusters 32, 33 in Pasig City and Cainta, Rizal) and 3 for Suntrust (Suntrust Kirana in Pasig City, Suntrust Rivabella and Suntrust Ecotown in Cavite). The group posted a record P68.2 billion in reservation sales in 2013 from the 18 projects launched. Real estate sales were reported 16.9% higher than a year ago while rental income from office developments and lifestyle malls were up 20.9% from a year ago. It also realized P763.8 million gain on acquisition of a wholly-owned subsidiary, Woodside Greentown Properties, Inc., in 2013. Further, its acquisition of cinema operations this year added P226 million in revenues.

Emperador' strong performance is anchored on its higher sales volume, with 33 million cases sold this year as compared to 31 million cases a year ago. Emperador also increased selling prices at the start of the year to cushion the effect of the new excise tax which took effect in January 2013. The introduction of Emperador Deluxe in March 2013 also contributed incremental revenues. Product sales were reportedly up 25.4% from a year ago.

Travellers reported gaming and non-gaming revenues (net of promotional allowances) up 5.0% from a year ago. It experienced a low VIP hold in the fourth quarter which dragged revenue. VIP volume showed strong growth year-on-year while mass volume held steady. Revenues from hotel, food and beverage reportedly improved by 17.0% as all hotels registered higher occupancy rates as the company made full use of the facilities to drive gaming patronage. Its total revenues and net profit, however, compressed as it recorded P2.0 billion finance costs including marked-to-market losses on foreign exchange related to its $300 million bond.

GADC's performance growth is primarily due to the opening of 37 new restaurants, reimaging of 36 existing restaurants, expansion of business extensions (delivery service, drive-thru, dessert centers, midnight hours and breakfast daypart), the introduction of a new product (McSpicy chicken burger and rice meal), and aggressive advertising/promotional campaigns to support Fries, Summer Desserts, McSavers (coffee and sundae), McDelivery, McSaver meals, and Breakfast. Average sales per restaurant grew by 5.8% for company-owned restaurants and by 4.8% for franchise and joint-venture restaurants while revenues from business extensions grew by 15.6%. Value pricing strategy is adopted in order to drive more guest count and price increases are strategically implemented to mitigate rising costs and to maintain the level of product quality.

GERI improved on its real estate sales and hotel operations by 32.3% and 151.9%, respectively. Real estate sales came from the sale of residential subdivision lots in Newcoast Shophouse District and Boutique Hotel in Malay, Aklan, Sta. Barbara Heights in Iloilo City, and Twin Lakes Domaine Le Jardin in Laurel, Batangas.

Revenues, thus, as a result of the foregoing, grew by 20.8% year-on-year. Sales of real estate and consumer goods (alcoholic beverages and snack products) leaped 32.2% and 24.8%, respectively, while gaming revenues increased by 6.9%. Sales from company-owned restaurants expanded by 15.3% while franchised revenues increased by 21.5%. Rental income went up by 19.5% from the additional office spaces and retail spaces of Megaworld, RWM and GERI. Other service revenues this year included hotel operations of these three groups which also grew by 20.2% because of increased patronages, plus the combined cinema operations which contributed P378 million to this year's total.

Pik-Nik also continued its sales growth with an increase of 7.8% year-on-year as it penetrated new territories in Puerto Rico, Panama, Uruguay and other Latin American countries plus new distributorship in the United Arab Emirates. Midwest USA remains the strongest market for stick potatoes in the USA.

Costs and expenses went up by 23.3% year-on-year. Costs of goods sold and services expanded by 32.2% and 20.7%, respectively, as a result of revenue growth. Other operating expenses went up by 15.4% due to increases in advertising and promotions, salaries and employee benefits, and depreciation and amortization which comprised 63.3% and 62.3% of other operating expenses in 2013 and 2012, respectively.

Share in net profits of associates and joint ventures reversed 1.1 times year-on-year due to losses reported by associates and joint ventures.

Finance and other income included the P2.9 billion gain realized by AGI on divestment of its interest on EMP through a share offering and the P764 million gain realized by MEG on acquisition of a subsidiary. Interest income, however, contracted by P823 million due to lower interest rates during the year.

Finance costs and other charges increased by 17.8% due to additional finance cost incurred by Megaworld on its 2013 bond issuance and by Travellers due to devaluation of Philippine peso. There is also a turnaround in unrealized fair values of mark-to-market financial assets this year, which is offset by the effect of foreign currency gains realized during the year.

Tax expense totaled P5.4 billion from P4.6 billion a year ago as a result of higher taxable income.

For the Year Ended December 31, 2012 vs. 2011

AGI sustained its upward growth trajectory with net profit jumping 39.0% to P20.5 billion from P14.7 billion a year ago. The portion attributable to owners of the parent company grew by 19.8%, as propelled by the strong operating results from subsidiaries which reported double-digit growth in net profit and revenues.

Travellers beefed up total revenues as it is consolidated beginning 2012. It is the biggest contributor to this year's revenues and net profit. Gaming revenues alone accounted for 27.5% of total consolidated revenues.

Megaworld reported strong results during the year from its condominium sales, rental of office and retail spaces and hotel operations. Sale of condominium units were reported to increase by 14.4% year-on-year, coming from these projects: (MEG) Eight Newtown Residences; One Uptown Residences; 8 Forbestown Road; One Central, Two Central, One Eastwood Avenue, Eastwood Le Grand in Eastwood City; Morgan Suites; The Venice Luxury Residences in McKinley; Manhattan Heights in Quezon City; 81 Newport Boulevard and Newport City in Pasay; (ELI) Pioneer Woodlands, San Lorenzo Place, The Sonoma, Little Baguio Terraces, The Cambridge Village, California Garden Square, Greenhills Garden Square, and Laguna BelAir. Rental income increased by 30.5% year-on-year from completion of additional leasing properties and escalation of rental rates. Hotel operations, likewise, grew by 17.9% due to increase in hotel occupancy rates.

Emperador reported 36.0% increase in revenues as Emperador Brandy and The BaR flavored alcoholic drinks continued to benefit from the growing customer patronage. The demand for Emperador Light remained very strong and it boosted sales. Sales volume went up by 33.3% to 31.2 million from 23.4 million cases a year ago.

GADC's revenues grew by 15.1% and this is primarily attributed to opening of 49 new restaurants (23 of which are sub-franchised), reimaging of 31 existing restaurants, the additional business extensions (delivery service, drive-thru, dessert centers, midnight hours and breakfast daypart), the introduction of new products, aggressive advertising and promotional campaigns to support Breakfast, Premium Desserts, McDelivery, Iced Coffee, McSaver Meals, Twister Fries and McSavers (Sundae, floats, fries and burger McDo). Reimaging levels up customer experience and drives value-for-money perception. Restaurant sales from the 207 company-owned and operated stores rose by 17% while revenues from franchisees (rent, royalties and others) went up by 21%. The 49 new restaurants contributed 5% to total system sales, as half of them were opened in fourth quarter only.

GERI's revenues came from real estate sales, realized profit on prior years' sales, hotel operations, rental and finance and other income. Real estate sales came from the sale of residential subdivision lots amounting to P684.9 million in Newcoast Shophouse District and Boutique Hotel in Malay, Aklan, Sta. Barbara Heights in Iloilo City, and Twin Lakes Domaine Le Jardin in Laurel, Batangas.

Revenues increased by 54.1% primarily due to the revenues contributed by RWM which represents 31.2% of Group total. Gaming revenues is 27.5% of total consolidated revenues. Sale of goods (Emperador and Pik-Nik) climbed 30.7% while real estate sales showed 2.4% growth after intercompany sales. Rendering of services grew by 209.1% due to revenues added from RWM's gaming, three hotels, four cinemas, theater productions, retail shopping mall, and commercial office space rentals. The QSR business is brisk as it expanded by 17%. Rental income grew as a result of additional property completed during the year that were offered to meet the increasing demand for office spaces from BPO companies. Retail spaces and escalation in rental rates also contributed to the growth.

Pik-Nik also expanded sales by 12% as it penetrated new markets in Saudi Arabia, Kuwait, Korea and Curacao. It sold 11% more cases this year in international markets and 6% more cases in USA.

Costs and expenses went up by 59.8% largely due to Travellers' costs and expenses and the robust sales and service rendition of other subsidiary groups. The higher sales and services rendered translated into higher commissions, advertising and promotions, freight, royalty, salaries, depreciation and utility expenses. Travellers' gaming license fees (to PAGCOR) and promotional allowance (which is the value of points earned by RWM members based on the relative fair values of the complimentary goods or services) accounted for 34.8% of group's cost of rendering services. The group's highest other operating expenditures were on advertising and promotions, salaries and employee benefits, depreciation and amortization, utilities, and commissions. More new employees were hired to support the expanding operations of Travellers, GADC and MEG. These three companies spent on marketing and advertising campaigns to promote their respective products, especially RWM.

Share in net profits seemed to drop substantially because Travellers is consolidated this year.

Finance and other income, excluding the P3.1 billion income on acquisition of GERI in 2011, improved by 12.9% primarily due to higher market values of financial assets at FVTPL resulting in fair value gains this year, a recovery from last year's fair value loss reported under finance costs and other charges. Foreign currency gains dropped due to the continuous appreciation of the Philippine peso vis-à-vis the US dollar.

Finance cost and other charges went up by 11.3% due to higher interest expense on bonds and loans and unrealized loss on interest rate swap (of Travellers). The impact, however, is reduced by the reversal in fair value of marketable securities, from loss reported last year to gain this year.

Tax expense totaled P4.6 billion from P3.3 billion a year ago as a result of higher taxable income.

Financial Condition
December 31, 2013 vs 2012

Consolidated total assets reached P332.4 billion at end of 2013 from P272.2 billion at beginning of the year, or a 22.1% increase, primarily due to strong operating results, business expansions and the successful stock offering (Emperador and Travellers) and bond issuance (Megaworld) of subsidiaries.

For most of the balance sheet accounts, there is a corresponding note to the audited consolidated financial statements where details, breakdown or composition of the accounts could be found. Please refer to those notes accompanying the consolidated financial statements. In summary:

Cash and cash equivalents increased by P27.0 billion – to end at P95.0 billion from P68.0 billion at the beginning of the year. The increase came significantly from operations, borrowings and the stock offerings of Emperador and Travellers. Cash flows from operating, financing and investing activities during the year were presented in the consolidated statements of cash flows.

Current trade and other receivables went up by P7.4 billion or 32.9% due to increased real estate sales and brandy sales. Non-current portion increased by P364 million or 1.5% due to increased real estate sales.

Financial assets at fair value through profit or loss increased by P814 million or 12.4%, primarily due to additional investments in bonds and marketable securities. Financial assets classified in this category are held for selling in the short term and are measured at fair value. The fair value gain on the appreciation in market prices was included under Finance and Other Income in consolidated statements of comprehensive income. The Group does not actively engage in the trading of financial assets for speculative purposes.

Inventories increased by P8.2 billion or 20.0% due to increase in real estate for sale which represent the completed portion of costs attributed to ongoing projects, including golf and resort shares for sale. Raw materials for brandy manufacture also increased from a year ago because of inventories at the distillery plant which was acquired in 2013.

Property development costs went up by P1.4 billion or 13.4% due to ongoing construction/development works at real estate projects of Megaworld and GERI. Development costs are accumulated in this account.

Investment property went up by P8.5 billion or 45.5% from completed constructions of property and equipment for lease of Megaworld (P3.5 billion), Travellers (P340 million) and GADC (P49 million) and the land owned by new subsidiaries of Megaworld (P5.0 billion).

Property and equipment rose by P6.8 billion or 19.4% primarily from the construction works at RWM; capital expenditures for new McDonald's stores, kiosks and ongoing renovations; acquisition of distillery plant from Condis and ongoing construction of a new distillery plant.

Available-for-sale financial assets went down by P522 million or P9.9% primarily due to disposals of financial instruments during the year. These assets are marked to market and the net unrealized gains or losses are reported under the Equity section.

Investments in and advances to associates and other related parties decreased by P930 million or 15.4% primarily due to disposal of investment in an associate (Alliance Global Properties Limited) which is partially offset by the investment in a new associate (La Fuerza, Inc.) during the year. The carrying value of the divested investment amounted to P2.8 billion at beginning of 2013 which the cost of acquisition of the new associate amounted to P1.4 billion.

Deferred tax assets decreased by P80 million or 9.9% while deferred tax liabilities increased by P908 million or 14.3% due to timing differences in taxation, particularly of GERI, Megaworld and GADC.

Other current assets increased by P516 million or 14.0% due to additions at Megaworld, Emperador, GERI and Travellers which included input taxes, creditable withholding taxes and advances to suppliers. Other non-current assets, on the other hand, expanded by P270 million or 14.0% which was attributable to additional refundable deposits, guarantee and other deposits, deferred input taxes and accumulated jackpot seed money. Travellers' refundable deposits and jackpot seed money are perpetual in nature, the carrying values of which are estimation of their fair values. Guaranty deposits on construction projects are made in compliance with contracts.

Currently maturing interest-bearing loans decreased by P845 million or 18.2% and the non-current portion shrank by P4.2 billion or 31.4% due to principal repayments and the early redemption of Megaworld notes (with P1.4 billion balance at beginning of year). Travellers' short-term loans (of P2.5 billion at the beginning of the year) were settled before year-end. Megaworld incurred P41.1 million penalty on the early redemption of its corporate notes, such penalty is included under Finance costs for the year.

Bonds payable went up by P10.5 billion or 22.8% due to the $250-million 10-year bonds issued by Megaworld in April 2013, with coupon rate of 4.25% p.a.

Trade and other payables increased by P2.0 billion or P8.9% primarily from the increase in Travellers' liabilities (P1.9 billion) arising from unredeemed gaming chips (which is the difference between total gaming chips placed in service and the actual inventory of gaming chips in custody), unredeemed gaming points, gaming license fees and accruals for advertising, employee benefits and casino and flight operations.

Advances from related parties compressed by P502 million or 58.6% from collections during the year.

Income tax payable swelled by P223 million or 40.1% primarily due to higher tax liability of GADC, Emperador and Megaworld as a result of their higher taxable income.

Retirement benefit obligation increased by P220 million or 18.2% due to additional incurrence in retirement plans of Megaworld, GADC and Emperador.

Current and non-current other liabilities escalated by P4.0 billion and P1.4 billion, respectively, or 23.2% and 10.1%, respectively, due to increases in GERI's customers' deposits and Megaworld's reserve for property development and deferred income on real estate sales. The reserve pertains to cost to complete the development of various projects while the deferred income represents unearned revenue.

The changes in equity components are presented in detail in the consolidated statements of changes in equity. The equity attributable to owners of AGI increased by P23.8 billion or 28.4% from net profit for the year and dilution gain on acquisitions of new or additional shares in subsidiaries. The equity attributable to non-controlling interest increased by P22.7 billion or 37.9% from net profit and divestment of interest in a subsidiary.

Financial Condition
December 31, 2012 vs 2011

Consolidated total assets reached P272.2 billion at end of 2012 from P220.6 billion at beginning of the year, or a 23.4% increase, primarily due to consolidation of Travellers' assets and increased activity in real estate business. Total assets of Travellers is approximately P48.0 billion.

Cash and cash equivalents increased by P18.8 billion – to end at P68.0 billion from P49.1 billion at the beginning of the year. The increase came significantly from operations, bank borrowings and the year-end balance of Travellers. Cash flows from operating, financing and investing activities during the year were presented in the consolidated statements of cash flows.

Current trade and other receivables went down by P2.9 billion or 11.2% due to collection efforts on maturing receivables. Non-current portion went up by P3.7 billion or 17.8% due to increased real estate sales.

Financial assets at fair value through profit or loss decreased by P4.7 billion or 42.0%, primarily due to reduction in investments in bonds and marketable securities. Financial assets classified in this category are held for selling in the short term and are measured at fair value. The fair value gain on the appreciation in market prices was included under Finance and Other Income in consolidated statements of comprehensive income. The Group does not actively engage in the trading of financial assets for speculative purposes.

Inventories increased by P11.9 billion or 41.3% due to increase in real estate for sale which represent the completed portion of costs attributed to ongoing projects, including golf and resort shares for sale. Raw materials for brandy manufacture also increased from a year ago because there are two plants running this year.

Land for future development increased by P2.5 billion or 27% due to land acquisitions plus incidental costs by GERI.

Property and equipment rose by P28.3 billion or 431.8% from the property of Travellers (P25.8 billion as of end-2012); capital expenditures for new McDonald's stores, kiosks and ongoing renovations; acquisitions of and for the distillery plant annex; and installation of new furnace for the glass plant.

Investment property increased by P5.7 billion or 43.9% primarily due to the additional condominium units (P4.7 billion) and building property of Travellers (P1.4 billion).

Investments in and advances to associates and other related parties decreased by P13.0 billion or 68.3% primarily due to consolidation of Travellers, which is formerly reported as an associate. The carrying value of Travellers at equity amounted to P12.89 billion at end-2011.

Deferred tax assets increased by P103 million or 14.7% while deferred tax liabilities by P805 million or 14.6% due to timing differences in taxation, particularly of Megaworld, Travellers and GERI.

Other current assets increased by P671 million or 22.2% due to assets from Travellers (one-year time deposit and prepaid taxes, insurance and rentals) and an increase in GERI's input taxes. Other non-current assets, on the other hand, ballooned by P860 million or 80.4% which was attributable to assets from Travellers and increase in GADC's assets, primarily resulting from deposits on asset purchases.

Currently maturing interest-bearing loans and borrowings increased by P1.7 billion or 59.6% arising from Travellers' loans (P2.6 billion), net of settlements made during the year. Non-current portion of loans swelled by P7.5 billion or 125.6% due to Travellers' loans (P4.5 billion) and new long-term bank loans availed during the year to support the group's working capital and investment requirements.

Bonds payable went up by P10.8 billion or 30.8% due to the $300-million notes of Travellers which were issued in 2010.

Trade and other payables went up by P5.7 billion or 33.4% primarily from RWM's liabilities (P5.4 billion) and increases in liabilities of Megaworld and GADC. RWM's liabilities include unredeemed gaming chips, unredeemed gaming points, PAGCOR license fees, and accrued advertising and employee benefits. Heightened construction activities at Megaworld and GADC are reflected on the increase in payables to contractors and suppliers, including retentions.

Income tax payable went up by P44 million or 8.5% primarily due to higher tax liability of EDI.

Advances from related parties swelled by P632 million or 282.0% due to increases in advances taken by Megaworld and GERI. GERI's accounts represent the share of joint venture partners in the proceeds from the sale under joint venture agreements. Megaworld's accounts increased due to deconsolidation of a subsidiary.

Retirement benefit obligation increased by P297 million or 32.6% due to end-balance in Travellers and additional incurrence in retirement plans of Megaworld, GADC and GERI.

Redeemable preferred shares escalated by P1.3 billion or 313.8% due to the redeemable preferred shares issued by GERI in September 2012, in exchange for certain parcels of land with a total fair value of P1.3 billion. SEC approved the transaction on April 17, 2013. This account also includes the accretion of interest in the carrying value of GADC's shares which amounted to P52 million as of end-2012.

Current and non-current other liabilities increased by P1.5 billion or 9.3% and P3.3 billion or 32.5%, respectively, due to intensified real estate development and pre-selling/leasing activities. These accounts include customers' deposits, reserve for property development, and deferred income on real estate sales. The reserve pertains to cost to complete the development of various projects while the deferred income represents unearned revenue.

The changes in equity components are presented in detail in the consolidated statements of changes in equity. The equity attributable to owners of AGI went up by P10.6 billion or 14.5% primarily from net profit and fair value gains on available-for-sale financial assets. The equity attributable to non-controlling interest, likewise, increased by P7.3 billion or 14.0% from share in net profit and equity in investments.

Accumulated translation adjustments represent the translation adjustments resulting from the conversion of foreign currency denominated financial statements of certain subsidiaries into the Philippine pesos, the Group's presentation currency. The change of P511 million of 130% reflects principally the strengthening of the Philippine peso.

b.2. Liquidity and Capital Resources

The consolidated balance sheets showed strong liquidity. Current assets as of December 31, 2013, 2012 and 2011 amounted to P197.7 billion, P152.3 billion and P128.6 billion, respectively, while current liabilities for the same respective years-end remained low at P50.6 billion, P45.2 billion and P36.2 billion, respectively. Thus, current ratios were at 3.9:1, 3.4:1 and 3.5:1 as of respective year-ends. Total-liabilities-to-equity ratios were at 0.7:1, 0.9:1 and 0.8:1 at the end of 2013, 2012 and 2011, respectively, while interest-bearing-debt-to-controlling-equity ratios were correspondingly at 0.65:1, 0.76:1 and 0.60:1.

The Group's net cash position will enable it to pursue strategic activities. It expects to meet its working capital and investment requirements for the ensuing year primarily from these available funds, in addition to cash flows from operations. It may also from time to time seek other sources of funding, if necessary, which may include debt or equity financings, depending on its financing needs and market conditions.

Amounts in Million Pesos	December 31, 2013	December 31, 2012	December 31, 2011
Cash and equivalents	94,977	67,965	49,148
Interest-bearing debt	69,504	64,081	44,024
Net cash	25,473	3,884	5,124
Cash and cash equivalents to interest-bearing debt	137%	106%	112%
Interest-bearing debt to total equity	36%	45%	35%

b.3. Prospects for the future

AGI has a proven track record of creating value over time and is confident in its ability to deliver sustainable profitable growth and value for its stakeholders. AGI remains vigilant on delivering its business goals and intends to continue to adopt prudent measures to ensure financial sustainability. It is always on the lookout for new opportunities that will enhance the overall profitability of the group while maintaining established markets.

In 2014, all the business segments are expected to sustain their growth trajectory, capitalizing on the strong and positive economy.

b.4. Others

There are no other known material events subsequent to the end of the year that would have a material impact on the current year.

There are no other known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way. The Group does not have nor anticipate having any cash flow or liquidity problems within the next twelve months. AGI and its subsidiaries are not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no other known events that will trigger direct or contingent financial obligation that is currently considered material to the Group, including any default or acceleration of an obligation.

There are no other material off-balance sheet transactions, arrangements, obligations, and other relationships with unconsolidated entities or other persons created during the reporting period.

There are no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. There are also no known events that will cause material change in the relationship between costs and revenues.

There are no other significant elements of income or loss that did not arise from continuing operations.

There were no other material issuances, repurchases or repayments of debt and equity securities.

The business has no seasonal aspects that had a material effect on the financial condition and results of operations of the Group.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of *Alliance Global Group, Inc*. is responsible for the preparation and fair presentation of the consolidated financial statements as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013, including the additional components attached therein, in accordance with the Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the consolidated financial statements of the Company and its subsidiaries in accordance with Philippine Standards on Auditing and, in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

ANDREW L. TAN
Chairman of the Board

KINGSON U. SIAN
President

DINA D.R. INTING
First Vice President for Finance
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this April 22, 2014, affiants exhibiting to me their Passport/SSS No., as follows:

Names	PassportNo./SSS No.	Date	Place of Issue
Andrew L. Tan	EB1964603	February 23, 2011 to 2016	Manila
Kingson U. Sian	EB7369260	February 12, 2013 to 2018	Manila
Dina D.R. Inting	SSS 03-5204775-3		

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Page No. 65
Book No. I
Series of 2014

ATTY. PARALUMAN D. ANDRES
Notary Public for Makati City
MCLE Compliance No. IV-0018254 Roll No. 58410
Commission Ni. M-473, Until December 31, 2014
IBP No. 936611; Until 12/31/14; PPLM Chapter
PTR No. 3673612, Until 12/31/14; Makati City
19th Flr. The Enterprise Center, Ayala, Makati City

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and the Stockholders
Alliance Global Group, Inc. and Subsidiaries
7th Floor, 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue
Bagumbayan, Quezon City

We have audited the accompanying consolidated financial statements of Alliance Global Group, Inc. and subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2013, 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 consolidated financial position of Alliance Global Group, Inc. and subsidiaries as of December 31, 2013 and 2012, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: **Mailene Sigue-Bisnar**
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 4225004, January 2, 2014, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-2 (until Aug. 8, 2015)
Firm - No. 0002-FR-3 (until Jan. 18, 2015)
BIR AN 08-002511-20-2012 (until May 15, 2015)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

April 28, 2014

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012
(With Corresponding Figures as of January 1, 2012)
(Amounts in Philippine Pesos)

	Notes	December 31, 2013	December 31, 2012 (As Restated – see Note 2)	January 1, 2012 (As Restated – see Note 2)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5	**P 94,977,525,445**	P 67,965,116,707	P 49,147,857,784
Trade and other receivables - net	6	**30,074,787,370**	22,623,775,662	25,484,066,576
Financial assets at fair value through profit or loss	7	**7,375,742,967**	6,561,952,846	11,313,946,985
Inventories - net	8	**49,075,369,433**	40,906,577,624	28,952,674,354
Property development costs	2	**11,974,519,471**	10,561,983,142	10,696,529,365
Other current assets	9	**4,212,007,912**	3,696,139,865	3,025,158,564
Total Current Assets		**197,689,952,598**	152,315,545,846	128,620,233,628
NON-CURRENT ASSETS				
Trade and other receivables - net	6	**24,609,462,917**	24,245,681,768	20,576,511,215
Advances to landowners and joint ventures	10	**4,787,412,854**	4,849,193,977	4,876,467,682
Available-for-sale financial assets	11	**4,758,892,191**	5,281,446,125	5,444,323,686
Land for future development	2	**12,524,387,842**	11,969,289,892	9,419,790,279
Investments in and advances to associates and other related parties	12	**5,099,102,903**	6,028,761,114	18,994,274,815
Property, plant and equipment - net	13	**41,661,804,726**	34,888,271,254	6,560,730,099
Investment property - net	14	**27,290,428,438**	18,751,335,670	13,033,771,373
Intangible assets - net	15	**11,049,976,130**	11,141,695,201	11,257,148,522
Deferred tax assets	28	**728,559,662**	809,038,538	705,483,761
Other non-current assets	9	**2,200,429,265**	1,930,763,642	1,070,572,748
Total Non-current Assets		**134,710,456,928**	119,895,477,181	91,939,074,180
TOTAL ASSETS		**P 332,400,409,526**	P 272,211,023,027	P 220,559,307,808
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade and other payables	16	**P 24,830,784,627**	P 22,803,575,433	P 17,093,308,119
Interest-bearing loans	17	**3,795,792,269**	4,640,956,327	2,906,873,289
Income tax payable		**779,445,751**	556,525,579	512,718,594
Other current liabilities	20	**21,178,560,896**	17,194,473,744	15,733,214,178
Total Current Liabilities		**50,584,583,543**	45,195,531,083	36,246,114,180
NON-CURRENT LIABILITIES				
Interest-bearing loans	17	**9,228,584,192**	13,449,792,588	5,960,519,598
Bonds payable	18	**56,479,746,306**	45,990,628,809	35,156,343,267
Advances from related parties	29	**354,107,249**	856,402,926	224,177,805
Retirement benefit obligation	27	**1,428,092,675**	1,208,478,900	911,058,119
Redeemable preferred shares	19	**1,786,120,902**	1,728,086,461	417,656,730
Deferred tax liabilities	28	**7,242,479,378**	6,334,103,011	5,529,346,701
Other non-current liabilities	20	**15,075,049,649**	13,691,958,888	10,332,590,359
Total Non-current Liabilities		**91,594,180,351**	83,259,451,583	58,531,692,579
Total Liabilities		**142,178,763,894**	128,454,982,666	94,777,806,759
EQUITY				
Equity attributable to owners of the parent company	21	**107,692,727,038**	83,908,308,508	73,268,521,399
Non-controlling interest		**82,528,918,594**	59,847,731,853	52,512,979,650
Total Equity		**190,221,645,632**	143,756,040,361	125,781,501,049
TOTAL LIABILITIES AND EQUITY		**P 332,400,409,526**	P 272,211,023,027	P 220,559,307,808

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	Notes	2013	2012 (As Restated – see Note 2)	2011 (As Restated – see Note 2)
REVENUES				
Sale of goods	23	**P 56,518,969,704**	P 44,082,631,026	P 37,713,496,197
Rendering of services	23	**56,686,982,449**	50,522,901,266	16,343,538,665
Share in net profits of associates and joint ventures - net	12	-	118,461,046	2,540,046,652
Finance and other income	26	**10,173,373,850**	7,409,979,346	9,693,835,196
		123,379,326,003	102,133,972,684	66,290,916,710
COSTS AND EXPENSES				
Cost of goods sold	24	**37,532,118,088**	28,387,440,476	26,718,743,392
Cost of services	24	**27,336,872,088**	22,652,109,438	9,436,017,315
Other operating expenses	25	**25,075,716,462**	21,725,506,098	8,220,764,021
Share in net losses of associates and joint ventures - net	12	**13,602,687**	-	-
Finance cost and other charges	26	**5,008,779,695**	4,251,781,543	3,820,832,275
		94,967,089,020	77,016,837,555	48,196,357,003
PROFIT BEFORE TAX		**28,412,236,983**	25,117,135,129	18,094,559,707
TAX EXPENSE	28	**5,356,757,097**	4,623,478,952	3,351,837,203
NET PROFIT		**23,055,479,886**	20,493,656,177	14,742,722,504
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gain (loss) on remeasurement of retirement benefit obligation	28	**27,752,419**	(41,307,696)	(271,280,301)
Tax income (expense)		(**6,932,192**)	12,392,308	81,384,090
		20,820,227	(28,915,388)	(189,896,211)
Items that will be reclassified subsequently to profit or loss				
Net unrealized fair value gains (losses) on available-for-sale financial assets	11	(**146,071,389**)	608,331,390	(763,784,267)
Translation adjustments	2	**14,675,041**	(581,994,181)	134,797,767
Share in other comprehensive income (loss) of associates and joint ventures	12	**4,714,129**	1,092,535	(736,825)
Addition (reduction) in revaluation reserves due to available-for-sale financial assets of a consolidated subsidiary		-	15,916,350	(695,198,619)
Increase (decrease) in revaluation reserves due to available-for-sale financial assets sold by subsidiaries		(**682,818**)	152,322,657	(20,862,198)
Deferred tax income (expense) relating to components of other comprehensive income	28	(**15,271,852**)	70,795,068	3,842,636
		(**142,636,889**)	266,463,819	(1,341,941,506)
TOTAL COMPREHENSIVE INCOME		**P 22,933,663,224**	P 20,731,204,608	P 13,210,884,787
Net profit attributable to:				
Owners of the parent company		**P 17,218,460,867**	P 13,909,991,638	P 11,607,286,356
Non-controlling interest		**5,837,019,019**	6,583,664,539	3,135,436,148
		P 23,055,479,886	P 20,493,656,177	P 14,742,722,504
Total comprehensive income attributable to:				
Owners of the parent company		**P 17,121,679,879**	P 14,148,094,589	P 10,084,104,682
Non-controlling interest		**5,811,983,345**	6,583,110,019	3,126,780,105
		P 22,933,663,224	P 20,731,204,608	P 13,210,884,787
Earnings Per Share for the Net Income Attributable to Owners of the Parent Company :	22			
Basic		**P 1.7031**	P 1.3760	P 1.1775
Diluted		**P 1.6954**	P 1.3751	P 1.1772

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(Amounts in Philippine Pesos)

	Notes	2013	2012 (As Restated – see Note 2)	2011 (As Restated – see Note 2)
EQUITY ATTRIBUTABLE TO OWNERSOF THE PARENT COMPANY				
Capital Stock	21	**P 10,269,827,979**	P 10,269,827,979	P 10,269,827,979
Additional Paid-in Capital	2			
Balance at beginning of year		**33,501,908,751**	33,501,908,751	27,175,173,772
Sale of treasury shares		**109,931,681**	-	6,326,734,979
Balance at end of year		**33,611,840,432**	33,501,908,751	33,501,908,751
Treasury Shares - at cost	21			
Balance at beginning of year		**(984,512,637)**	(1,018,752,369)	(3,194,861,260)
Sale of treasury shares		**29,295,227**	-	2,922,650,004
Addition representing the shares held by a consolidated subsidiary		**-**	-	(746,541,113)
Reduction representing the shares held by a deconsolidated subsidiary		**-**	34,239,732	-
Balance at end of year		**(955,217,410)**	(984,512,637)	(1,018,752,369)
Net Actuarial Gains (Losses) on Retirement Benefit Plan				
Balance at beginning of year				
As previously reported		**-**	-	-
Effect of adoption of PAS 19 (Revised)	2	**(240,822,140)**	(215,576,680)	(34,336,512)
As restated		**(240,822,140)**	(215,576,680)	(34,336,512)
Actuarial gains (losses) for the year, net of tax		**33,338,064**	(28,360,874)	(181,240,168)
Recognition of actuarial losses previously recognized in retained earnings, net of tax		**-**	3,115,414	-
Balance at end of year		**(207,484,076)**	(240,822,140)	(215,576,680)
Net Unrealized Gains (Losses) on Available-for-Sale Securities				
Balance at beginning of year		**(764,407,369)**	(1,542,070,301)	(61,488,392)
Net unrealized fair value gains (losses) on available-for-sale financial assets	11	**(146,071,389)**	608,331,390	(763,784,267)
Reduction representing the shares held by a consolidated subsidiary		**-**	-	(695,198,619)
Increase (decrease) in revaluation reserves due to available-for-sale financial assets sold by subsidiaries		**(682,818)**	168,239,007	(20,862,198)
Share in other comprehensive income (loss) of associates and joint venture	12	**4,714,130**	1,092,535	(736,825)
Balance at end of year		**(906,447,446)**	(764,407,369)	(1,542,070,301)
Accumulated Translation Adjustments	2			
Balance at beginning of year		**(903,342,498)**	(392,143,385)	(530,783,788)
Currency translation adjustments during the year		**(596,811)**	(511,199,113)	138,640,403
Balance at end of year		**(903,939,309)**	(903,342,498)	(392,143,385)
Balance carried forward		**P 40,908,580,170**	P 40,878,652,086	P 40,603,193,995

	Notes	2013	2012 (As Restated – see Note 2)	2011 (As Restated – see Note 2)
Balance brought forward		P 40,908,580,170	P 40,878,652,086	P 40,603,193,995
Dilution Gain	21			
Balance at beginning of year		**1,277,846,433**	1,289,847,712	1,196,566,827
Dilution gain (loss) recognized during the year		**9,696,371,227**	(12,001,279)	93,280,885
Balance at end of year		**10,974,217,660**	1,277,846,433	1,289,847,712
Share Options	21			
Balance at beginning of year		**107,652,616**	1,890,149	-
Share-based compensation expense recognized during the year		**156,816,832**	105,762,467	1,890,149
Balance at end of year		**264,469,448**	107,652,616	1,890,149
Retained Earnings				
Appropriated				
Balance at beginning of year	21	**1,400,000,000**	300,000,000	446,297,286
Appropriation during the year	21	**2,145,000,000**	1,400,000,000	-
Reversal of appropriation during the year		**(1,400,000,000)**	(300,000,000)	(146,297,286)
Balance at end of year		**2,145,000,000**	1,400,000,000	300,000,000
Unappropriated				
Balance at beginning of year				
As previously reported		**40,237,045,058**	31,072,319,070	22,946,739,663
Effect of adoption of PAS 19 (Revised)	2	**7,112,315**	1,270,473	2,193,555
As restated		**40,244,157,373**	31,073,589,543	22,948,933,218
Net profit for the year		**17,218,460,867**	13,909,991,638	11,607,286,356
Cash dividends declared during the year	21	**(3,841,614,020)**	(3,639,423,808)	(3,628,927,317)
Effect of change in percentage ownership		**524,455,540**	-	-
Appropriation during the year	21	**(2,145,000,000)**	(1,400,000,000)	-
Reversal of appropriation during the year	21	**1,400,000,000**	300,000,000	146,297,286
Balance at end of year		**53,400,459,760**	40,244,157,373	31,073,589,543
Total Retained Earnings		**55,545,459,760**	41,644,157,373	31,373,589,543
Total		**107,692,727,038**	83,908,308,508	73,268,521,399
NON-CONTROLLING INTEREST				
Balance at beginning of year	2			
As previously reported		**59,870,536,020**	52,522,275,597	33,466,430,520
Effect of adoption of PAS 19 (Revised)		**(22,804,167)**	(9,295,947)	(546,285)
As restated		**59,847,731,853**	52,512,979,650	33,465,884,235
Non-controlling interest in additional investments		**20,234,493,741**	1,112,716,720	16,510,139,979
Share in consolidated comprehensive income		**5,811,983,345**	6,583,110,019	3,126,780,105
Dividend from investee		**(3,365,290,345)**	(361,074,536)	(589,824,669)
Balance at end of year		**82,528,918,594**	59,847,731,853	52,512,979,650
TOTAL EQUITY		**P 190,221,645,632**	P 143,756,040,361	P 125,781,501,049

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	Notes	2013	2012 (As Restated – see Note 2)	2011 (As Restated – see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 28,412,236,983**	P 25,117,135,129	P 18,094,559,707
Adjustments for:				
Depreciation and amortization	24, 25	**4,319,478,840**	3,537,287,488	1,418,389,026
Interest expense	26	**4,285,500,975**	3,751,269,989	2,654,422,604
Interest income	26	**(3,099,675,804)**	(3,922,992,079)	(3,897,975,086)
Gain on divestment of interest in a subsidiary	26	**(2,905,304,542)**	(-	-
Unrealized foreign currency losses (gain)		**795,207,832**	(931,404,433)	46,676,793
Income from acquisition of a subsidiary	26	**(763,834,597)**	-	(3,131,993,894)
Fair value losses (gains)	26	**429,371,099**	(1,433,951,500)	1,143,963,462
Gain on reversal of liability	26	**(160,666,483)**	-	-
Stock option benefit expense	27	**156,816,832**	105,762,467	2,152,108
Gain on sale of investment in available-for-sale financial assets	26	**(128,177,128)**	(272,103,283)	(295,737,916)
Unrealized loss on interest rate swap	26	**112,842,001**	368,646,466	-
Loss on disposal of property, plant and equipment, investment property and intangible assets		**37,781,242**	17,061,461	-
Gain on reversal of impairment loss of property and equipment	13	**(18,616,806)**	-	-
Dividend income	26	**(14,178,074)**	(10,515,804)	(6,334,455)
Share in net loss (profits) of associates and joint ventures	12	**13,602,687**	(118,461,046)	(2,540,046,652)
Impairment and other losses	6, 8, 26	**8,011,392**	87,978,652	38,283,428
Preacquisition loss (income)	26	**(6,315,710)**	-	17,326,952
Operating income before working capital changes		**31,474,080,739**	26,295,713,507	13,543,686,077
Decrease (increase) in trade and other receivables		**(7,644,846,317)**	1,386,106,750	(3,496,920,450)
Decrease (increase) in financial assets at fair value through profit or loss		**(2,151,807,864)**	5,868,022,905	1,525,508,760
Increase in inventories		**(6,544,122,145)**	(11,851,290,019)	(5,160,463,815)
Decrease (increase) in property development costs		**(1,524,928,568)**	134,546,223)	(531,814,142)
Increase in other current assets		**(515,868,047)**	(474,121,923)	(996,528,996)
Increase in trade and other payables		**381,820,259**	1,759,806,831	513,715,765
Increase in other current liabilities		**3,984,087,152**	957,885,382	7,024,873,323
Increase in retirement benefit obligation		**252,951,839**	253,724,563	173,346,112
Increase (decrease) in other non-current liabilities		**1,418,478,507**	(4,312,782,895)	(5,485,967,915)
Cash generated from operations		**19,129,845,555**	20,017,611,324	7,109,434,719
Cash paid for taxes		**(5,133,836,925)**	(3,867,431,339)	(2,289,786,284)
Net Cash From Operating Activities		**13,996,008,630**	16,150,179,985	4,819,648,435
Balance carried forward		**P 13,996,008,630**	P 16,150,179,985	P 4,819,648,435

	Notes	2013	2012 (As Restated – see Note 2)	2011 (As Restated – see Note 2)
Balance brought forward		P 13,996,008,630	P 16,150,179,985	P 4,819,648,435
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property, plant and equipment	13	**(10,085,811,085)**	(8,385,882,540)	(1,586,114,275)
Investment property	14	**(8,717,447,629)**	(4,965,225,000)	(3,094,691,656)
Shares of stock of subsidiary and associates	12	**(4,963,837,458)**	(1,046,175,670)	(576,254,724)
Land for future development	2	**(1,884,635,990)**	(67,767,847)	(3,250,481,920)
Available-for-sale financial assets	11	**(676,652,582)**	(28,180,480)	(5,259,327,508)
Other non-current assets		**(185,433,990)**	(321,797,031)	-
Intangible assets	15	**(16,153,915)**	-	-
Proceeds from:				
Sale of available for sale financial assets		**1,181,312,255**	1,071,492,234	295,737,916
Disposal of property, plant and equipment		**302,249,551**	45,496,000	68,522,266
Collection from landowners and joint ventures		**61,781,123**	27,273,705	644,748,037
Collections of advances from associates and other related parties	12	**58,995,675**	284,441,050	-
Disposal of investment property		**763,937,936**	34,057,859	27,416,980
Disposal of intangible assets		**-**	102,672	-
Interest received		**2,965,071,202**	3,850,837,500	3,802,145,437
Additional advances granted to associates and other related parties		**(903,799,948)**	-	-
Cash dividends received		**14,178,074**	10,515,804	6,334,455
Net Cash Used in Investing Activities		**(22,086,246,781)**	(9,490,811,744)	(8,921,964,992)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Issuance of shares of subsidiaries		**36,225,725,199**	685,881,883	-
Interest-bearing loans and bonds		**10,489,117,497**	3,730,000,000	10,020,467,863
Sale of treasury shares		**139,226,908**	-	7,756,302,757
Payment of interest-bearing loans		**(5,066,372,454)**	(1,846,231,922)	(6,922,814,674)
Dividends paid	21	**(3,841,614,020)**	(3,639,423,808)	(3,628,927,317)
Interest paid		**(2,822,046,298)**	(4,832,441,604)	(2,564,340,097)
Advances paid to related parties	29	**(1,239,356,652)**	(365,112,518)	(1,094,657,099)
Advances received from related parties	29	**1,101,348,707**	1,010,001,151	194,550,890
Payment of derivative liability		**-**	(206,587,264)	-
Net Cash From (Used in) Financing Activities		**34,986,028,887**	(6,149,795,965)	3,760,582,323
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**26,895,790,736**	509,572,276	(341,734,234)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**67,965,116,707**	49,147,857,784	47,264,487,187
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF NEW SUBSIDIARIES		**117,016,208**	18,307,686,647	2,225,104,831
PREACQUISITION CHANGES IN CASH AND CASH EQUIVALENT OF ACQUIRED SUBSIDIARIES		**(398,206)**	-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 94,977,525,445**	**P 67,965,116,707**	**P 49,147,857,784**

Supplemental Information on Non-cash Investing and Financing Activities:

In the normal course of business, the Group enters into non-cash transactions such as exchanges or purchases on account of real estate and other assets. Other non-cash transactions include transfers of property from Land for Future Development to Property Development Cost or Investment Property as the property goes through its various stages of development, and acquisitions of various Property, Plant and Equipment on account.

See Notes to Consolidated Financial Statements.

(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Alliance Global Group, Inc. (the Company, Parent Company, or AGI) was registered with the Philippine Securities and Exchange Commission (SEC) on October 12, 1993 and began operations in 1994 as a glass-container manufacturer. On March 12, 1999, it obtained approval from the SEC to broaden its primary business into that of a holding company. Given a wider scope of business, AGI immediately diversified its investment holdings and on April 19, 1999, AGI listed its shares in the Philippine Stock Exchange (PSE). Currently, the Company and its subsidiaries and associates (collectively referred to as the Group) operate businesses in real estate development, tourism-entertainment and gaming, food and beverage, and quick service restaurant under the following entities (see Notes 4 and 12):

Subsidiaries/Associates/Jointly Controlled Entities	Short Name	Notes	Percentage of Effective Ownership of AGI 2013	2012	2011
Subsidiaries					
Megaworld and subsidiaries					
Megaworld Corporation	Megaworld	(a)	**65%**	63%	58%
Megaworld Land, Inc.			**65%**	63%	58%
Prestige Hotels and Resorts, Inc.			**65%**	63%	58%
Mactan Oceanview Properties and Holdings, Inc.			**65%**	63%	58%
Megaworld Cayman Islands, Inc.	MCII	(b)	**65%**	63%	58%
Richmonde Hotel Group International	RHGI	(c)	**65%**	63%	58%
Eastwood Cyber One Corporation	ECOC		**65%**	63%	58%
Megaworld Cebu Properties, Inc.			**65%**	63%	58%
Megaworld Newport Property Holdings, Inc. (formerly Forbes Town Properties and Holdings, Inc.)			**65%**	63%	58%
Oceantown Properties, Inc.			**65%**	63%	58%
Piedmont Property Ventures, Inc.			**65%**	63%	58%
Stonehaven Land, Inc.			**65%**	63%	58%
Streamwood Property, Inc.			**65%**	63%	58%
Suntrust Properties, Inc.	SPI		**65%**	56%	48%
Lucky Chinatown Cinemas, Inc.		(d)	**65%**	-	-
Luxury Global Hotels and Leisures, Inc.		(d)	**65%**	-	-
Suntrust Ecotown Developers, Inc.	SEDI	(d)	**65%**	-	-
Woodside Greentown Properties, Inc.		(d)	**65%**	-	-
Townsquare Development, Inc.			**49%**	49%	47%
Megaworld Central Properties, Inc.			**50%**	48%	30%
Megaworld-Daewoo Corporation	MDC		**39%**	38%	35%
Eastwood Cinema 2000, Inc.		(d)	**35%**	-	-
Megaworld Globus Asia, Inc.			**33%**	32%	29%
Philippine International Properties, Inc.			**32%**	32%	28%
Empire East Land Holdings, Inc.	EELHI		**53%**	50%	35%
Valle Verde Properties, Inc.		(e)	**53%**	50%	35%
Empire East Communities, Inc.		(e)	**53%**	50%	35%
Sherman Oak Holdings, Inc.		(e)	**53%**	50%	35%
Eastwood Property Holdings, Inc.		(e)	**53%**	50%	35%
Laguna Bel-Air School, Inc.		(e)	**38%**	36%	25%
Megaworld Resort Estates, Inc.	MREI	(f)	**82%**	81%	79%
Sonoma Premiere Land, Inc.		(g)	**62%**	70%	61%
Gilmore Property Marketing Associates Inc.	GPMAI	(h)	**47%**	45%	-
Emperador and subsidiaries					
Emperador Inc.	EMP or Emperador		**88%**	-	-
Emperador Distillers, Inc.	EDI		**88%**	100%	100%
Emperador International Ltd.	EIL	(c)	**88%**	100%	100%
Anglo Watsons Glass, Inc.	AWGI		**88%**	100%	100%
The Bar Beverage, Inc.			**88%**	100%	100%

Subsidiaries/Associates/Jointly Controlled Entities	Short Name	Notes	Percentage of Effective Ownership of AGI 2013	2012	2011
Subsidiaries					
GERI and subsidiaries					
Global Estate Resorts, Inc.	GERI	(i)	**65%**	64%	62%
Fil-Estate Properties, Inc.			**65%**	64%	62%
Aklan Holdings Inc.			**65%**	64%	62%
Blu Sky Airways, Inc.			**65%**	64%	62%
Fil-Estate Subic Development Corp.			**65%**	64%	62%
Fil-Power Construction Equipment Leasing Corp.			**65%**	64%	62%
Golden Sun Airways, Inc.			**65%**	64%	62%
La Compaña De Sta. Barbara, Inc.			**65%**	64%	62%
MCX Corporation			**65%**	64%	62%
Pioneer L-5 Realty Corp.			**65%**	64%	62%
Prime Airways, Inc.			**65%**	64%	62%
Sto. Domingo Place Development Corp.			**65%**	64%	62%
Fil-Power Concrete Blocks Corp.			**65%**	64%	62%
Fil-Estate Golf and Development, Inc			**65%**	64%	62%
Golforce, Inc.			**65%**	64%	62%
Fil-Estate Urban Development Corp.			**65%**	64%	62%
Novo Sierra Holdings Corp.			**65%**	64%	62%
Boracay Newcoast Hotel Group, Inc.			**65%**	64%	-
Megaworld Global-Estate, Inc.		(j)	**65%**	63%	60%
Twin Lakes Corp.	TLC		**45%**	44%	33%
Fil-Estate Industrial Park, Inc.			**51%**	51%	49%
Sherwood Hills Development Inc.	SHDI		**36%**	35%	34%
Fil-Estate Ecocentrum Corp.			**36%**	36%	34%
Philippine Aquatic Leisure Corp.			**36%**	36%	34%
Oceanfront Properties, Inc.	OPI	(u)	**32%**	32%	-
GADC and subsidiaries					
Golden Arches Development Corporation	GADC		**49%**	49%	49%
Golden Arches Realty Corporation			**49%**	49%	49%
Clark Mac Enterprises, Inc.			**49%**	49%	49%
Advance Food Concepts Manufacturing, Inc.	AFCMI		**46%**	37%	37%
Davao City Food Industries, Inc.			**37%**	37%	37%
Golden Laoag Foods Corporation			**38%**	38%	38%
First Golden Laoag Ventures			**34%**	34%	34%
Retiro Golden Foods, Inc.			**34%**	34%	34%
Red Asian Food Solutions		(k)	**34%**	-	-
McDonald's Anonas City Center		(l)	**34%**	-	-
McDonald's Puregold Taguig		(l)	**29%**	29%	-
McDonald's Bench Building		(l)	**27%**	27%	-
Travellers and subsidiaries					
Travellers International Hotel Group, Inc.	Travellers	(m)	**42%**	46%	-
APEC Assets Limited	APEC		**42%**	46%	-
Bright Leisure Management, Inc.			**42%**	46%	-
Deluxe Hotels and Recreation, Inc.			**42%**	46%	-
Entertainment City Integrated Resorts & Leisure, Inc.			**42%**	46%	-

Subsidiaries/Associates/Jointly Controlled Entities	Short Name	Notes	Percentage of Effective Ownership of AGI 2013	2012	2011
Subsidiaries					
Travellers and subsidiaries					
Grand Integrated Hotels and Recreation, Inc.			**42%**	46%	-
Grand Services, Inc.			**42%**	46%	-
Grand Venture Management Services, Inc.			**42%**	46%	-
Lucky Star Hotels and Recreation, Inc.			**42%**	46%	-
Majestic Sunrise Leisure & Recreation, Inc.			**42%**	46%	-
Net Deals, Inc.			**42%**	46%	-
Newport Star Lifestyle, Inc.			**42%**	46%	-
Royal Bayshore Hotels & Amusement, Inc.			**42%**	46%	-
FHTC Entertainment and Production, Inc.			**42%**	-	-
Bright Pelican Leisure and Production, Inc.			**42%**	-	-
Yellow Warbler Leisure and Recreation, Inc.			**42%**	-	-
Corporate and Others					
New Town Land Partners, Inc.	NTLPI		**100%**	100%	100%
Tradewind Estates, Inc.			**100%**	100%	100%
Great American Foods, Inc.	GAFI	(n)	**100%**	100%	100%
McKester America, Inc.	McKester	(n)	**100%**	100%	100%
Alliance Global Brands, Inc.			**100%**	100%	100%
McKester Pik-nik International Limited	MPIL	(c)	**100%**	100%	100%
Venezia Universal Ltd.	VUL	(c)	**100%**	100%	100%
Travellers Group Ltd.	TGL	(c)	**100%**	100%	100%
Alliance Global Group Cayman Islands, Inc.	AG Cayman	(b)	**100%**	100%	100%
Greenspring Investment Holdings Properties Ltd.	Greenspring	(b)	**100%**	100%	100%
Shiok Success International, Ltd.	SSI	(c)	**100%**	-	-
Dew Dreams International, Ltd.	DDI	(c)	**100%**	-	-
First Centro, Inc.	FCI		**75%**	100%	100%
Oceanic Realty Group International, Inc.		(o)	**75%**	100%	100%
ERA Real Estate Exchange, Inc.		(o)	**75%**	100%	100%
Adams Properties, Inc.	Adams		**60%**	60%	60%
Manila Bayshore Property Holdings, Inc.		(p)	**52%**	55%	55%
Resorts World Bayshore City, Inc.	RWBCI	(q)	**45%**	-	-
Purple Flamingos Amusement and Leisure Corporation		(r)	**45%**	-	-
Red Falcon Amusement and Leisure Corporation		(r)	**45%**	-	-
GPMAI		(h)	-	-	67%
Associates					
La Fuerza, Inc.	LFI	(s), 12.4	**32%**	-	-
Suntrust Home Developers, Inc.	SHDI	(s), 12.5	**27%**	27%	25%
First Oceanic Property Management	FOPMI	(t)	**27%**	27%	25%
Citylink Coach Services, Inc.	CCSI	(t)	**27%**	27%	25%
Palm Tree Holdings and Development Corporation	PTHDC	(t)	**26%**	25%	23%
Genting Star Tourism Academy, Inc.			**20%**	23%	23%
Fil-Estate Network, Inc.	FENI	(u)	**13%**	13%	12%
Fil-Estate Sales, Inc.	FESI	(u)	**13%**	13%	12%
Fil-Estate Realty and Sales Associates, Inc.	FERSAI	(u)	**13%**	13%	12%
Fil-Estate Realty Corp.	FERC	(u)	**13%**	13%	12%
Nasugbu Properties, Inc.	NPI	(u)	**9%**	9%	9%
Alliance Global Properties, Inc.	AGPL	(v)	**-**	30%	30%
OPI		(u)	**-**	-	31%

Subsidiaries/Associates/Jointly Controlled Entities	Short Name	Notes	Percentage of Effective Ownership of AGI 2013	2012	2011
Jointly Controlled Entities					
Golden City Food Industries, Inc.	GCFII	(l)	**25%**	24%	24%
Travellers		(m)	**-**	-	46%

Explanatory notes:

(a) Megaworld is 44% directly owned by AGI and 21% owned through other subsidiaries (NTLPI and FCI). Effective ownership over Megaworld increased due to additional subscription by AGI.
(b) Foreign subsidiaries operating under the laws of the Cayman Islands
(c) Foreign subsidiaries operating under the Business Companies Act of the British Virgin Islands (BVI)
(d) Newly acquired subsidiaries of Megaworld in 2013
(e) Subsidiaries of EELHI
(f) AGI and Megaworld directly owns 49% and 51%, respectively
(g) A subsidiary of AGI through 60% and 40% direct ownership of EELHI and FCI, respectively
(h) A subsidiary of Megaworld in 2011 and became an associate in 2012. Became a subsidiary in 2013, through Megaworld's increase in ownership interest in EELHI (see note 12.2)
(i) Effective ownership over GERI increased due to additional subscription by Megaworld.
(j) A subsidiary of AGI through 60% and 40% direct ownership of GERI and Megaworld, respectively
(k) Newly acquired subsidiary of GADC
(l) Unincorporated joint ventures of GADC
(m) Formerly a jointly-controlled entity. As of the beginning of 2012, AGI has the power to govern the financial and operating policies of Travellers. As such, after considering the provisions of applicable accounting standards, Travellers qualified as a subsidiary in 2012 and, accordingly, the accounts of Travellers have been consolidated into the Group's financial statements beginning 2012. Travellers is 18% directly owned by AGI and 22%, 9%, and 5% through Adams, Megaworld and FCI, respectively.
(n) Foreign subsidiaries operating under the laws of United States of America
(o) Subsidiaries of FCI
(p) A subsidiary of AGI through 50/50 ownership of Travellers and Megaworld
(q) Incorporated in 2013. Effective ownership is through 20% direct ownership, 6% through 10% ownership of Megaworld, 4% through 5% ownership of FCI and 15% through 25% ownership of Adams
(r) Newly incorporated and wholly owned subsidiaries of RWBCI
(s) Associates of Megaworld
(t) Subsidiaries of SHDI, an associate of Megaworld
(u) Associates of GERI. GERI gained control over OPI in 2012, hence OPI was consolidated beginning 2012
(v) A foreign associate operating in the BVI; AGPL was disposed in 2013

The Company, its subsidiaries, associates and jointly-controlled entity are incorporated and operating in the Philippines, except for such foreign subsidiaries as identified in preceding table (see explanatory notes b,c,n and v above).

AGI's shares of stock and those of Megaworld, EMP, Travellers, GERI, EELHI and SHDI are listed in and traded through the PSE.

The principal activities of the Group are further described in Note 4.

The Company's registered office and primary place of business is located at the 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

The Board of Directors (BOD) approved on April 28, 2014, the release of the consolidated financial statements of the Group, for the year ended December 31, 2013 (including the comparative financial statements as of and for the year ended December 31, 2012 and the corresponding figures as of January 1, 2012).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized in the succeeding pages. The policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS 1), *Presentation of Financial Statements*. The Group presents all items of income and expense in a single consolidated statement of comprehensive income.

The Group presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

In 2013, the Group's adoption of PAS 19 (Revised), *Employee Benefits*, resulted in material retrospective restatements on certain accounts as of December 31, 2012 and 2011 [see Note 2.3(a)(ii)]. Accordingly, the Group presents a third statement of financial position as of January 1, 2012 without the related notes, except for the disclosures required under PAS 8, A*ccounting Policies, Changes in Accounting Estimates and Errors.*

Certain accounts in the 2012 and 2011 consolidated statements of comprehensive income were reclassified to conform to the current year presentation, which did not have a material impact on the Group's consolidated financial statements.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using the Company's functional currency (see Note 2.18). Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Basis of Consolidation

The Company obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the financial statements of the Company and its subsidiaries, as enumerated in Note 1, as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013, after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses, dividends and unrealized profits and losses from intercompany transactions that are recognized in assets are eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

In addition, shares of stock of the Company acquired by any of these subsidiaries are recognized as treasury shares and these are presented as deduction in the consolidated statement of changes in equity at cost. Any changes in their market values as recognized separately by the subsidiaries are likewise eliminated in full. Gain or loss on the sale of these treasury shares is presented as addition to or deduction from additional paid-in capital (APIC).

The financial statements of subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting principles. Financial statements of entities in the Group that are prepared as of a date different from that of the date of these consolidated financial statements were adjusted to recognize the effects of significant transactions or events that occur between that date of their reporting period and the date of these consolidated financial statements. Adjustments are also made to bring into line any dissimilar accounting policies that may exist.

The Group accounts for its investments in subsidiaries and associates, interests in joint ventures, and transactions with non-controlling interest as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are consolidated from the date the Company obtains control until such time that such control ceases. The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries (see Note 2.10). This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities, including contingent liabilities, assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquired entity, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss. (See Note 2.11)

(b) Investments in Associates

Associates are those entities over which the Group is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in associate is subject to the purchase method of accounting. Any goodwill or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investment in an associate. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Group's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Share in Net Profits (Losses) of Associates and Joint Ventures account in the consolidated statements of comprehensive income. These changes include subsequent depreciation, amortization and impairment of the fair value adjustments of the associate's assets and liabilities.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.19).

Changes resulting from other comprehensive income of the associates or items that have been directly recognized in the associate's equity, for example, resulting from the associate's accounting for available-for-sale (AFS) financial assets, are recognized in the consolidated other comprehensive income or equity of the Group, as applicable. Any non-income related equity movements of the associate that arise, for example, from the distribution of dividends or other transactions with the associate's shareholders are charged against the proceeds received or granted. No effect on the Group's net result or equity is recognized in the course of these transactions.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments in behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeded the accumulated share of losses that has previously not been recognized. Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Interests in Joint Ventures

For interest in a jointly-controlled operation, the Group recognizes in its consolidated financial statements its share of the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint venture. No adjustments or other consolidation procedures are required since the assets, liabilities, income and expenses of the joint venture are recognized in the separate financial statements of the venturers.

For interest in a jointly controlled entity, the Group recognizes in its consolidated financial statements its interest using the equity method. Under the equity method, the interest in a jointly controlled entity is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share in the profit or loss of the joint venture after the date of acquisition. Unrealized gains arising from transactions with jointly controlled entity are eliminated to the extent of the Group's interest in joint venture against the related investment. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

(d) Transactions with Non-controlling Interest

The Group's transactions with non-controlling interest that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interest result in gains and losses for the Group that are also recognized in consolidated equity.

When the Company ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in consolidated profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent Company holds beneficial interests in various subsidiaries and associates as presented in Notes 1 and 12.

2.3 Adoption of New and Amended PFRS

(a) Effective in 2013 that are Relevant to the Group

In 2013, the Group adopted the following amendments to PFRS that are relevant to the Group and effective for financial statements for the annual period beginning on or after July 1, 2012 or January 1, 2013:

PAS 1 (Amendment)	:	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
PAS 19 (Revised)	:	Employee Benefits
PAS 34 (Amendment)	:	Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities
PFRS 7 (Amendment)	:	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

Consolidation Standards		
PFRS 10	:	Consolidated Financial Statements
PFRS 11	:	Joint Arrangements
PFRS 12	:	Disclosure of Interests in Other Entities
PAS 27 (Revised)	:	Separate Financial Statements
PAS 28 (Revised)	:	Investments in Associates and Joint Ventures
PFRS 10, 11 and 12 (Amendments)	:	Amendments to PFRS 10, 11 and 12 – Transition Guidance to PFRS 10, 11 and 12
PFRS 13	:	Fair Value Measurement
Annual Improvements	:	Annual Improvements to PFRS (2009-2011 Cycle)

Discussed below are relevant information about these new and amended standards.

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* (effective from July 1, 2012). The amendment requires an entity to group items presented in other comprehensive income into those that, in accordance with other PFRS: (a) will not be reclassified subsequently to profit or loss, and, (b) will be reclassified subsequently to profit or loss when specific conditions are met. The amendment has been applied retrospectively; hence, the presentation of other comprehensive income has been modified to reflect the changes. Prior period comparatives have been restated as a consequence of this change in presentation.

(ii) PAS 19 (Revised), *Employee Benefits* (effective from January 1, 2013). This revised standard made a number of changes to the accounting for employee benefits. The most significant changes relate to defined benefit plans as follows:

- eliminates the corridor approach and requires the recognition of remeasurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;

- changes the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit liability or asset; and,

- enhances disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

The Group has applied PAS 19 (Revised) retrospectively in accordance with its transitional provisions. Consequently, it restated the comparative amounts disclosed in prior years and adjusted the cumulative effect of the changes against the 2012 and 2011 balances of the affected assets, liabilities, and equity components as shown below and on the succeeding pages.

	December 31, 2012		
	As Previously Reported	Effect of Adoption of PAS 19 (Revised)	As Restated
Changes in asset and liabilities:			
Deferred tax assets	P 779,272,386	P 29,766,152	P 809,038,538
Other current liabilities	(17,196,098,400)	1,624,656	(17,194,473,744)
Retirement benefit obligation	(849,137,076)	(359,341,824)	(1,208,478,900)
Deferred tax liabilities	(6,405,540,029)	71,437,018	(6,334,103,011)
Decrease in Equity		(P 256,513,998)	
Changes in components of equity:			
Unappropriated retained earnings	P 40,237,045,058	P 7,112,315	P 40,244,157,373
Actuarial loss on retirement benefit obligation	-	(240,822,146)	(240,822,146)
Non-controlling interest	59,870,536,020	(22,804,167)	59,847,731,853
Decrease in Equity		(P 256,513,998)	

	January 1, 2012		
	As Previously Reported	Effect of Adoption of PAS 19 (Revised)	As Restated
Changes in asset and liabilities:			
Deferred tax assets	P 670,407,846	P 35,075,915	P 705,483,761
Other current liabilities	(15,733,590,497)	376,320	(15,733,214,177)
Retirement benefit obligation	(591,342,731)	(319,715,388)	(911,058,119)
Deferred tax liabilities	(5,590,007,701)	60,661,000	(5,529,346,701)
Decrease in Equity		(P 223,602,153)	
Changes in components of equity:			
Unappropriated retained earnings	P 31,072,319,070	P 1,270,473	P 31,073,589,543
Actuarial loss on retirement benefit obligation	-	(215,576,679)	(215,576,679)
Non-controlling interest	52,522,275,597	(9,295,947)	52,512,979,650
Decrease in Equity		(P 223,602,153)	

The effects of the adoption of PAS 19 (Revised) on the statement of comprehensive income for the years ended December 31, 2012 and 2011 are shown below and in succeeding page.

	December 31, 2012		
	As Previously Reported	Effect of Adoption of PAS 19 (Revised)	As Restated
Changes in profit or loss:			
Other operating expenses	P 21,785,957,940	(P 60,451,842)	P 21,725,506,098
Finance cost and other charges	4,206,420,366	45,361,177	4,251,781,543
Tax expense	4,632,110,106	8,631,154	4,623,478,952
Net decrease in net profit		(P 6,459,511)	
Changes in other comprehensive income:			
Actuarial loss on remeasurement of retirement benefit obligation	P -	(P 41,307,696)	(P 41,307,696)
Tax income	-	12,392,308	12,392,307
Net decrease in OCI		(P 28,915,389)	

	December 31, 2011		
	As Previously Reported	Effect of Adoption of PAS 19 (Revised)	As Restated
Changes in profit loss or loss:			
Other operating expenses	P 8,240,068,783	(P 19,374,595)	P 8,220,694,188
Finance cost and other charges	3,776,827,484	21,558,582	3,798,386,066
Tax expense	3,353,004,489	(1,167,286)	3,351,837,203
Net decrease in net profit		(P 1,016,701)	
Changes in other comprehensive income:			
Actuarial loss on remeasurement of retirement benefit obligation	P -	(P 271,280,301)	(P 271,280,301)
Tax income	-	81,384,090	81,384,090
Net decrease in OCI		(P 189,896,211)	

The adoption of PAS 19 (Revised) did not have a material impact on Group's consolidated statements of cash flows and on the basic and diluted earnings per share (see Note 22) for the years ended December 31, 2012 and 2011.

(iii) PAS 34 (Amendment), *Interim Financial Reporting and Segment Information for Total Assets and Liabilities* (effective from January 1, 2013). This standard clarifies the requirements on segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in paragraph 23 of International Financial Reporting Standards (IFRS) 8, *Operating Segments.* It also clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed if, and only if: (a) a measure of total assets or of total liabilities (or both) is regularly provided to the chief operating decision maker; and, (b) there has been a material change from those measures disclosed in the last annual financial statements for that reportable segment. The amendment has no significant impact on the Group's consolidated financial statements as its current presentation of segment information is in accordance with the said amendment.

(iv) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities* (effective from January 1, 2013). The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32, Financial Instruments: Presentation. The amendment also requires disclosure of information about recognized financial instruments which are subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32 and amounts related to a financial collateral. These disclosures allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the entity's statement of financial position. This amendment did not affect the Group's financial statements as the Group is not setting off financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangements.

(v) Consolidation, Joint Arrangements, Associates and Disclosures

This package of consolidation, joint arrangements, associates and disclosures standards comprise of PFRS 10, *Consolidated Financial Statements,* PFRS 11, *Joint Arrangements,* PFRS 12, *Disclosure of Interests in Other Entities,* PAS 27 (Revised 2011), *Separate Financial Statements* and PAS 28 (Revised 2011), *Investments in Associates and Joint Ventures.*

- PFRS 10 changes the definition of control focusing on three elements which determine whether the investor has control over the investee such as the: (a) power over the investee, (b) exposure or rights to variable returns from involvement with the investee, and, (c) ability to use such power to affect the returns. This standard also provides additional guidance to assist in determining control when it is difficult to assess, particularly in situation where an investor that owns less than 50% of the voting rights in an investee may demonstrate control to the latter.

- PFRS 11 deals with how a joint arrangement is classified and accounted for based on the rights and obligations of the parties to the joint arrangement by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. The option of using proportionate consolidation for arrangement classified as jointly controlled entities under the previous standard has been eliminated. This new standard now requires the use of equity method in accounting for arrangement classified as joint venture.

- PFRS 12 integrates and makes consistent the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, associates, special purpose entities and unconsolidated structured entities. In general, this requires more extensive disclosures about the risks to which an entity is exposed from its involvement with structured entities.

- PAS 27 (Revised) deals with the requirements pertaining solely to separate financial statements after the relevant discussions on control and consolidated financial statements have been transferred and included in PFRS 10, while PAS 28 (Revised) includes the requirements for joint ventures, as well as for associates, to be accounted for using the equity method following the issuance of PFRS 11.

Subsequent to the issuance of these standards, amendments to PFRS 10, PFRS 11 and PFRS 12 were issued to clarify certain transitional guidance for the first-time application of the standards. The guidance clarifies that an entity is not required to apply PFRS 10 retrospectively in certain circumstances and clarifies the requirements to present adjusted comparatives. The guidance also made changes to PFRS 10 and PFRS 12 which provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period.

Further, it provides relief by removing the requirement to present comparatives for disclosures relating to unconsolidated structured entities for any period before the first annual period for which PFRS 12 is applied.

The Group has evaluated the various facts and circumstances related to its interests in other entities and it has determined that the adoption of the foregoing standards, revisions and amendments had no material impact on the amounts recognized in the financial statements. Additional information, however, are disclosed in compliance with the requirements of PAS 27 (Revised) with respect to principal place of business and incorporation of the significant subsidiaries and associates (see Note 1).

(vi) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This new standard clarifies the definition of fair value and provides guidance and enhanced disclosures about fair value measurements. The requirements under this standard do not extend the use of fair value accounting but provide guidance on how it should be applied to both financial instrument items and non-financial items for which other PFRS require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances. This new standard applies prospectively from annual period beginning January 1, 2013, hence, disclosure requirements need not be presented in the comparative information in the first year of application.

Other than the additional disclosures presented in Notes 14 and 33, the application of this new standard had no significant impact on the amounts recognized in the financial statements.

(vii) 2009 – 2011 Annual Improvements to PFRS. Annual improvement to PFRS (2009-2011 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following are relevant to the Group:

(a) PAS 1 (Amendment), *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information.* The amendment clarifies that a statement of financial position as at the beginning of the preceding period (third statement of financial position) is required when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the third statement of financial position. The amendment specifies that other than disclosure of certain specified information in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* related notes to the third statement of financial position are not required to be presented.

Consequent to the Group's adoption of PAS 19 (Revised) in the current year which resulted in retrospective restatement of the prior years' consolidated financial statements, the Group has presented a third statement of financial position as of January 1, 2012 without the related notes, except for the disclosure requirements of PAS 8.

(b) PAS 16 (Amendment), *Property, Plant and Equipment – Classification of Servicing Equipment.* The amendment addresses a perceived inconsistency in the classification requirements for servicing equipment which resulted in classifying servicing equipment as part of inventory when it is used for more than one period. It clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognized as property, plant and equipment when they meet the definition of property, plant and equipment, otherwise, these are classified as inventory. This amendment had no impact on the Group's consolidated financial statements since it has been recognizing those servicing equipment in accordance with the recognition criteria under PAS 16.

(c) PAS 32 (Amendment), *Financial Instruments – Presentation – Tax Effect of Distributions to Holders of Equity Instruments.* The amendment clarifies that the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with PAS 12. Accordingly, income tax relating to distributions to holders of an equity instrument is recognized in profit or loss while income tax related to the transaction costs of an equity transaction is recognized in equity. This amendment had no effect on the Group's consolidated financial statements as it has been recognizing the effect of distributions to holders of equity instruments and transaction costs of an equity transaction in accordance with PAS 12.

(b) Effective in 2013 that are not Relevant to the Group

The following amendments, annual improvements and interpretation to PFRS are mandatory for accounting periods beginning on or after January 1, 2013 but are not relevant to the Company's financial statements:

PFRS 1 (Amendment)	:	First-time Adoption of PFRS – Government Loans
Annual Improvements PFRS 1 (Amendment)	:	First-time Adoption of PFRS – Repeated Application of PFRS 1 and Borrowing Costs
Philippine Interpretation International Financial Reporting Interpretation Committee 20	:	Stripping Costs in the Production Phase of a Surface Mine

(c) Effective Subsequent to 2013 but not Adopted Early

There are new PFRS, amendments, annual improvements and interpretation to existing standards that are effective for periods subsequent to 2013. Management has initially determined the following pronouncements, which the Group will apply in accordance with their transitional provisions, to be relevant to its consolidated financial statements:

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions* (effective from January 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. Management has initially determined that this amendment will have no significant impact on the Group's consolidated financial statements.

(ii) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2014). The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that a right of set-off is required to be legally enforceable, in the normal course of business; in the event of default; and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies the principle behind net settlement and provided characteristics of a gross settlement system that would satisfy the criterion for net settlement. The Group does not expect this amendment to have a significant impact on its consolidated financial statements.

(iii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets* (effective from January 1, 2014). The amendment clarifies that the requirements for the disclosure of information about the recoverable amount of assets or cash-generating units is limited only to the recoverable amount of impaired assets that is based on fair value less cost of disposal. It also introduces an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less cost of disposal is determined using a present value technique. Management will reflect in its subsequent years' financial statements the changes arising from this relief on disclosure requirements, if the impact of the amendment will be applicable.

(iv) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* (effective from January 1, 2014). The amendment provides some relief from the requirements on hedge accounting by allowing entities to continue the use of hedge accounting when a derivative is novated to a clearing counterparty resulting in termination or expiration of the original hedging instrument as a consequence of laws and regulations, or the introduction thereof. As the Group neither enters into transactions involving derivative instruments nor it applies hedge accounting, the amendment will not have an impact on the consolidated financial statements.

(v) PFRS 9, *Financial Instruments: Classification and Measurement.* This is the first part of a new standard on financial instruments that will replace PAS 39, *Financial Instruments: Recognition and Measurement,* in its entirety. The first phase of the standard was issued in November 2009 and October 2010 and contains new requirements and guidance for the classification, measurement and recognition of financial assets and financial liabilities. It requires financial assets to be classified into two measurement categories: amortized cost or fair value. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows that represent solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt instruments and equity instruments are measured at fair value. In addition, PFRS 9 allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to the liability's credit risk is recognized in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

In November 2013, the IASB has published amendments to IFRS 9 that contain new chapter and model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. The amendment also now requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather in profit or loss. It also includes the removal of the January 1, 2015 mandatory effective date of IFRS 9.

To date, the remaining chapter of IFRS/PFRS 9 dealing with impairment methodology is still being completed. Further, the IASB is currently discussing some limited modifications to address certain application issues regarding classification of financial assets and to provide other considerations in determining business model.

The Group does not expect to implement and adopt PFRS 9 until its effective date. In addition, management is currently assessing the impact of PFRS 9 on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(vi) PFRS 10, 12 and PAS 27 (Amendments) - *Investment Entities* (effective from January 1, 2014). The amendments define the term "investment entities," provide supporting guidance, and require investment entities to measure investments in the form of controlling interest in another entity, at fair value through profit or loss.

Management does not anticipate these amendments to have a material impact on the Group's consolidated financial statements.

(vii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS, which are effective for annual period beginning on or after July 1, 2014. Among those improvements, the following amendments are relevant to the Group but management does not expect a material impact on the Group's consolidated financial statements:

Annual Improvements to PFRS (2010-2012 Cycle)

- PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), Intangible Assets. The amendments clarify that when an item of property, plant and equipment, and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

- PAS 24 (Amendment), *Related Party Disclosures.* The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also requires and clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity should and not the amounts of compensation paid or payable by the key management entity to its employees or directors.

- PFRS 3 (Amendment), *Business Combinations.* Requires contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

- PFRS 13 (Amendment), *Fair Value Measurement.* The amendment, through a revision only in the basis of conclusion of PFRS 13, clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financial instruments, did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvements to PFRS (2011-2013 Cycle)

- PFRS 3 (Amendment), *Business Combinations.* Clarifies that PFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

- PFRS 13 (Amendment), *Fair Value Measurement.* The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of, and accounted for in accordance with, PAS 39 or PFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.

- PAS 40 (Amendment), *Investment Property*. The amendment clarifies the interrelationship of PFRS 3, Business Combinations, and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset, or a business combination in reference to PFRS 3.

(viii) Philippine IFRIC 15, *Agreements for Construction of Real Estate.* This Philippine interpretation is based on IFRIC interpretation issued by the IASB in July 2008 effective for annual periods beginning on or after January 1, 2009. The adoption of this interpretation in the Philippines, however, was deferred by the FRSC and Philippine Securities and Exchange Commission after giving due considerations on various application issues and the implication on this interpretation of the IASB's on-going revision of the Revenue Recognition standard. This interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts,* or PAS 18, *Revenue,* and accordingly, when revenue from the construction should be recognized. The main expected change in practice is a shift from recognizing revenue using the percentage of completion method (i.e., as a construction progresses, by reference to the stage of completion of the development) to recognizing revenue at completion upon or after delivery. The Group is currently evaluating the impact of this interpretation on its consolidated financial statements in preparation for its adoption when this becomes mandatorily effective in the Philippines.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in consolidated profit or loss.

The financial asset categories currently relevant to the Group are financial assets at FVTPL, loans and receivables and AFS financial assets. A more detailed description of these financial assets is as follows:

(a) Financial Assets at FVTPL

This category includes financial assets that are either classified as held-for-trading or that meets certain conditions and are designated by the entity to be carried at FVTPL upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months from the end of the reporting period.

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in consolidated profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at FVTPL) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term.

The Group's financial assets included in this category consist mainly of investments in marketable debt and equity securities, and derivative assets.

(b) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables (except Advances to Contractors and Suppliers), Advances to Associates and Other Related Parties (included under Investments in and Advances to Associates and Other Related Parties account), Time Deposits (included under Other Current Assets account) and Refundable Security Deposits (included under Other Non-current Assets account). Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(c) *AFS Financial Assets*

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets classification in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months after the end of the reporting period. All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in consolidated equity. When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in Revaluation Reserves is reclassified from consolidated equity to consolidated profit or loss and is presented as reclassification adjustment within consolidated other comprehensive income. Reversal of impairment losses on AFS equity instruments is not recognized through the consolidated profit or loss. On the other hand, if in a subsequent period the fair value of an AFS financial instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through consolidated profit or loss.

The Group's AFS financial assets include investments in marketable equity securities where the Group held no significant influence and shares that are not listed in the stock exchange and investments in marketable debt securities designated as AFS by management at initial recognition.

All income and expenses relating to financial assets that are recognized in profit or loss are presented under Finance Income or Finance Costs, which are presented as Finance and Other Income and Finance Cost and Other Charges in the consolidated statement of comprehensive income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to exchange-quoted market bid prices at the close of business on the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in consolidated profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

A financial asset is reported net of financial liability in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred.

2.5 Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using weighted average method, except for food, paper, and promotional items which use the first-in, first-out method. Finished goods and work-in-process include the cost of raw materials, direct labor and a proportion of manufacturing overhead based on normal operating capacity. The cost of raw materials include all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. NRV of raw materials, spare parts and other operating supplies is the current replacement cost.

Real estate for sale are carried at the lower of cost and NRV. Cost includes costs incurred for development and improvement of the properties and borrowing costs on loans directly attributable to the projects which were capitalized during construction (see Note 2.16). Accounting policies for real estate development transactions are discussed in more detail in Note 2.6.

2.6 Real Estate Transactions

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title of the property to the Group, are charged to the Land for Future Development account. These costs are reclassified to Property Development Costs account when the development of the property starts. Related property development costs are then accumulated in this account. Borrowing costs on certain loans, if any, incurred during the development of the real estate properties are also capitalized by the Group as part of Property Development Costs (see Note 2.16). Once a revenue transaction occurs on a per project basis, up to the stage the unit is sold, the related property development costs are reclassified to Real Estate for Sale classified under Inventories account (see Note 2.5) in the consolidated statement of financial position.

The cost of real estate property sold before completion of the development, if any, is determined based on the actual costs incurred to date plus estimated costs to complete the development of the property. The estimated expenditures for the development of sold real estate property, as determined by the project engineers, are presented as part of Cost of Goods Sold in the consolidated statement of comprehensive income with a corresponding credit to the liability account, Reserve for Property Development account (see Note 20).

Costs of properties and projects accounted for as Land for Future Development Costs, Property Development Costs and Real Estate for Sale are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate project is charged to operations during the period in which the loss is determined.

2.7 Other Assets

Other assets presented either under current or non-current assets classification in the consolidated statement of financial position pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), such assets are classified as non-current assets.

2.8 Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation, amortization and any impairment in value. As no finite useful life for land can be determined, the related carrying amount is not depreciated. Land held for use in production or administration is stated at cost less any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use, including borrowing costs (see Note 2.16) and asset retirement obligation (ARO) relating to property and equipment installed/constructed on leased properties [see Note 3.2 (k)]. GADC is legally required under various lease agreements to dismantle the installations and restore the leased sites at the end of the lease term. It is also a Group's policy to remove permanent improvements or additions which contain designs and configurations inherent to GADC's business signs, trademarks, trade names, patent and other similar intellectual property rights belonging to McDonald's Corporation (McDonald's) upon the termination or expiration of lease contract. The present value of ARO is recognized as part of the balance of the related property, plant and equipment accounts, which are being depreciated on a straight-line basis over the shorter of the useful life of the related asset or the lease term. The outstanding ARO as at the end of the reporting period is presented as part of Other Non-current Liabilities in the consolidated statement of financial position. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

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

Buildings and land improvements	5 to 40 years
Condominium units	10 to 25 years
Machinery and equipment	2 to 12 years
Fixtures and other equipment	3 to 10 years
Transportation equipment	3 to 10 years

Leasehold improvements are amortized over the life of the assets of 5 to 40 years or the term of the lease, whichever is shorter.

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.16) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.19).

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

The residual values, estimated useful lives and method of depreciation of property, plant and equipment are reviewed, and adjusted if appropriate, at each reporting period.

An item of property, plant and equipment, including the related accumulated depreciation, amortization and impairment losses, is derecognized upon sale disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in consolidated profit or loss in the year the item is derecognized.

2.9 Investment Property

Properties held for lease under operating lease agreements, which comprise mainly of land, buildings and condominium units, are classified as Investment Property and are carried at cost less accumulated depreciation and any impairment in value (see Note 2.19).

Cost capitalization, depreciation, impairment loss and asset derecognition are recorded in the same manner as in Property, Plant and Equipment (see Note 2.8). Depreciation of investment property (excluding land) is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 50 years.

2.10 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting. The cost of an acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss in the consolidated statement of comprehensive income as incurred.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its fair value at the date of acquisition.

Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* either in consolidated profit or loss or to consolidated other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the date of acquisition that if known, would have affected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its fair value at the date of acquisition (the date the Group attains control) and recognize the resulting gain or loss, if any, in the consolidated profit or loss or consolidated other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the date of acquisition that have previously been recognized in other comprehensive income are reclassified to profit or loss in the consolidated statement of comprehensive income, where such treatment would be appropriate if that interest were disposed of.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of the related goodwill (see Note 2.11).

2.11 Intangible Assets

Intangible assets include goodwill, trademarks, leasehold rights and computer software. Except goodwill, all other intangible assets have finite lives and are carried at cost less accumulated amortization and any impairment in value. Goodwill is not amortized, but is reviewed for impairment at least annually.

Goodwill represents the excess of the cost of investment in shares of stocks over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Any impairment loss is recognized immediately in consolidated profit or loss and is not subsequently reversed (see Note 2.19).

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is recognized directly to income. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the consolidated profit or loss on disposal.

The cost of trademarks, leasehold rights and computer software includes the acquisition price and other direct costs. Capitalized costs are amortized on a straight-line basis over the estimated useful life of 10 and 3 years, for trademarks and computer software, respectively, and over the term of the lease for leasehold rights. In addition, these assets are subject to impairment testing as described in Note 2.19. When these assets are retired or otherwise disposed of, the cost and the related accumulated amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is credited to or charged against current operations.

Costs associated with maintaining computer software and any costs associated with research activities are recognized as expense in consolidated profit or loss as incurred.

2.12 Financial Liabilities

The categories of financial liabilities relevant to the Group are more fully described below.

(a) Financial Liabilities at FVTPL

Financial liabilities are classified in this category if they are held-for-trading or derivative transactions that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category.

The Group occasionally uses derivative financial instruments, such as foreign exchange forward contracts and interest rate swaps. Such derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative, which are presented under the Other Assets or Other Liabilities (current and non-current) account in the consolidated statements of financial position.

The Group's derivative instruments provide economic hedges under the Group's policies but are not designated as accounting hedges. Consequently, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

(b) *Financial Liabilities at Amortized Costs*

This category pertains to financial liabilities that are not held-for-trading or not designated as FVTPL upon inception of the liability. These include liabilities arising from operations or borrowings.

Financial liabilities, which include Interest-bearing Loans, Bonds Payable, Trade and Other Payables (except tax related payables), Advances from Related Parties, Redeemable Preferred Shares, Security Deposits and Payable to McDonald's Restaurant Operations, Inc. (MRO) under Stock Option Plan are recognized when the Group becomes a party to the contractual agreements of the instrument.

All interest-related charges incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Costs and Other Charges in the consolidated statement of comprehensive income.

Interest-bearing Loans and Bonds Payable are raised for support of long-term funding of operations. These are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to consolidated profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and Other Payables, Advances from Related Parties, Security Deposits and Payable to MRO under Stock Option Plan are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Redeemable Preferred Shares of GADC and TLC which are mandatorily redeemable at the option of the holder, are recognized at fair value, net of transaction costs, on inception date and presented as liability in the consolidated statement of financial position; the liability is subsequently measured at amortized cost. The corresponding accretion of the liability and the dividends paid on those shares are charged as part of Interest Expense under Finance Costs and Other Charges account in the consolidated statement of comprehensive income.

Dividend distributions to shareholders are recognized as financial liabilities when the dividends are declared by the BOD.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

2.13 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.14 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital (APIC) includes any premiums received on the issuance or reissuance of capital stock. Any transaction costs associated with such issuances of shares are deducted from APIC, net of any related income tax benefits. Excess of proceeds over acquisition cost of treasury shares is also added to APIC.

Treasury shares are AGI shares reacquired by the Company but not cancelled or AGI shares held by subsidiaries for investment purposes. These are carried at cost of reacquiring such shares (see also Note 2.2).

Revaluation reserves represent unrealized fair value gains or losses on AFS financial assets pertaining to cumulative mark-to-market valuations [see Note 2.4(c)], share in other comprehensive income of associates and joint ventures attributable to the Group, and actuarial gains or losses from remeasurement of retirement benefit obligations.

Accumulated translation adjustments represent the translation adjustments resulting from the conversion of foreign currency denominated financial statements of certain subsidiaries into the Group's presentation currency (see Note 2.18).

Dilution gain or loss arises when an investor exercises its pre-emptive rights to maintain its ownership interest in an investee. This represents the difference between the book value per share in an investee versus the investee's offer price at the time the rights are exercised. This also includes the Company's share in previous period's profit (loss) as a result of the current increase (decrease) in equity ownership over its subsidiaries. Dilution gain or loss is recognized on investments of which the Company continues to exercise control.

Share options represent the value of share options during vesting period upon recognition of share-based remuneration expense in profit or loss [see Note 2.20(d)].

Retained earnings, the appropriated portion of which is not available for dividend declaration, represent all current and prior period results of operations as reported in the profit and loss section of the consolidated statement of comprehensive income, reduced by the amount of dividends declared.

2.15 Revenue and Expense Recognition

Revenue is recognized to the extent that the revenue can be reliably measured by reference to the fair value of consideration received or receivable by the Group; it is probable that future economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of goods* – Revenue, net of rebates and trade discounts, is recognized when the risks and rewards of ownership of the goods have passed to the buyer. This is generally when the customer acknowledged delivery of goods.

(b) *Sale of residential and condominium units [included under Real Estate (RE) Sales]* – For financial reporting purposes, revenues from transactions covering sales of residential and condominium units are recognized under the percentage-of-completion method. Under this method, realization of gross profit is recognized by reference to the stage of development of the properties (i.e., revenue is recognized in the period in which the work is performed). The unrealized gross profit on a year's sales is presented as Deferred Gross Profit on Real Estate Sales (under Cost of Goods Sold) in the consolidated statement of comprehensive income; the cumulative unrealized gross profit as of the end of the year is shown as Deferred Income on Real Estate Sales (under Other Current and Non-current Liabilities) in the consolidated statement of financial position.

The sale is recognized when a certain percentage of the total contract price has already been collected. If the transaction does not yet qualify as sale, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of sale, payments received from buyer are initially recorded Customers' Deposits and presented as part of Other Liabilities (current and non-current) in the consolidated statement of financial position.

Any adjustments relative to previous years' sales are recorded in the current year as they occur.

For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from real estate sales is used by the Group.

(c) *Interest income on real estate sales* - considered in the determination of total revenue for real estate sales (see Note 23). It is recognized when interest accrues taking into account the underlying sale of real estate under installment method through in-house financing (not through externally financed home loans obtained by customers).

(d) *Sale of undeveloped land and golf and resort shares (included under RE Sales)* – Revenues on sale of undeveloped land and golf and resort shares for sale are recognized using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership have passed to the buyer and the amount of revenue can be measured reliably.

(e) *Gaming revenues* – Revenue is recognized from net wins from gaming activities which represent the difference between coins and currencies deposited into the gaming machines and the payments to customers and, for other games, the difference between gaming wins and losses.

(f) *Revenue from hotel operations* – Revenue from hotel operations is recognized when services are rendered. This is presented as part of the item Others under Revenue from Rendering of Services (see Note 23).

(g) *Sales from Company-operated quick-service restaurants* – Revenue from restaurant sales operations are recognized when the services are rendered, that is, food and beverage products or promotional items purchased by customers have been delivered and accepted by the customers.

(h) *Franchise revenues* – Revenue from franchised McDonald's restaurants (including the restaurant operated by a joint venture) includes continuing rental, royalty and management fees. These are recognized in the period earned.

(i) *Rentals* – Rental income is recognized on a straight-line basis over the duration of the lease terms. For tax purposes, rental income is recognized based on the contractual terms of the lease. Advance rentals and refundable rental deposits, if any, are recorded as deferred rental. Deferred rental, specifically the refundable rental deposit, is measured at amortized cost using the effective interest rate method.

(j) *Interest* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

(k) *Dividends* – Revenue is recognized when the right to receive the payment is established.

Revenue and expenses are recognized excluding the amount of value-added tax (VAT).

The Group provides a membership card for its gaming patrons (i.e., of Travellers). Members earn points on gaming activity and such points are redeemable for complimentary goods and services such as rooms, food, beverages and others. Members may also earn special coupons or awards as determined during marketing promotions. The Group records revenue for the original transaction and a provision (and a corresponding recognition of promotional allowances in profit or loss) for the value of the points earned by members by reference to the relative fair values of the complimentary goods or services.

Cost and expenses (other than cost of real estate sales) are recognized in profit or loss upon utilization of the services or receipt of the goods or at the date they are incurred. All finance costs are reported in consolidated profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.16).

Costs of residential and condominium units sold before completion of the projects include the acquisition cost of the land, development costs incurred to date, applicable borrowing costs (see Note 2.16) and estimated costs to complete the project, determined based on estimates made by the project engineers (see Note 2.6).

2.16 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

2.17 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

Leases which transfer to the Group substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the consolidated statement of financial position at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in consolidated profit or loss. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in consolidated profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in consolidated profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes 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.

2.18 Foreign Currency Transactions and Translation

(a) Transactions and Balances

Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

(b) Translation of Financial Statements of Foreign Subsidiaries

The operating results and financial position of foreign subsidiaries (see Note 1) which are measured using the United States (U.S.) dollars, their functional currency, are translated to Philippine pesos, the Group's functional currency as follows:

(i) Monetary assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) Non-monetary assets and liabilities for each statement of financial position presented, which are measured in terms of historical cost, are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities which are measured at fair value are translated using the exchange rates at the date when the fair value was determined;

(iii) Income and expenses for each profit or loss account are translated at the average exchange rates over the reporting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,

(iv) All resulting exchange differences are recognized in consolidated other comprehensive income and in a separate component of consolidated equity under Accumulated Translation Adjustments.

When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of the gain or loss on sale.

The translation of the financial statements into Philippine peso should not be construed as a representation that the U.S. dollar amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

2.19 Impairment of Non-financial Assets

The Group's Investments in Associates and Joint Ventures, Intangible Assets, Investment Property, Property, Plant and Equipment and Other Non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.20 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, as well as a defined contribution plan.

(a) Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's post-employment defined benefit pension plan covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of a zero coupon government bonds as published by Philippine Dealing and Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance and other income or Finance cost and other charges account in the consolidated statement of comprehensive income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment.

(b) Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity (i.e., Social Security System). The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Share-based Employee Remuneration

Certain employees of GADC received remuneration in the form of stock options on the shares of McDonald's. The cost of the stock options was measured by reference to the fair value of the stock options, which was the compensation charged by McDonald's for participating in the plan on the date of grant.

The cost of the stock options is recognized as employee benefits in profit or loss, with a corresponding increase in liability, over a period beginning on the date of grant and ending on the date on which the qualified employees become fully entitled to the award (vesting date). The cumulative expense recognized for the stock options at each reporting date until the vesting date reflects the extent to which the vesting period has expired, without regard to the number of awards that will ultimately vest.

In addition, the Parent Company, Megaworld and GERI also grant share options to key executive officers and employees eligible under each stock option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in profit or loss and the corresponding share option is presented as Share Options account in the equity section of the consolidated statement of financial position.

The expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number that ultimately vested on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as APIC, and the cost of the stock option under Share Options account is reclassified to APIC.

(e) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables account in the statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.21 Income Taxes

Tax expense recognized in consolidated profit or loss comprises the sum of deferred tax and current tax not recognized in consolidated other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in consolidated profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in consolidated profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are recognized in consolidated other comprehensive income or directly in consolidated equity, respectively.

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

2.22 Earnings per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to equity holders of the parent company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares (e.g. vested share options – see Note 21.5)

2.23 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group’s strategic steering committee; its chief operating decision-maker. The strategic steering committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally considers the Group’s major subsidiaries as disclosed in Note 4, which represent the main products and services provided by the Group and the line of business in which the Group operates.

Each of these operating segments, which represent the major subsidiaries within the Group, is managed separately by each respective officers and management. All inter-segment transfers are carried out at arm’s length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments,* are the same as those used in its financial statements. However, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to any segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.24 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Group and close members of the family of any such individual and, (d) certain funded retirement plans, administered by trustee banks, of two significant subsidiaries.

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

2.25 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (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 AND ESTIMATES

The Group's consolidated financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Impairment of AFS Financial Assets

In determining when an investment is other-than-temporarily impaired, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

(b) Distinction Between Investment Property, Owner-Occupied Properties and Land for Future Development

In determining whether a property qualifies as investment property, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Investment property comprise of properties held to earn rental or for capital appreciation. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process while Land for Future Development are properties intended solely for future development. The Group considers each property separately in making its judgment.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the Group's main line of business or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the Group's main line of business or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

(c) Distinction between Operating and Finance Leases

The Group has entered into various lease agreements as either a lessor or lessee. In distinguishing each lease agreement as either an operating or finance lease, management looks at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

(d) Classification of Preferred Shares as Financial Liability

The Group determines the classification of preferred shares based on the substance of the contractual agreement and the definitions of a financial liability or an equity instrument (see Note 19).

(e) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.13 and relevant disclosures are presented in Note 30.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(a) Revenue Recognition Using the Percentage-of-Completion Method

The Group uses the percentage-of-completion method in accounting for its realized gross profit on real estate sales. The use of the percentage-of-completion method requires the Group to estimate the portion completed using relevant information such as costs incurred to date as a proportion of the total budgeted cost of the project and estimates by engineers and other experts [see Note 2.15 (b)]. Should the proportion of the percentage of completed projects differ by 5% from management's estimates, the effect on the amount of revenue recognized is not significant.

There were no changes in the assumptions or basis for estimation during the year. The realized gross profit on real estate sales recognized in 2013, 2012 and 2011 is disclosed in Note 23.

(b) Impairment of Trade and Other Receivables

The Group maintains an adequate amount of allowance for impairment of receivables, where objective evidence of impairment exists. The Group evaluates the amount of allowance based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Group's relationship with the customers, the customers' payment behaviour, average age of accounts, and historical loss experience.

The carrying value of trade and other receivables and an analysis of allowance for impairment on such receivables are presented in Note 6.

(c) Net Realizable Values of Inventories and Real Estate Properties

In determining the net realizable values of inventories and real estate properties, management takes into account the most reliable evidence available at the times the estimates are made. Net realizable value is one of the key variables used in analyzing property development costs, residential and condominium units for sale, golf and resort shares for sale and land for future development for possible impairment. The Group's core business is subject to changes in market factors that directly affect the demand for inventories and real estate properties such as purchasing power of consumers, degree of competition, and other market-related factors. Future realization of the carrying amounts of these assets is also affected by price changes in the costs incurred necessary to make a sale. Changes in the sources of estimation may cause significant adjustments to the Group's inventories and real estate properties within the next financial year.

The amounts of allowance for inventory obsolescence made by management are based on, among others, age and status of inventories and the Group's past experience. The net realizable value of inventories and an analysis of allowance for inventory write-down are presented in Note 8.

Considering the Group's pricing policy, the net realizable values of certain real estate properties are higher than their related costs.

(d) Fair Value of Financial Assets Other than Loans and Receivables

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement are determined using verifiable objective evidence such as foreign exchange rates, interest rates and volatility rates. However, the amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect consolidated profit and loss and consolidated other comprehensive income.

Management estimates the fair value of financial instruments where active market quotes are not available based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

The carrying amounts of financial assets at FVTPL and AFS financial assets are disclosed in Notes 7 and 11, respectively.

(e) *Fair Value of Investment Property*

Investment property is measured using the cost model. The fair value disclosed in Note 14 to the consolidated financial statements were estimated either by: (i) using the fair value of similar properties in the same location and condition; or, (ii) using the discounted cash flows valuation technique since the information on current or recent prices of certain investment property is not available. The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(f) *Fair Value of Stock Options*

The Group estimates the fair value of the Executive Stock Option (ESOP) by applying an option valuation model, considering the terms and conditions on which the executive stock option were granted. The estimates and assumptions used are presented in Note 21.5 which include, among other things, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the share price (i.e., the Parent Company's, Megaworld, GERI and McDonalds) and fair value of the specific common shares. Changes in these factors can affect the fair value of stock options at grant date.

The fair value of the ESOP recognized as part of Salaries and Employee Benefits is shown under Other Operating Expenses in the consolidated statements of comprehensive income (see Note 25). A corresponding credit to Share Options Outstanding for options related to the Group is presented in the equity portion of the consolidated statements of financial position (see Note 21).

(g) *Useful Lives of Property, Plant and Equipment, Investment Property and Intangible Assets with Finite Lives*

The Group estimates the useful lives of property, plant and equipment, investment property and intangible assets with finite lives based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, investment property and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property, plant equipment, investment property and intangible assets are analyzed in Notes 13, 14 and 15, respectively. Actual results, however, may vary due to changes in factors mentioned above.

Based on management assessment, no change in the estimated useful lives of property, plant and equipment, investment property and intangible assets is necessary in 2013 and 2012.

(h) *Impairment of Non-financial Assets*

Goodwill is reviewed annually for impairment. An impairment review on all other non-financial assets is performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.19. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Impairment loss recognized on Property, Plant and Equipment is discussed in Note 13. There is no impairment loss recognized on the Group's intangible assets and other non-financial assets based on management evaluation for the years ended December 31, 2013, 2012 and 2011.

(i) *Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. An analysis of the carrying amount of deferred tax assets, which management assessed to be fully utilizable in the coming years, is presented in Note 28.1.

(j) *Post-employment Defined Benefit*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase, and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 27.2.

(k) Provision for Restoration of Leased Property

Property, plant and equipment includes the estimated cost of dismantling and restoring leased properties (building and leasehold improvements) to their original condition for which GADC is liable, or ARO (see Note 2.8). The estimated cost was initially based on a recent cost to dismantle facilities. This was adjusted to consider estimated incremental annual cost up to the end of the lease term. The estimated dismantling cost was discounted using the prevailing market rate at the inception of the lease for an instrument with maturity similar to the term of the lease.

The carrying amount of ARO is presented as part of Other Non-current Liabilities in the statements of financial position (see Note 20).

(l) Business Combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in consolidated profit or loss in the subsequent period.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group is organized into five major business segments, namely Megaworld, Travellers, Emperador, GADC and GERI, which are the major subsidiaries of the Group, and that represent the main products and services provided by the Group and the line of business in which the Group operates (see Note 2.23). Presented below is the basis of the Group in reporting its primary segment information.

(a) The *Megaworld* segment consists of development of real estate, integrated resorts, leasing of properties and hotel operations business which is primarily undertaken by Megaworld Corporation and subsidiaries, the Group's forerunner in the real estate industry.

(b) The *Travellers* segment relates to tourism-oriented business that integrates entertainment, hospitality and leisure, including gaming, as that of Resorts World Manila, which is operated by Travellers International Hotel Group, Inc. and subsidiaries.

(c) The *Emperador* segment refers to the manufacture and distribution of distilled spirits, including the production of glass containers, which is undertaken by Emperador Inc. and its subsidiaries.

(d) The *GADC* segment refers to operations of McDonald's restaurants in the Philippines in accordance with the franchise agreement between Golden Arches Development Corporation and McDonald's Corporation, USA.

(e) The *GERI* segment relates to development of integrated tourism estates, leisure-related properties and mixed used towers which is primarily undertaken by Global Estate Resorts, Inc. and subsidiaries.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash and cash equivalents, trade and other receivables, inventories, property, plant and equipment, intangible assets and investment property. Segment liabilities include all operating liabilities and consist principally of trade and other payables, interest-bearing loans and bonds payable.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

4.4 Analysis of Segment Information

Segment information can be analyzed as follows for the years ended December 31, 2013, 2012 and 2011:

	2013					
	Megaworld	Travellers	GADC	Emperador	GERI	Total
REVENUES						
Sales to external customers	P 32,653,375,912	P 33,381,657,306	P 15,810,204,165	P 28,780,897,351	P 1,596,411,020	P 112,222,545,754
Intersegment sales	230,471,593	-	-	-	-	230,471,593
Finance and other revenues	2,464,375,443	(468,166,961)	166,496,688	1,083,847,491	162,304,229	3,408,856,890
Segment revenues	35,348,222,948	32,913,490,345	15,976,700,853	29,864,744,842	1,758,715,249	115,861,874,237
Cost of sales and expenses excluding depreciation and amortization	(21,825,015,956)	(26,630,377,258)	(13,828,636,701)	(21,263,217,401)	(1,134,896,150)	(84,682,143,467)
	13,523,206,992	6,283,113,087	2,148,064,152	8,601,527,441	623,819,099	31,179,730,770
Depreciation and amortization	(956,774,624)	(2,100,495,592)	(758,029,439)	(417,026,367)	(49,185,167)	(4,281,377,258)
Finance cost and other charges	(1,378,661,171)	(1,342,812,133)	(157,527,053)	(263,092,696)	(107,055,577)	(3,249,148,630)
Profit before tax	11,187,771,197	2,839,805,362	1,232,507,660	7,921,408,378	467,578,355	23,649,070,952
Tax expense	(2,571,452,012)	(66,665,186)	(444,026,455)	(2,074,293,503)	(112,364,600)	(5,268,801,756)
SEGMENT PROFIT	P 8,616,319,185	P 2,773,140,176	P 788,481,205	P 5,847,114,875	P 355,213,755	P 18,380,269,196
SEGMENT ASSETS AND LIABILITIES						
Segment assets	P 169,461,257,482	P 60,758,944,954	P 13,202,719,956	P 35,201,294,060	P 31,238,285,371	P309,862,501,823
Segment Liabilities	68,494,968,424	26,448,067,054	7,983,040,586	3,187,496,148	7,566,385,608	113,679,957,820

	2012					
	Megaworld	Travellers	GADC	Emperador	GERI	Total
REVENUES						
Sales to external customers	P 24,978,901,509	P 31,077,193,397	P 13,655,826,010	P 22,812,319,912	P 1,190,764,053	P 93,715,004,881
Intersegment sales	3,012,151,675	-	-	-	-	3,012,151,675
Finance and other revenues	2,560,375,097	772,741,044	267,944,216	781,970,417	193,564,790	4,576,595,564
Segment revenues	30,551,428,281	31,849,934,441	13,923,770,226	23,594,290,329	1,384,328,843	101,303,752,120
Cost of sales and expenses excluding depreciation and amortization	(16,955,606,995)	(21,863,214,717)	(12,115,607,504)	(16,380,766,074)	(918,668,639)	(68,233,863,929)
	13,595,821,286	9,986,719,724	1,808,162,722	7,213,524,255	465,660,204	33,069,888,191
Depreciation and amortization	(752,581,923)	(1,709,967,602)	(658,984,536)	(329,739,387)	(40,550,406)	(3,491,823,854)
Finance cost and other charges	(1,074,095,505)	(1,370,935,195)	(124,448,117)	(6,722,845)	(106,344,069)	(2,682,545,731)
Profit before tax	11,769,143,858	6,905,816,927	1,024,730,069	6,877,062,023	318,765,729	26,895,518,606
Tax expense	(2,252,723,420)	(68,154,087)	(331,072,521)	(1,829,878,637)	(54,395,877)	(4,536,224,542)
SEGMENT PROFIT	P 9,516,420,438	P 6,837,662,840	P 693,657,548	P 5,047,183,386	P 264,369,852	P 22,359,294,064
SEGMENT ASSETS AND LIABILITIES						
Segment assets	P 144,741,789,488	P 47,669,993,170	P 10,760,048,035	P 12,808,719,356	P 24,997,149,139	P 240,977,699,188
Segment Liabilities	61,439,939,898	25,562,806,500	6,311,772,206	2,854,727,780	6,778,219,741	102,947,466,125

	2011					
	Megaworld	Travellers	GADC	Emperador	GERI	Total
REVENUES						
Sales to external customers	P 23,433,558,452	P -	P 11,875,419,798	P 16,994,657,222	P 611,091,760	P 52,914,727,232
Intersegment sales	2,486,275,793	-	-	-	-	2,486,275,793
Finance and other revenues	2,713,115,127	-	221,226,097	360,381,612	430,737,432	3,725,460,268
Segment revenues	28,632,949,372	-	12,096,645,895	17,355,038,834	1,041,829,192	59,126,463,293
Cost of sales and expenses excluding depreciation and amortization	(16,963,867,726)	-	(10,468,348,406)	(13,914,631,665)	(652,505,085)	(41,999,352,882)
	11,669,081,646	-	1,628,297,489	3,440,407,169	389,324,107	17,127,110,411
Depreciation and amortization	(566,641,137)	-	(537,715,608)	(206,383,144)	(25,410,421)	(1,336,150,310)
Finance cost and other charges	(931,868,458)	-	(110,075,284)	(63,423,770)	(96,007,511)	(1,201,375,023)
Profit before tax	10,170,572,051	-	980,506,597	3,170,600,255	267,906,175	14,589,585,078
Tax expense	(1,995,607,543)	-	(332,819,680)	(865,479,224)	(47,781,307)	(3,241,687,754)
SEGMENT PROFIT	P 8,174,964,508	P -	P 647,686,917	P 2,305,121,031	P 220,124,868	P 11,347,897,326

	2011					
	Megaworld	Travellers	GADC	Emperador	GERI	Total
SEGMENT ASSETS AND LIABILITIES						
Segment assets	P 134,353,378,848	P -	P 8,561,662,554	P 9,670,291,839	P 21,338,045,785	P 173,923,379,026
Segment liabilities	55,851,336,731	-	4,816,015,676	2,854,553,196	5,045,279,701	68,567,185,304

4.4 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	2013	2012	2011
Revenues			
Total segment revenues	**P 115,861,874,237**	P 101,303,752,120	P 59,126,463,293
Unallocated corporate revenue	**7,747,923,359**	3,842,372,239	9,650,729,210
Elimination of intersegment revenues	**(230,471,593)**	(3,012,151,675)	(2,486,275,793)
Revenues as reported in consolidated profit or loss	**P 123,379,326,003**	P 102,133,972,684	P 66,290,916,710
Profit or loss			
Segment operating profit	**P 18,380,269,196**	P 22,359,294,064	P 11,347,897,326
Unallocated corporate profit	**4,905,682,283**	1,146,513,784	5,881,100,971
Elimination of intersegment revenues	**(230,471,593)**	(3,012,151,671)	(2,486,275,793)
Profit as reported in consolidated profit or loss	**P 23,055,479,886**	P 20,493,656,177	P 14,742,722,504
Assets			
Segment assets	**P 309,862,501,823**	P 240,977,699,188	P 173,923,379,026
Unallocated corporate assets	**22,537,907,703**	31,233,323,839	46,635,928,782
Total assets reported in the consolidated statements of financial position	**P 332,400,409,526**	P 272,211,023,027	P 220,559,307,808
Liabilities			
Segment liabilities	**P 113,679,957,820**	P 102,947,466,125	P 68,567,185,304
Unallocated corporate liabilities	**28,498,806,074**	25,507,516,541	26,210,621,455
Total liabilities reported in the consolidated statements of financial position	**P 142,178,763,894**	P 128,454,982,666	P 94,777,806,759

Concentration of revenue is considered when at least 10% of total segment revenue is generated from a single customer. There is no concentration of the Group's revenue in a single customer as the 10% threshold has not been met in any of the years presented.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

	Note	2013	2012 (As Restated – see Note 2.3)
Cash on hand and in banks		**P 27,965,296,671**	P 17,143,991,652
Short-term placements	30.3(a)	**67,012,228,774**	50,821,125,055
		P 94,977,525,445	P 67,965,116,707

Cash in banks generally earn interest at rates based on daily bank deposit rates (see Note 26).

Short-term placements are made for varying periods between 15 to 90 days and earn effective interest per annum ranging from 0.50% to 4.90% in 2013 and 3.00% to 5.00% in 2012. Placements amounting to P111.4 million and P108.4 million as of December 31, 2013 and 2012, respectively, which earns effective interest of 3.5%, and have a term of 360 days, for both years, are shown under Other Current Assets account in the consolidated statements of financial position (see Note 9).

Certain financial assets and financial liabilities are subject to offsetting and similar agreements. A portion of the short-term placements with a foreign bank is partially offset by the amount of bank loan granted by the same foreign bank, with Philippine peso equivalent of P799.35 million.

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of:

	Notes	2013	2012
Current:			
Trade receivables	17(e)(j), 29.5,29.8	**P 23,737,469,759**	P 17,834,691,839
Advances to contractors and suppliers		**3,840,435,633**	3,016,607,852
Due from employees and related parties	29.10	**1,239,264,958**	1,195,325,696
Accrued interest receivable		**319,639,080**	185,034,478
Others		**1,597,606,926**	1,043,733,391
		30,734,416,356	23,275,393,256
Allowance for impairment		**(659,628,986)**	(651,617,594)
		30,074,787,370	22,623,775,662
Non-current:			
Trade receivables	29.5	**24,577,022,253**	24,254,080,904
Others		**44,665,600**	3,825,800
		24,621,687,853	24,257,906,704
Allowance for impairment		**(12,224,936)**	(12,224,936)
		24,609,462,917	24,245,681,768
		P 54,684,250,287	P 46,869,457,430

Most receivables from trade customers, particularly those relating to real estate sales, are covered by postdated checks. In 2013 and 2012, certain trade receivables amounting to P220.0 million and P333.0 million, respectively, have been discounted with recourse basis to a local bank to partially cover a bank loan with outstanding balance of P219.7 million and P332.7 million, respectively [see Note 17(j)]. Further, additional portion of certain trade receivables were also discounted on a with-recourse basis with certain local banks to cover the loan with outstanding balance of P779.2 million and P907.1 million as of December 31, 2013 and 2012, respectively [see Note 17(e)].

The installment period of real estate sales contracts averages from one to five years. These trade receivables are noninterest-bearing and are carried at amortized cost using the effective interest method based on the interest rate of comparable financial instruments in the market. Interest income from amortization amounted to P1,537.1 million, P1,327.5 million and P1,218.8 million for the years ended December 31, 2013, 2012 and 2011, respectively. These amounts are presented as Interest Income on Real Estate Sales under Revenue from Sale of Goods account in the consolidated statements of comprehensive income (see Note 23).

Advances to contractors and suppliers pertain to noninterest-bearing and unsecured advances to the Group's contractors and suppliers as initial payment or mobilization funds for services to be rendered and goods to be delivered to the Group. These are reduced proportionately upon receipt of progress billings from said suppliers.

Due from employees and related parties pertain to noninterest-bearing, unsecured and immediately demandable advances, settlement of which is generally made in cash, or through deduction from employees' salary or employees' liquidation of business related expenses (see Note 29.10).

All of the Group's trade and other receivables have been reviewed for indications of impairment. Certain receivables were found to be impaired; hence, adequate amounts of allowance for impairment have been recognized. Certain past due accounts are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer as the titles to the real estate properties remain with the Group until the receivables are fully collected.

A reconciliation of the allowance for impairment at the beginning and end of the reporting periods is shown below.

	Notes	**2013**	2012
Balance at beginning of year		**P 663,842,530**	P 627,383,111
Impairment losses during the year	25, 26	**8,011,392**	36,626,512
Write-off of trade receivables previously provided with allowance		**-**	(167,093)
Balance at end of year		**P 671,853,922**	P 663,842,530

Impairment losses are presented as part of Other Operating Expenses (see Note 25) and Finance Cost and Other Charges (see Note 26).

All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regard to Trade and Other Receivables as the amounts recognized consist of a large number of receivables from various customers.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account consists of foreign investments, held for trading, as follows:

	2013	2012
Marketable debt securities	**P 5,082,096,910**	P 5,286,574,221
Equity securities - quoted	**2,280,961,689**	610,247,257
Derivative assets	**12,684,368**	665,131,368
	P 7,375,742,967	P 6,561,952,846

Marketable debt securities, which bear interest ranging from 3.3% to 10.6% and 4.6% to 8.9% per annum as of December 31, 2013 and 2012, respectively, are measured at their fair values determined directly by reference to published prices quoted in an active market. The net changes in fair values of these financial assets are presented as part of either Fair Value Gains – Net or Fair Value Losses – Net under Finance and Other Income or Finance Cost and Other Charges, respectively, in the consolidated statements of comprehensive income (see Note 26). The amount of interest income amounts to P890.0 million, P808.5 million and P1,064.9 million for 2013, 2012 and 2011, respectively and is shown as part of Finance and Other Income in the consolidated statements of comprehensive income (see Note 26).

A portion of marketable debt securities placed with certain foreign banks is covered by a set-off provision. The loans set-off against marketable debt securities amounted to U.S.$53.4 million (P2,368.6 million) as of December 31, 2013 and U.S.$116.9 million (P4,814.7 million) as of December 31, 2012.

Derivative assets represent the fair market value gain of foreign currency forward option contract with certain banks maturing with certain currencies against the U.S. dollar in 2013 and 2012. The derivative asset is valued at U.S.$0.29 million (P12.68 million) and U.S.$16.1 million (P665.1 million) as of December 31, 2013 and 2012, respectively. Changes in foreign currency value arising from such investments are taken up in profit or loss and are recorded as part of Fair Value Gains – Net under Finance and Other Income in the consolidated statements of comprehensive income (see Note 26).

8. INVENTORIES

The details of inventories are shown below.

	Notes	2013	2012
At cost:			
Real estate for sale	17(j)	**P 42,172,338,080**	P 34,623,677,164
Raw materials	29.4	**2,188,104,273**	2,624,056,833
Finished goods		**1,038,348,332**	481,706,107
		45,398,790,685	37,729,440,104
At net realizable value:			
Golf and resort shares for sale		**2,089,149,403**	2,083,086,135
Food, supplies and other consumables		**1,587,429,345**	1,094,051,385
		3,676,578,748	3,177,137,520
		P 49,075,369,433	P 40,906,577,624

Real estate for sale mainly pertains to the accumulated costs incurred in developing residential houses, lots and condominium units for sale. Total borrowing costs capitalized amounts to P119.6 million and P183.0 million for the years ended December 31, 2013 and 2012, respectively.

Golf and resort shares for sale comprise of proprietary or membership shares (landowner shares and founders' shares) that are of various types and costs. The cost of the landowner resort shares is based on the acquisition and development costs of the land and the project. The cost of the founders' shares is based on the par value of the resort shares which is P100.

Food, supplies and other consumables include paper and packaging, promotional materials, membership program items, operating supplies, spare parts, fuel and lubricants. These are stated at NRV which is equal or lower than their cost.

The carrying amounts of golf and resort shares for sale and food, supplies and other consumables are net of allowance for inventory write-down of P132.7 million and P140.4 million as of December 31, 2013 and 2012, respectively. A reconciliation of this allowance for inventory write-down at the beginning and end of the reporting periods is shown below.

	Notes	2013	2012
Balance at beginning of year		**P 140,357,186**	P 119,597,534
Additional losses during the year	25	**-**	28,007,639
Reversals of write-down	26	**(7,686,968)**	(7,248,987)
Balance at end of year		**P 132,670,218**	P 140,356,186

There were no additional losses on inventories recognized during the year. The additional losses on inventories amounting to P28.0 million and P24.4 million for the years ended December 31, 2012 and 2011, respectively, were recognized to reduce the golf and resort shares for sale and promotional materials and supplies to their net realizable values. The reversals of inventory write-down amounting to P7.7 million, P7.2 million and P9.4 million for the years ended December 31, 2013, 2012 and 2011, respectively, were recognized from disposal to third parties of previously written down items. The additional losses are shown as Write-down of Inventories under Other Operating Expenses account (see Note 25) in the 2012 and 2011 consolidated statements of comprehensive income. The reversals of write-down are shown as part of Miscellaneous under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 26).

9. OTHER ASSETS

The composition of this account is shown below.

	Note	2013	2012 (As Restated – see Note 2.3)
Current:			
Input VAT		**P 1,899,168,556**	P 1,640,655,540
Creditable withholding tax		**588,641,046**	434,862,480
Prepayments		**560,485,995**	476,293,417
Advances to suppliers		**528,865,387**	328,236,951
Time deposits	5	**111,438,992**	108,403,687
Deferred commissions		**58,335,362**	59,998,394
Refundable deposits		**14,294,652**	3,538,973
Others		**450,777,922**	644,150,423
		4,212,007,912	3,696,139,865
Non-current:			
Refundable deposits		**953,536,851**	682,308,028
Advance payments on assets purchased		**453,493,738**	556,663,776
Deferred input VAT		**282,471,655**	186,540,925
Claims for tax refund		**112,861,333**	112,282,175
Deferred costs		**97,320,104**	-
Front-end payment for credit facility		**71,545,250**	71,545,250
Accumulated jackpot seed money		**57,125,000**	43,890,128
Rental receivable		**33,323,876**	41,602,209
Loans receivable		**25,000,000**	25,000,000
Deposit for future stock subscription		**-**	22,500,000
Others		**113,751,458**	188,431,151
		2,200,429,265	1,930,763,642
		P 6,412,437,177	P 5,626,903,507

Current and non-current Others include prepaid rental and miscellaneous assets.

10. ADVANCES TO LANDOWNERS AND JOINT VENTURES

The Group enters into numerous joint venture agreements for the joint development of various projects. The joint venture (JV) agreements stipulate that the Group's joint venturer shall contribute parcels of land and the Group shall be responsible for the planning, conceptualization, design, demolition of existing improvements, construction, financing and marketing of condominium to be constructed on the properties. Costs incurred for these projects are recorded under the Property Development Costs account in the consolidated statements of financial position (see Note 2.6).

The Group also grants noninterest-bearing, secured cash advances to a number of landowners and joint ventures under the JV agreements they entered into with landowners covering the development of certain parcels of land. Under the terms of the JV agreements, the Group, in addition to providing specified portion of total project development costs, also commits to advance mutually agreed-upon amounts to the landowners to be used for pre-development expenses such as the relocation of existing occupants.

Repayments of these advances shall be made upon completion of the project development either in the form of the developed lots corresponding to the owner's share in saleable lots or in the form of cash to be derived from the sales of the landowner's share in the saleable lots and residential and condominium units.

The total amount of advances made by the Group, less repayments and unearned discount and interest, is presented as part of the Advances to Landowners and Joint Ventures account in the consolidated statements of financial position.

The net commitment for construction expenditures of the Group amounts to:

	2013	2012
Total commitment for construction expenditures	**P 14,156,183,501**	P 13,307,544,413
Total expenditures incurred	**(11,272,848,341)**	(10,167,480,277)
Net commitment	**P 2,883,335,160**	P 3,140,064,136

The Group's interests in jointly-controlled operations and projects, ranging from 55% to 95% in both 2013 and 2012, are as follows:

Megaworld:
- Forbeswood Heights
- Forbeswood Parklane 1 & 2
- Greenbelt Excelsior
- Manhattan Parkway Residences
- McKinley Hills
- Newport City
- The Noble Place

SPI:
- Adriatico Gardens
- Capitol Plaza
- Governor's Hill
- Mandara
- Sta. Rosa Heights
- Sta. Rosa Hills
- Sentosa
- Asmara

EELHI:
- Pioneer Woodlands
- San Lorenzo Place
- Various Metro Manila and Calabarzon projects

GERI:
- Caliraya Spring
- Forest Hills
- Kingsborough
- Monte Cielo De Penafrancia
- Mountain Meadows
- Newport Hills
- Parklane Square
- Southwoods Peak

The aggregate amounts of current assets, long-term assets, current liabilities, long-term liabilities, income and expenses as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 related to the Group's interest in joint ventures, presented above, are not presented or disclosed as the joint ventures in which the Group is involved are not jointly-controlled entities (see Note 2.2).

As of December 31, 2013 and 2012, the Group has no other contingent liabilities with regard to these joint ventures or has assessed that the probability of loss that may arise from contingent liabilities is remote.

All of the Group's advances have been reviewed for indications of impairment. Based on management's evaluation, no impairment loss is required to be recognized for the years ended December 31, 2013, 2012 and 2011.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account comprises the following:

	2013	2012
Marketable debt securities - quoted	**P 4,399,906,888**	P 5,015,803,861
Equity securities:		
Quoted	**117,218,306**	67,984,065
Unquoted	**245,024,937**	200,916,139
Allowance for impairment	**(3,257,940)**	(3,257,940)
	241,766,997	197,658,199
	358,985,303	265,642,264
	P 4,758,892,191	P 5,281,446,125

The securities can be further analyzed as follows:

	2013	2012
Local	P 362,243,243	P 268,900,204
Allowance for impairment	(3,257,940)	(3,257,940)
	358,985,303	265,642,264
Foreign	4,399,906,888	5,015,803,861
	P 4,758,892,191	P 5,281,446,125

The reconciliation of the carrying amounts of AFS financial assets are as follows:

	2013	2012
Balance at beginning of year	P 5,281,446,125	P 5,444,323,686
Additions	676,652,582	28,180,000
Disposals	(1,053,135,127)	(799,388,951)
Fair value gains (losses) - net	(146,071,389)	608,331,390
Balance at end of year	P 4,758,892,191	P 5,281,446,125

In 2013 and 2012, marketable debt securities bear interests ranging from 5.4% to 10.4% and 5.4% to 11.0% per annum, respectively. As of December 31, 2013 and 2012, there were no permanent decline in value on these securities; therefore, no losses are transferred from equity to profit or loss.

Equity securities consist of local shares of stock and various club shares which are denominated in Philippine pesos. Golf club shares are proprietary membership shares.

The fair values of quoted AFS financial assets have been determined by reference to published prices in an active market. The changes in the fair value arising from these AFS financial assets amounted to P146.0 million loss in 2013, P608.3 million gain in 2012 and P763.8 million loss in 2011 and are presented as Net Unrealized Fair Value Gains (Losses) on AFS Financial Assets in the consolidated statements of comprehensive income.

Upon disposal of various AFS financial assets, the Group realized gains amounting to P128.2 million, P272.1 million and P295.7 million for the years 2013, 2012 and 2011, respectively, and is presented as Gain on Sale of Investment in AFS Financial Assets under Finance and Other Income and Finance Cost and Other Charges in the consolidated statements of comprehensive income (see Note 26).

12. INVESTMENTS IN AND ADVANCES TO ASSOCIATES AND OTHER RELATED PARTIES

12.1 Breakdown of Carrying Values

The details of investments in and advances to associates and other related parties and interest in joint ventures, which are carried at equity, are as follows:

	2013	2012
Investments of Megaworld in associates -		
Acquisition costs:		
LFI	P 1,442,492,819	P -
SHDI	875,445,000	875,445,000
PTHDC	64,665,000	64,665,000
AGPL	-	2,463,056,417
GPMAI	-	86,830,455
Balance brought forward	P 2,382,602,819	P 3,489,996,872

	2013	2012
Balance carried forward	**P 2,382,602,819**	P 3,489,996,872
Accumulated share in net profits (loss):		
Balance at beginning of year	**(394,889,263)**	(516,168,545)
Reversal resulting from disposal of AGPL	**(394,281,305)**	-
Reversal resulting from consolidation of GPMAI	**47,770,162**	-
Share in net profits (losses) for the year	**(10,267,088)**	121,280,282
Balance at end of year	**(751,667,494)**	(394,888,263)
Share in other comprehensive income	**5,807,663**	1,092,535
	P1,636,742,988	P 3,096,201,144
Investments of GERI in associates -		
Acquisition costs:		
NPI	**734,396,258**	734,258,528
FERC	**28,000,000**	28,000,000
FENI	**10,000,003**	10,000,003
FESI	**7,808,360**	7,808,360
FERSAI	**4,000,000**	4,000,000
	784,204,891	784,204,891
Accumulated share in net losses:		
Balance beginning of year	**(43,352,825)**	(37,643,672)
Share in net losses for the year	**(728,826)**	(5,890,949)
Reversal due to consolidation of OPI	**-**	(181,796)
Balance at end of year	**(44,081,651)**	(43,352,825)
	740,123,240	740,852,066
Investment of AG Cayman in AGPL		
Acquisition cost	**-**	285,460,560
Accumulated share in net profits:		
Balance at beginning of year	**16,208,169**	16,208,169
Derecognition due to disposal of investment in associate	**(16,208,169)**	-
Balance at end of year	**-**	16,208,169
	-	301,668,729
Investment in Travellers		
Accumulated share in net profits:		
Balance at beginning of year	**-**	3,578,625,697
Reversal due to consolidation of Travellers	**-**	(3,578,625,697)
Balance at end of year	**-**	-
Accumulated share in other comprehensive income:		
Balance at beginning of year	**-**	1,763,175
Reversal due to consolidation of Travellers	**-**	(1,763,175)
Balance at end of year	**-**	-
Balance brought forward	**P 2,376,866,225**	P 4,138,721,939

	2013	2012
Balance carried forward	**P 2,376,866,225**	P 4,138,721,939
Investment of GADC in GCFII, a joint venture – acquisition cost	**10,000,000**	10,000,000
Accumulated share in net profits:		
Balance at beginning of year	**10,917,947**	7,846,234
Share in net profits (losses)	**(2,606,773)**	3,071,713
Dividends received	**(10,000,000)**	-
Balance at end of year	**(1,688,826)**	10,917,947
	8,311,174	20,917,947
Advances to associates and other related parties (see Note 29.9)	**2,713,925,501**	1,869,121,228
	P 5,099,102,903	P 6,028,761,114

The total share in net loss amounts to P13.6 million for the year ended December 31, 2013, while total share in net profit amounts to P118.5 million and P2,540.0 million for the years ended December 31, 2012 and 2011, respectively. These amounts are shown as Share in Net Income (Losses) of Associates and Joint Ventures – Net in the consolidated statements of comprehensive income.

The carrying costs of Investments in Associates is lower than the book values of such investments, hence, the management has assessed that the recognition of impairment losses in 2013 and 2012 is not necessary.

12.2 GPMAI

GPMAI became a subsidiary in 2011, through Megaworld's increase in ownership in EELHI, and was consolidated beginning that year. In 2012, EELHI decreased its ownership interest and lost control in GPMAI so the latter ceased to be a subsidiary of Megaworld or EELHI. GPMAI is considered as an associate because EELHI has retained significant influence over it.

In 2013, as a result of Megaworld's increase in ownership interest in EELHI, its ownership interest over GPMAI also increased. Also, Megaworld retains control of GPMAI's BOD as all members of the BOD of GPMAI are also members of Megaworld's BOD; hence, control was re-established and GPMAI becomes a subsidiary of Megaworld.

12.3 AGPL

In 2013, RHGI, a wholly owned subsidiary of Megaworld sold its entire ownership interest in AGPL to a third party. On the same year, AG Cayman also sold its entire ownership interest in AGPL. Due to such disposals, AGPL ceased to be an associate of the Group.

12.4 LFI

In 2013, Megaworld acquired 50% ownership over LFI which is engaged in leasing of real estate properties. Megaworld has not yet established control over LFI; hence, the latter was considered an associate only as of December 31, 2013.

12.5 SHDI

The shares of stock of SHDI are listed in the PSE. The total quoted or market value of investments in this associate amounted to P850.7 million and P516.1 million as of December 31, 2013 and 2012, respectively.

12.6 Summarized Financial Information

The aggregated amounts of assets, liabilities, revenues and net profit (loss) of the associates and jointly controlled entities are as follows as of December 31, 2013 and December 31, 2012 (in thousands):

	2013			
	Assets	**Liabilities**	**Revenues**	**Net Profit (Loss)**
NPI	P 5,675,695	P 1,317,007	P 35	(P 85)
PTHDC	1,136,149	1,004,802	18	(451)
LFI	750,624	112,988	198,185	53,399
SHDI	398,645	273,169	282,888	17,497
FERC	297,085	227,151	248	(4,747)
FERSAI	157,130	169,296	4,000	(4,706)
FESI	126,533	29,917	22,420	(2,066)
FENI	98,511	93,113	20,314	7,960
GCFII	34,939	18,316	50,453	(5,214)
	P 8,675,311	**P 3,245,759**	**P 578,561**	**P 61,587**

	2012			
	Assets	Liabilities	Revenues	Net Profit (Loss)
AGPL	P 6,380,453	P 6,848	P 431,546	P 404,976
NPI	1,329,026	1,319,026	-	-
PTHDC	1,136,627	1,004,829	71	(328)
SHDI	153,560	45,232	1,318	(1,839)
FERC	341,189	285,550	4,043	(8,470)
FERSAI	155,071	162,621	4,460	(8,858)
FESI	131,507	32,824	24,693	(2,548)
FENI	100,223	108,258	6,887	(9,580)
GCFII	51,001	11,769	78,298	6,143
	P 9,778,657	P 2,976,957	P 551,316	P 379,496

13. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment of property, plant and equipment at the beginning and end of the reporting periods are shown below.

	Land and Land Improvements	**Buildings and Leasehold Improvements**	**Machinery and Equipment**	**Transportation Equipment**	**Condominium Units, Fixtures and Other Equipment**	**Construction in Progress**	**Total**
December 31, 2013							
Cost	P 8,848,556,818	P 23,253,269,427	P 9,846,633,145	P 2,248,791,013	P 4,694,838,385	P 5,871,064,336	P 54,763,153,124
Accumulated depreciation, amortization and impariment	(115,976,822)	(4,412,550,788)	(4,588,156,757)	(1,003,810,893)	(2,980,853,138)	-	(13,101,348,398)
Net carrying amount	**P 8,732,579,996**	**P 18,840,718,639**	**P 5,258,476,388**	**P 1,244,980,120**	**P 1,713,985,247**	**P 5,871,064,336**	**P 41,661,804,726**

	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Condominium Units, Fixtures and Other Equipment	Construction in Progress	Total
December 31, 2012							
Cost	P 7,676,126,272	P22,161,584,959	P7,870,985,788	P 2,010,380,647	P 4,023,148,565	P 1,218,336,017	P 44,960,562,248
Accumulated depreciation, amortization and impariment	(97,063,452)	(3,649,628,504)	(3,296,604,704)	(787,488,093)	(2,241,506,240)	-	(10,072,290,993)
Net carrying amount	P 7,579,062,820	P18,511,956,455	P 4,574,381,084	P 1,222,892,554	P 1,781,642,325	P 1,218,336,017	P 34,888,271,255
January 1, 2012							
Cost	P 975,881,902	P 5,205,439,318	P 4,107,450,548	P 426,268,337	P 1,228,113,635	P 59,386,417	P 12,002,540,157
Accumulated depreciation, amortization and impariment	(82,351,477)	(2,247,310,496)	(2,063,131,220)	(228,948,850)	(820,068,015)	-	(5,441,810,058)
Net carrying amount	**P 893,530,425**	**P 2,958,128,822**	**P 2,044,319,328**	**P 197,319,487**	**P 408,045,620**	**P 59,386,417**	**P 6,560,730,099**

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the reporting periods is shown below.

	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Condominium Units, Fixtures and Other Equipment	Construction in Progress	Total
Balance at January 1, 2013 net of accumulated depreciation, amortization and impairment	P 7,579,062,820	P 18,511,956,455	P 4,574,381,084	P 1,222,892,554	P 1,781,642,325	P 1,218,336,017	P 34,888,271,255
Property, plant and equipment of newly acquired subsidiaries	-	-	-	-	63,000,110	-	63,000,110
Additions	1,172,374,746	1,246,880,141	1,739,847,576	285,778,028	630,523,072	5,479,407,519	10,554,811,085
Disposals – net	-	(24,128,152)	(46,716,241)	(29,451,243)	(397,838)	(235,567,190)	(336,260,664)
Reclassifications – net	55,800	314,962,222	85,924,221	-	5,530,654	(591,112,010)	(184,639,113)
Impairment loss – reversal	-	15,000,000	3,616,806	-	-	-	18,616,806
Depreciation and amortization charges for the year	(18,913,370)	(1,223,952,030)	(1,098,577,058)	(234,239,219)	(766,313,076)	-	(3,341,994,753)
Balance at December 31, 2013 net of accumulated depreciation, amortization and impairment	**P 8,732,579,996**	**P 18,840,718,639**	**P 5,258,476,388**	**P 1,244,980,120**	**P 1,713,985,247**	**P 5,871,064,336**	**P 41,661,804,726**
Balance at January 1, 2012 net of accumulated depreciation, amortization and impairment	P 893,530,425	P 2,958,128,822	P 2,044,319,328	P 197,319,487	P 408,045,620	P 59,386,417	P 6,560,730,099
Property, plant and equipment of newly Consolidated subsidiaries	4,504,494,240	13,167,651,302	1,128,038,890	1,173,883,404	1,255,292,614	1,567,670,370	22,797,030,820
Additions	2,195,928,654	1,735,095,310	2,289,596,531	130,105,314	838,150,107	1,197,006,624	8,385,882,540
Disposals – net	(150,000)	(34,112,598)	(38,494,340)	(11,650,806)	(113,743)	-	(84,521,487)
Reclassifications – net	(28,524)	1,580,117,238	19,861,911	839,375	4,937,394	(1,605,727,394)	-
Impairment loss	-	(30,593,000)	-	-	-	-	(30,593,000)
Depreciation and amortization charges for the year	(14,711,975)	(864,330,619)	(868,941,236)	(267,604,220)	(724,669,667)	-	(2,740,257,717)
Balance at December 31, 2012 net of accumulated depreciation, amortization and impairment	P 7,579,062,820	P 18,511,956,455	P 4,574,381,084	P 1,222,892,554	P 1,781,642,325	P 1,218,336,017	P 34,888,271,255

Construction in progress includes accumulated costs incurred on the casino and hotel sites and entertainment commercial center being constructed as part of Travellers' investment commitment in accordance with its Provisional License Agreement with PAGCOR [see Note 30.3(a)]. In 2013, Travellers transferred certain potion of construction in progress at cost of P235.5 million to RWBCI, a newly incorporated subsidiary within the Group. RWBCI became a co-licensee of Travellers with respect to the development of Site A of the integrated tourism project covered by the Provisional License Agreement with PAGCOR (see Note 30.3).

The amount of construction in progress includes capitalized borrowing costs amounting to P222.4 million and P282.7 million in 2013 and 2012, respectively, representing the actual borrowing costs, net of related investment income, incurred on loans obtained to fund the construction project [see Note 17(a)].

In 2013 and 2012, the Group recognized impairment loss of P18.6 million and P30.6 million, respectively, to write down to recoverable amount certain property and equipment. In 2013 and 2011, the Group recognized gain on reversal of impairment losses amounting to P18.6 million and P43.9 million, respectively. Impairment loss is presented as Impairment of Property, Plant and Equipment under Other Operating Expenses in the consolidated statements of comprehensive income (see Note 25), while the gain on reversal of the impairment losses are presented as part of Miscellaneous under Finance and Other Income account in the 2013 and 2011 consolidated statements of comprehensive income (see Note 26).

The recoverable amount was based on value in use computed through the discounted cash flows method at the current prevailing interest rate.

The Group recognized a net gain on disposal of various property, plant and equipment totaling P25.7 million in 2013 and P0.2 million in 2012, which is presented as part of Miscellaneous under Finance and Other Income account in the 2013 and 2012 consolidated statements of comprehensive income (see Note 26).

The amount of depreciation is presented as part of Depreciation and Amortization which is presented under cost of goods sold, cost of services and other operating expenses (see Notes 24 and 25).

The Group's aircraft, held by Travellers, with carrying amounts of P828.1 million and P970.1 million as of December 31, 2013 and 2012, respectively, which is presented as part of Transportation Equipment is used as a collateral for Travellers' interest-bearing loan [see Note 17 (l)].

Land and building amounting to P130.0 million is collateralized by GADC to a local bank. As of December 31, 2013 and 2012, the carrying values of the land and building amounted to P112.1 million and P16.4 million, respectively [see Note 17(m)].

The carrying amounts of property, plant and equipment also increased in both years due to the consolidation of property, plant and equipment of newly acquired subsidiaries (see Note 1).

14. INVESTMENT PROPERTY

The Group's investment property includes several parcels of land, building and improvements which are held for investment purposes only, either to earn rental income or for capital appreciation or both. The gross carrying amounts and accumulated depreciation of investment property at the beginning and end of the reporting periods are shown below.

	Land and Land Improvements	Buildings and Improvements	Total
December 31, 2013			
Cost	P 6,982,896,809	P 24,397,702,795	P 31,380,599,604
Accumulated depreciation	(134,409,248)	(3,955,761,918)	(4,090,171,166)
Net carrying amount	**P 6,848,487,561**	**P 20,441,940,877**	**P 27,290,428,438**
December 31, 2012			
Cost	P 1,942,749,214	P 20,033,495,416	P 21,976,244,630
Accumulated depreciation	(134,409,248)	(3,092,429,182)	(4,090,171,166)
Net carrying amount	P 1,810,269,436	P 16,941,066,284	P 18,751,335,670

	Land and Land Improvements	Buildings and Improvements	Total
January 1, 2012			
Cost	P 1,895,937,099	P 13,597,646,709	P 15,493,583,808
Accumulated depreciation	(130,550,308)	(2,329,262,127)	(2,329,262,127)
Net carrying amount	P 1,765,386,791	P 11,268,384,582	P 13,033,771,373

A reconciliation of the carrying amounts of investment property at the beginning and end of the reporting periods is shown below.

	Land and Land Improvements	Buildings and Improvements	Total
Balance at January 1, 2013, net of accumulated depreciation	P 1,810,269,436	P 16,941,066,234	P 18,751,335,670
Investment property of newly acquired subsidiaries	5,020,588,055	-	5,020,588,055
Additions	19,559,540	3,677,300,034	3,696,859,574
Disposals	-	(3,873,468)	(3,873,468)
Reclassifications – net	-	695,129,708	695,129,708
Depreciation charges for the year	(1,929,470)	(867,681,631)	(869,611,101)
Balance at December 31, 2013, net of accumulated depreciation	**P 6,848,487,561**	**P 20,441,840,877**	**P 27,290,428,438**
Balance at January 1, 2012, net of accumulated depreciation	P 1,765,386,791	P 11,268,384,582	P 13,033,771,373
Investment property of newly acquired subsidiaries	-	1,446,111,040	1,446,111,040
Additions	95,067,846	4,918,413,361	5,013,481,207
Disposals	-	(10,137,866)	(10,137,866)
Reclassifications – net	(48,255,731)	-	(48,255,731)
Depreciation charges for the year	(1,929,470)	(681,704,883)	(683,634,353)
Balance at December 31, 2012, net of accumulated depreciation	P 1,810,269,436	P 16,941,006,234	P 18,751,335,671

Rental income earned from the investment property amounted to P6.5 billion, P5.5 billion and P3.9 billion for the years ended December 31, 2013, 2012 and 2011, respectively, and shown as Rental Income under Rendering of Services in the consolidated statements of comprehensive income (see Note 23). The direct operating costs, exclusive of depreciation, incurred by the Group relating to the investment property amounted to P368.8 million, P186.4 million and P150.4 million in 2013, 2012 and 2011, respectively, are presented as part of Cost of Goods Sold and Services in the consolidated statements of comprehensive income (see Note 24). The operating lease commitments of the Group as a lessor are fully disclosed in Note 30.1.

Depreciation charges are presented as part of Depreciation and Amortization under Cost of Services account in the consolidated statements of comprehensive income.

A portion of investment property held for lease is used as collateral for various interest-bearing loans as of December 31, 2013 and 2012 [see Note 17 (j), (k) and (p)].

The fair values of these properties amounted to P123.6 billion and P88.0 billion as of December 31, 2013 and 2012, respectively. These are estimated either by reference to current prices for similar properties or by calculation of the present value of the estimated cash inflows anticipated until the end of the life of the investment property.

15. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of the reporting periods are shown below see Note 2.11).

	Goodwill	Trademarks	Leasehold Rights	Computer Software	Total
December 31, 2013					
Cost	P 10,700,039,578	P 1,028,726,681	P 57,960,616	P 23,247,259	P 11,809,974,134
Accumulated amortization	-	(699,668,319)	(37,082,426)	(23,247,259)	(759,998,004)
Net carrying amount	**P 10,700,039,578**	**P 329,058,362**	**P 20,878,190**	**P -**	**P 11,049,976,130**
December 31, 2012					
Cost	P 10,700,039,578	P 1,012,572,767	P 58,835,615	P 23,247,261	P 11,794,695,221
Accumulated amortization	-	(597,334,115)	(35,001,673)	(20,664,232)	(653,000,020)
Net carrying amount	P 10,700,039,578	P 415,238,652	P 23,833,942	P 2,583,029	P 11,141,695,201
January 1, 2012					
Cost	P 10,701,998,209	P 1,012,572,767	P 63,234,634	P23,247,261	P 11,801,052,871
Accumulated amortization	-	(496,076,838)	(34,912,366)	(12,915,145)	(543,904,349)
Net carrying amount	P 10,701,998,209	P 516,495,929	P 28,322,268	P 10,332,116	P 11,257,148,522

A reconciliation of the carrying amounts at the beginning and end of the reporting periods of intangible assets is shown below.

	Goodwill	Trademarks	Leasehold Rights	Computer Software	Total
Balance at January 1, 2013, net of accumulated amortization	P 10,700,039,578	P 415,238,652	P 23,833,943	P 2,583,029	P 11,141,695,202
Additions	-	16,153,914	-	-	16,153,914
Amortization for the year	-	(102,334,204)	(2,955,753)	(2,583,029)	(107,872,986)
Balance at December 31, 2013, net of accumulated amortization	**P 10,700,039,578**	**P 329,058,362**	**P 20,878,190**	**P -**	**P 11,049,976,130**
Balance at January 1, 2012, net of accumulated amortization	P 10,701,998,209	P 516,495,929	P 28,322,268	P 10,332,116	P 11,257,148,522
Reduction due to deconsolidation	(1,958,631)	-	-	-	(1,958,631)
Disposals	-	-	(102,672)	-	(102,672)
Amortization for the year	-	(101,257,277)	(4,385,654)	(7,749,087)	(113,392,018)
Balance at December 31, 2012, net of accumulated amortization	P 10,700,039,578	P 415,238,652	P 23,833,942	P 2,583,029	P 11,141,695,201

Trademarks include brand names “Emperador Brandy”, “Generoso Brandy” and “The BaR” which were acquired up to 2008. In 2013, the Group registered another trademark under the new brand name “Emperador Deluxe”. The amortization of these trademarks amounted to P102.3 million for the year ended December 31, 2013, and P101.3 million for the years ended December 31, 2012 and 2011 and are shown as part of Depreciation and Amortization under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 25).

The remaining useful lives, as of December 31, of the trademarks are as follows:

	2013	2012
Emperador Brandy	**3 years**	4 years
Generoso Brandy	**3 years**	4 years
The BaR	**4.5 years**	5.5 years
Emperador Deluxe	**9.5 years**	-

Based on the Group's assessment, no impairment loss is required to be recognized on the carrying value of the Group's trademarks as the products that carry such brands are fast moving consumer products that registered topline sales in 2013 for the Group of approximately P28.6 billion, a 25% growth from the previous year. Further, no impairment loss is required to be recognized on the carrying value of the other intangible assets (goodwill, leasehold rights and computer software) as of December 31, 2013, 2012 and 2011.

As of December 31, 2013, the Group has no contractual commitments for the acquisition of any additional trademarks, leasehold rights and computer software.

16. TRADE AND OTHER PAYABLES

The breakdown of this account follows:

	Notes	**2013**	2012
Trade payables	29.2, 29.5	**P 12,973,517,898**	P 13,051,639,994
Accrued expenses	18, 29.3, 29.6	**4,933,423,387**	3,539,927,649
Retention payable		**2,352,554,274**	2,316,658,483
Due to related parties	25, 29.10	**1,295,411,359**	887,770,303
Unredeemed gaming points		**590,043,790**	390,747,485
Liabilities for land acquisition		**586,320,028**	575,300,558
Gaming license fee payable		**578,926,247**	492,994,825
Output VAT payable		**254,809,111**	89,880,150
Withholding tax payable		**183,775,425**	346,679,878
Others		**1,082,003,108**	1,111,976,108
		P 24,830,784,627	P 22,803,575,433

Trade payables represent obligations to subcontractors and suppliers of construction materials for the Group's projects and suppliers of inventories. It also includes unredeemed gaming chips determined as the difference between total gaming chips placed in service and the actual inventory of gaming chips under control and custody.

The unredeemed gaming points liability represents the estimated costs of unredeemed casino gaming points issued, which are redeemable for complimentary goods or services of the Group (see Note 2.15).

Accrued expenses include accruals for interest, salaries and wages, utilities, local and overseas travel, training and recruitment, advertising, interest, rentals and other operating expenses of the Group.

Retention payable pertains to amount withheld from payments made to contractors for construction works performed to ensure compliance and completion of contracted projects. Upon completion of the contracted projects, the retained amounts are returned to the contractors. Liabilities for land acquisition represent the unpaid portion of land for future development acquired by the Group.

Others include accrued construction costs, unearned rentals, payables to government and other regulatory agencies, and various unreleased checks which are reverted back to liability.

17. INTEREST-BEARING LOANS

The composition of the Group's outstanding bank loans is shown below.

	2013	2012
Current:		
Local	P 3,653,667,469	P 4,111,300,559
Foreign	142,124,800	529,655,768
	3,795,792,269	4,640,956,327
Non-current:		
Local	8,695,859,471	12,825,378,188
Foreign	532,724,721	624,414,400
	9,228,584,192	13,449,792,588
	P 13,024,376,461	P 18,090,748,915

The summarized terms and conditions of each availed loan as of December 31, 2013 and 2012 are as follows:

Outstanding Principal Balance *(in Millions of Philippine Pesos)* 2013	2012	Explanatory Notes	Interest Rate	Security	Maturity date
P 4,429.6	P 4,392.7	(a)	Fixed at 2% + benchmark	Unsecured	2016
3,000.0	3,000.0	(b)	Variable based on PDST-F plus spread	Secured	2017
1,666.7	2,619.0	(c)	Variable based on PDSTF-R plus spread	Unsecured	2016
1,000.0	400.0	(d)	Various rates	Unsecured	2016 to 2019
779.2	907.1	(e)	Variable prevailing market rate	Secured	Upon collection of related assigned trade receivables
532.7	492.6	(f)	Fixed at 10.0%	Unsecured	2025
477.5	482.5	(g)	Variable based on PDSTF-R plus spread	Unsecured	2016
241.0	-	(h)	Non-interest bearing	Unsecured	30-90 days
229.2	330.0	(i)	Fixed at 5.5%	Unsecured	2016
219.7	389.9	(j)	Fixed at range of 7.8% to 10.5%	Secured and unsecured	2014
186.7	418.7	(k)	Variable based on 91-day treasury bills	Secured	2016
142.1	263.6	(l)	Variable at a minimum of 3.0%	Secured	2014
120.0	120.0	(m)	Fixed at 5%	Secured	2021
-	2,500.0	(n)	Fixed at 5.8%	Unsecured	30-180 days
-	1,351.0	(o)	Fixed at 9.0%	Unsecured	2016
-	397.8	(p)	Fixed at 0.85%	Unsecured	28 days
-	25.4	(q)	Fixed at 8%	Secured	2014
-	0.4	(r)	Fixed at 15%	Unsecured	2014
P 13,024.4	P 18,090.7				

(a) The loan was drawn by Travellers in 2012 from a P11.0 billion loan facility with a local bank, to settle Travellers' secured loans from the same bank. Quarterly principal amortization at P375.0 million starts in March 2014.

(b) Bank loans obtained by AGI and NTLPI to fund the acquisition of Megaworld shares through exercise of their Megaworld warrants. The loan is secured by 2.1 million Megaworld shares owned by NTLPI.

(c) This is the unpaid balance from a P5.0 billion loan availed by Megaworld from a local bank in 2008 and 2009 to fund the development of its various real estate projects. The loan is payable in seven years with a grace period of two years, divided into 21 consecutive equal quarterly payments.

(d) Loans drawn by GADC from a P1.0 billion credit facility granted by a local bank. Initially, GADC obtained a P400.0 million in December 2012. The loans bear an annual interest rate ranging from 3.85% to 5.15% and shall be payable in quarterly installments starting on various dates, earliest being March 2015.

(e) Loan balance of SPI arising from discounting its trade receivables on a with-recourse basis with local banks.

(f) This is a U.S.$12.0 million loan of GADC from a related party (see Note 29.3).

(g) This is the amount outstanding from a seven-year loan obtained by Megaworld from a local bank in May 2009; interest is payable semi-annually.

(h) Short-term loans acquired by SPI from various financial institutions for working capital purposes.

(i) Pertains to long-term loans availed by SPI in 2012 from a local bank for working capital requirements.

(j) The balance includes local bank loans arising from trade receivable discounted on a with-recourse basis amounting to P219.7 million and P332.7 million as of December 31, 2013 and 2012, respectively (see Note 6). Included in the 2012 balance is the portion of a P400.0 million seven-year loan obtained by EELHI in 2006. Certain residential and condominium units for sale with carrying value of P434.7 million and P528.1 million as of December 31, 2013 and 2012, respectively, were used as collateral for these bank loans (see Note 8).

(k) These are the outstanding portions of ten-year loans obtained by Megaworld from a local bank in 2003, 2005 and 2006, with a three-year grace period on principal payments, payable quarterly thereafter. The loans are collateralized by certain investment property of Megaworld with carrying value of P40.4 million and P43.5 million as of December 31, 2013 and 2012, respectively (see Note 14).

(l) This U.S.$3.2 million (P142.1 million) loan is secured by a mortgage over an aircraft, assignment of receivables and other income from the proposed block charter between Travellers and APEC, assignment of insurance over the aircraft and unconditional and irrevocable guarantee of Travellers (see Note 13). In this regard, Travellers entered into a guarantee contract with the creditor bank whereby it guarantees that the principal amount and related interest will be paid as the payment falls due.

(m) Balance from loan granted to GADC in December 2011 by Planters Development Bank for the purchase of land and building from the latter, payable monthly starting on the third year of the term of the loan. The acquired land and building served as collateral on the loan (see Note 13).

(n) Short-term loans acquired by Travellers from various financial institutions for working capital purposes.

(o) This is the amount outstanding from the seven-year corporate notes issued by Megaworld to several financial institutions in February 2009.

In 2013, Megaworld had early redeemed these outstanding corporate notes. As a result, it recognized P41.1 million penalty charges which is presented as part of Miscellaneous item in Finance Cost and Other Charges section under Other Income and Charges section of the 2013 consolidated statement of comprehensive income.

(p) Short-term loan granted by a foreign bank to fund acquisition of financial assets from the same foreign bank as fund manager of a foreign subsidiary.

(q) Balance from loan obtained by GADC in January 2011 from Goldpath Properties Development Corporation relating to the acquisition of parcels of land amounting to P87.1 million from the latter. Amortization of principal plus interest is payable monthly. The loan was fully paid in 2013.

(r) Loan balance arising from the purchase of property and equipment by AFCMI from a local financial institution, payable on monthly installments. The loan was entirely settled in 2013.

As of December 31, 2013, the Group complied with related loan covenants, including maintaining certain financial ratios, at the reporting dates.

Total interest expense attributable to these loans amounted to P583.6 million, P506.9 million and P320.8 million for the years ended December 31, 2013, 2012 and 2011, respectively, and are presented as part of Finance Cost and Other Charges account in the consolidated statements of comprehensive income (see Note 26). Interest charges capitalized for the years ended December 31, 2013, 2012 and 2011 amounted to P296.0 million, P465.8 million and P355.6 million, respectively (see Note 13).

18. BONDS PAYABLE

This account consists of bonds payable of the Company's subsidiaries as follows:

	2013	2012
AG Cayman	**P 21,976,374,674**	P 20,335,112,081
Megaworld	**21,408,153,620**	13,556,628,075
Travellers	**13,095,218,012**	12,098,888,653
	P 56,479,746,306	P 45,990,628,809

The significant terms of the bonds are discussed below.

	Outstanding Principal Balance					
Face Amount	**2013**	**2012**	**Explanatory Notes**	**Interest Rate**	**Nature**	**Maturity**
$500.0 million	P 22.0 billion	P 20.3 billion	(a)	Fixed at 6.50%	Unsecured	2017
$300.0 million	13.1 billion	12.1 billion	(b)	Fixed at 6.90%	Unsecured	2017
$250.0 million	7.6 billion	-	(c)	Fixed at 4.25%	Unsecured	2023
$200.0 million	8.8 billion	8.6 billion	(d)	Fixed at 6.75%	Unsecured	2018
P5.0 billion	5.0 billion	5.0 billion	(e)	Fixed at 8.46%	Unsecured	2015
	P 56.5 billion	P 46.0 billion				

(a) On August 18, 2010, AG Cayman issued seven-year bonds with interest payable semi-annually in arrears on February 18 and August 18 of every year. The bonds are listed in the Singapore Exchange Securities Trading Limited. The net proceeds of the bonds are used to finance capital and project expenditures, refinance certain existing indebtedness of certain subsidiaries, and for general corporate purposes.

Subject to certain exceptions, the bonds may be redeemed by AG Cayman at their principal amount plus any accrued and unpaid interest. The bonds are unconditionally and irrevocably guaranteed by AGI which, together with certain subsidiaries, is required to comply with certain covenants.

(b) On November 3, 2010, Travellers issued seven-year bonds with interest payable semi-annually in arrears every May 3 and November 3 of each year. The bonds are listed in the Singapore Exchange Securities Trading Limited. The net proceeds of the bonds are intended to finance capital and project expenditures, to refinance certain existing indebtedness, and for general corporate purposes of Travellers.

Subject to certain exceptions, Travellers may, at its option, redeem the bonds: (i) in full at a price of 100.0% of the principal if certain changes in laws, treaties, regulations or rulings affecting taxes would require Travellers to pay certain additional amount; and, (ii) at any time prior to November 3, 2014, up to 35.0% of the principal amount at a price of 106.9% of the principal amount with the net cash proceeds of an equity offering. Also, Travellers is required to make an offer to purchase the bonds at a price of 101.0% of the principal amount following a change in control (e.g., a sale or other disposition of all or substantially all of the properties or assets of Travellers to any person or entity).

(c) On April 17, 2013, Megaworld issued 10-year term bonds with semi-annual interest payments every April 10 and October 10. The proceeds of the bond issuance is being used by Megaworld for general corporate purposes.

(d) On April 15, 2011, Megaworld issued seven-year term bonds with interest payable semi-annually in arrears every April 15 and October 15 each year. The proceeds received from this bond are also being used by Megaworld to finance its capital expenditures for its real estate projects.

(e) On November 18, 2009, Megaworld issued bonds with a term of five years and six months. The proceeds received were intended to finance Megaworld's capital expenditures related to real estate development projects for the years 2009 up to 2015.

Interest expense on the bonds payable, including amortization of capitalized transaction costs, amounted to P3.4 billion in 2013, P3.0 billion in 2012 and P2.0 billion in 2011. These amounts are presented as part of Interest expense under Finance and Other Charges in the consolidated statements of comprehensive income (see Note 26). Interest charges capitalized amounted to P423.0 million for 2013, 2012 and 2011. The amounts of outstanding interest payable as at December 31, 2013 and 2012 amounting to P958.7 million and P892.0 million, respectively, are presented as part of Accrued Expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

19. REDEEMABLE PREFERRED SHARES

The Group's redeemable preferred shares pertain to preferred shares issued by subsidiaries as follows:

19.1 GADC's Redeemable Preferred Shares

The shares were issued in March 2005 to McDonald's Restaurant Operations, Inc. (MRO), a company incorporated in the U.S.A. and is a subsidiary of McDonald's. These preferred shares with par value per share of P61,066 each have the following features (in exact amounts):

Class	Voting	No. of Shares Authorized and Issued	Total Par Value (undiscounted)	Additional payment in the event of GADC's liquidation
A	No	778	P 47,509,348	U.S.$1,086 per share or the total peso equivalent of U.S.$845,061
B	Yes	25,000	1,526,650,000	U.S.$1,086 per share or the total peso equivalent of U.S.$27,154,927

Additional features of the preferred shares are as follows:

(a) Redeemable at the option of the holder after the beginning of the 19th year from the date of issuance for a total redemption price equivalent to the peso value on the date that the shares were issued;

(b) Has preference as to dividend declared by the BOD, but in no event shall the dividend exceed P1 per share; and,

(c) Further, the holder of preferred shares is entitled to be paid a certain amount of peso equivalent for each class of preferred shares, together with any unpaid dividends, in the event of liquidation, dissolution, receivership, bankruptcy or winding up of GADC.

The redeemable preferred shares are recognized at fair values on the date of issuance which were determined as the sum of all future cash payments, discounted using the prevailing market rates of interest as of the transaction date for similar instruments with similar maturities of 18 years. Based on the terms of subscription and in accordance with PAS 39, the difference between the fair values of the redeemable preferred shares on the date of issuance and the subscription amounts were recognized as APIC.

The accretion of the GADC redeemable preferred shares in 2013, 2012 and 2011 amounted to P58.0 million, P52.4 million and P45.8 million, respectively, and is presented as part of Interest Expense under Finance Cost and Other Charges account in the consolidated statements of comprehensive income (see Note 26). As of December 31, 2013 and 2012 , the carrying value of the GADC redeemable preferred shares amounted to P528.1 million and P470.1 million, respectively, shown as part of Redeemable Preferred Shares account in the consolidated statements of financial position. As of December 31, 2013, the fair value of these shares amounted to P947.4 million, as determined by discounting the sum of all future cash flows using prevailing market rates of interest for instrument with similar maturities at a discount rate of 3.59%.

19.2 TLC's Redeemable Preferred Shares

These were issued by TLC in September 2012 consisting of 1,258.0 million shares which are nonvoting, earns dividend at a fixed annual rate of 2.5% and subject to the existence of TLC's unrestricted retained earnings. These were issued in exchange for certain parcels of land with total fair value of P1,338.2 million. The issuance through the exchange of land was approved by SEC on April 17, 2013.

The preferred shares have a maturity of 10 years and shall be redeemed every anniversary date beginning on the sixth anniversary date until expiration of the 10-year period. Only 1/5 of the aggregate face value of preferred shares may be redeemed per year during such redemption period, with all remaining shares to be redeemed on the 10th anniversary date.

20. OTHER LIABILITIES

The composition of this account is shown below.

	Notes	2013	2012
Current:			
Reserve for property development	2.6	**P 6,940,686,751**	P 6,281,717,914
Customers' deposits	2.15(b)	**5,196,149,627**	4,748,505,769
Deferred income on real estate sales	2.15(b)	**4,509,945,768**	4,431,527,861
Unearned revenues		**1,802,882,065**	1,463,820,018
Dividends payable		**519,684,000**	-
Deposit for future stock subscription		**423,940,006**	-
Deferred rental income	2.15(i)	**150,792,198**	246,307,507
Derivative liability		**38,631,143**	-
Others		**1,595,849,338**	22,594,675
		21,178,560,896	17,194,473,744
Non-current:			
Reserve for property development	2.6	**6,096,852,718**	4,768,078,125
Deferred income on real estate sales	2.15(b)	**3,857,401,017**	2,864,335,526
Deferred rental income	2.15(i)	**1,631,709,613**	2,058,307,552
Customers' deposit	2.15(b)	**1,393,589,785**	1,741,951,677
Derivative liability		**1,145,961,938**	1,246,123,668
Guaranty deposits		**148,218,346**	113,394,823
Accrued rent		**77,333,636**	77,613,012
Asset retirement obligation		**39,000,431**	30,569,636
Payable to MRO unde stock option plan	27.3	**-**	81,570
Others		**684,982,165**	791,503,299
		15,075,049,649	13,691,958,888
		P 36,253,610,545	P 30,886,432,632

The current derivative liability represents the reduction in fair market value as of December 31, 2013 of currency forward options contract entered into with a certain foreign bank. On the other hand, the non-current derivative liability consists of the fair market value of the interest rate swap entered into by Travellers with a certain foreign bank at a notional amount of U.S.$250.0 million. Changes in the fair values of these current derivatives financial liabilities are presented as part of Fair Value Losses while those for non-current financial liability are presented under Unrealized Loss on Interest Rate Swap under Finance Cost and Other Charges account in the consolidated statements of comprehensive income (see Note 26).

Current Others pertains to accounts payable to various parties including liabilities on stocks purchases which amounted to P1.4 billion in 2013, and commissions payable to the Group's real estate agents and SPI's liability on assigned receivables in 2012.

Non-current Others include advances to officers and employees amounting to P121.74 million in 2013 and P65.23 million in 2012, and dividend payable to preferred shareholders amounting to P31.2 million and P10.5 million in 2013 and 2012, respectively.

21. EQUITY

21.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2013	2012	2011	**2013**	2012	2011
Common shares – P1 par value						
Authorized	**12,950,000,000**	12,950,000,000	12,950,000,000	**P 12,950,000,000**	P 12,950,000,000	P 12,950,000,000
Issued and outstanding:	**10,269,827,979**	10,269,827,979	10,269,827,979	**P 10,269,827,979**	P 10,269,827,979	P 10,269,827,979
Treasury stock – at cost	**(155,296,400)**	(160,317,400)	(163,317,400)	**(955,217,410)**	(984,512,637)	(1,018,752,369)
Total outstanding	**10,114,531,579**	10,109,510,579	10,106,510,579	**P 9,314,610,569**	P 9,285,315,342	P 9,251,075,610

On March 12, 1999, the SEC approved the initial public offering of the Company's 336.1 million shares (248.1 million then outstanding and 88.0 million new issues) at P1.27 per share. The shares were initially listed in the PSE on April 19, 1999.

A 10% stock dividend was approved by the SEC and listed in September 1999. Three private placements ensued up to January 2011, of which 1.5 billion shares were listed in 2006. Then, a 10% rights offering of 200.47 million shares and 1:1 stock rights of 2.2 billion shares were approved and listed in 2005 and 2007, respectively. In 2007, there were also a share-swap transaction and a follow-on international offering wherein 4.1 billion and 1.8 billion shares, respectively, were issued and listed.

As of December 31, 2013 and 2012, the quoted closing price per share was P25.8 and P16.76, respectively. There are 1,243 holders, which include nominees, of the Company's total issued and outstanding shares. The percentage of the Company's shares of stock owned by the public is 40.14% as of December 31, 2013 and 2012.

21.2 Additional Paid-in Capital

APIC consists mainly of P21.9 billion from the stock rights offering, share swap transaction and international offering in 2007. In 2013 and 2011, the Group reissued treasury shares, resulting to an increase in APIC by P109.9 million and P6.3 billion, respectively.

21.3 Dilution Gain

The movement in dilution gain is a direct result of dilution in the Company's ownership interest in certain subsidiaries when such subsidiaries offer pre-emptive stock rights, underwent international stock offering, and acquire additional shares, in years prior to 2011.

In 2013, the movement is due to changes in ownership interest in certain subsidiaries.

21.4 Dividends

On August 23, 2013 and June 5, 2012, the BOD approved the declaration of cash dividends of P0.38 and P0.36 per share, respectively. Total dividends for 2013 and 2012, amounting P3,902.53 million and P3,697.1 million, were payable to stockholders of record as of September 9, 2013 and June 26, 2012, respectively. The said dividends were fully paid on September 24, 2013 and July 20, 2012, respectively. The amounts presented in the consolidated statements of changes in equity is net of dividends paid to subsidiaries.

21.5 Share Options

(a) Of the Company

On July 27, 2011, the BOD approved an Executive Stock Option Plan (ESOP) for the Company's key executive officers, which was subsequently ratified by the stockholders on September 20, 2011. Under the ESOP, the Company shall initially reserve for exercise of stock options up to 300.0 million common shares, or 3% of the outstanding capital stock, which may be issued out of the authorized but unissued shares. Stock options may be granted within 10 years from the adoption of the ESOP and continue to be exercisable in accordance with terms of issue.

The options shall vest within three years from date of grant (offer date) and the holder may exercise only a third of the option at the end of each year of the three-year vesting period. The vested option may be exercised within seven years from date of grant. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Company's shares for nine months immediately preceding the date of grant.

On December 19, 2011, pursuant to this ESOP, the Company granted stock options to certain key executives to subscribe to 46.5 million common shares of the Company, at an exercise price of P9.175. As of December 31, 2013, options for 31.0 million shares have vested and none has been exercised yet.

On March 14, 2013, the Company granted additional 59.1 million stock options to certain key executives at an exercise price of P12.9997, none of which has vested at year-end.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

		March 2013 Grant		December 2011 Grant
Option life		7 years		7 years
Share price at grant date	P	21.65	P	10.28
Exercise price at grant date	P	12.999	P	9.175
Average fair value at grant date	P	9.18	P	2.70
Average standard deviation of share price returns		37.77%		37.75%
Average dividend yield		2.57%		1.70%
Average risk-free investment rate		2.92%		2.87%

The underlying expected volatility was determined by reference to historical date of the Company's shares over a period of time within the life of the option.

(b) *Of Megaworld*

On April 26, 2012, Megaworld's BOD approved an ESOP for its key executive officers, and on June 15, 2012, the stockholders adopted it.

The options shall generally vest on the 60th birthday of the option holder and may be exercised until the date of his/her retirement from the Megaworld. The exercise price shall be at a 15% discount from the volume weighted average closing price of Megaworld's shares for nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2012, Megaworld granted stock options to certain key executives to subscribe to 245.0 million of its common shares, at an exercise price of ranging from P1.77 per share.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

Average option life		15.52 years
Average share price at grant date	P	2.71
Average exercise price at grant date	P	1.86
Average standard deviation of share price returns		9.60%
Average dividend yield		0.48%
Average risk-free investment rate		3.60%

The underlying expected volatility was determined by reference to historical date of Megaworld's shares over a period of time consistent with the option life.

(c) *Of GERI*

On September 23, 2011, the BOD of GERI approved an ESOP for its key executive officers. This was approved on November 8, 2011 by stockholders holding at least 2/3 of the outstanding capital stock. The purpose of the ESOP is to enable the key executives and senior officers of GERI, who are largely responsible for its further growth and development, to obtain an ownership interest and thereby encourage long-term commitment to GERI. The ESOP is being administered by the Executive Compensation Committee of GERI's BOD.

Under the ESOP, GERI shall initially reserve for exercise of stock options up to 500.0 million common shares of its outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares. Stock options may be granted within 10 years from the adoption of the ESOP and may be exercised within seven years from date of grant. The exercise price shall be at a 15% discount from the volume weighted average closing price of GERI's shares for twelve months immediately preceding the date of grant. The options shall vest within three years from date of grant and the holder of an option may exercise only a third of the option at the end of each year of the three-year period. GERI shall receive cash for the stock options.

Pursuant to this ESOP, on February 16, 2012, key executive officers were granted options to subscribe to 100.0 million GERI shares, at an exercise price of P1.93. An option holder may exercise in whole or in part his vested option provided, that, an option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said option's life cycle. On February 16, 2013, a total of 16.4 million options have vested but none of these have been exercised yet by any of the option holders as of December 31, 2013.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

Grant date		February 16, 2012
Vesting period ends		February 15, 2015
Option life		7 years
Share price at grant date	P	2.10
Exercise price at grant date	P	1.93
Average fair value at grant date	P	2.27
Average standard deviation of share price returns		57.10%
Average risk-free investment rate		2.46%

The underlying expected volatility was determined by reference to historical date of GERI's shares over a period of time consistent with the option life.

A total of P156.8 million, P105.8 million and P1.9 million share-based executive compensation is recognized and presented as part of Salaries and Employee Benefits under Other Operating Expenses account in the consolidated statements of comprehensive income for the years 2013, 2012 and 2011, respectively (see Note 25), and correspondingly credited to Share Options account.

21.6 Appropriated Retained Earnings

In December 2013, the BOD of GADC appropriated P2.15 billion for the continuing business expansion. Such business expansion projects include construction of new stores, renovation of existing stores and construction of a distribution center. The construction and renovation projects are expected to be completed until the third quarter of 2014.

The P1.4 billion appropriation made in December 2012, which is for business expansion projects, has been fully utilized in 2013. Moreover, the BOD of AWGI reversed in full the balance of its appropriation amounting to P300.0 million, since the planned capital expenditure was already completed in 2012.

21.7 Subsidiaries with Material Non-controlling Interest

The Group includes five subsidiaries – Megaworld, Travellers, GADC, GERI and Emperador – with material non-controlling interest (NCI) with details shown below (in thousands).

	Proportion of Ownership Interest and Voting Rights Held by NCI		**Subsidiary's Profit Allocated to NCI**	
Name	**2013**	**2012**	**2013**	**2012**
Megaworld	35%	37%	P 3,139,732	P 2,692,971
Travellers	58%	54%	1,595,926	3,367,108
GADC	51%	51%	402,434	347,874
GERI	35%	36%	111,744	106,149
Emperador	12%	-	575,723	-

Dividends paid to NCI during the year amounts to P2.9 billion.

The summarized financial information of the subsidiaries, before intragroup elimination, is shown below (in thousands).

	December 31, 2013				
	Megaworld	Travellers	GADC	GERI	Emperador
Profit for the year attributable to					
Owners of Parent	P 5,895,252	P 1,143,590	P 386,047	P 229,123	P 5,255,087
NCI	3,139,732	1,595,926	402,434	111,744	575,723
Profit for the year	9,034,984	2,739,516	788,481	340,867	5,830,810
Other comprehensive income (loss) attributable to					
Owners of Parent	1,159,054	36,216	(11,451)	(7,516)	121,211
NCI	(12,518)	-	-	-	-
Other comprehensive income for the year	1,146,536	36,216	(11,451)	(7,516)	121,211
Total comprehensive income for the year	**P 10,181,520**	**P 2,775,732**	**P 777,030**	**P 333,351**	**P 5,952,021**

	December 31, 2012				
	Megaworld	Travellers	GADC	GERI	Emperador
Profit for the year attributable to					
Owners of Parent	P 4,718,853	P 3,367,108	P 345,784	P 158,221	P -
NCI	2,692,971	3,367,108	347,874	106,149	-
Profit for the year	7,411,824	6,734,216	693,658	264,370	-
Other comprehensive income (loss) attributable to					
Owners of Parent	398,169	12,390	2,444	9,964	-
NCI	(555)	-	-	-	-
Other comprehensive income for the year	398,724	12,390	2,444	9,964	-
Total comprehensive income for the year	P 7,810,548	P 6,746,606	P 696,102	P 274,334	P -

22. EARNINGS PER SHARE

Earnings per share is computed (full amounts are used and not truncated) as follows:

	2013	2012 (As Restated – see Note 2.3)	2011 (As Restated – see Note 2.3)
Basic:			
Net profit attributable to owners of the parent company	**P 17,218,460,867**	P 13,909,991,637	P 11,607,286,356
Divided by the weighted average number of outstanding common shares	**10,109,928,996**	10,109,214,787	9,857,383,542
	P 1.7031	P 1.3760	P 1.1775
Diluted:			
Net profit attributable to owners of the parent company	**P 17,218,460,867**	P13,909,991,637	P 11,607,286,356
Divided by the weighted average number of outstanding common shares	**10,155,705,560**	10,115,754,423	9,859,676,692
	P 1.6954	P 1.3751	P 1.1772

As of December 31, 2012 and 2011, there are 20.8 million and 5.24 million potentially dilutive shares, respectively, from the Company's ESOP (see Note 21.6). However, such number of dilutive shares has no significant effect on the weighted average number of outstanding common shares and, consequently, has little effect on the 2013 and 2012 diluted EPS.

23. REVENUES

The breakdown of revenues is presented below.

	Notes	**2013**	2012	2011
Sale of Goods:				
Real estate (RE) sales	2.15(b,d)	**P 22,159,368,696**	P 16,757,139,591	P 16,360,035,889
Realized gross profit on RE sales		**3,234,397,459**	2,295,102,401	1,999,416,035
Interest income on RE sales	6	**1,537,113,091**	1,327,541,711	1,218,788,823
Revenues from RE sales		**26,930,879,246**	20,379,783,703	19,578,240,747
Sales of consumer goods		**29,588,090,458**	23,702,847,323	18,135,255,450
		P 56,518,969,704	P 44,082,631,026	P37,713,496,197
Rendering of Services:				
Gaming	2.15(e)	**P 30,003,598,507**	P 28,058,258,093	P -
Sales by company operated quick-service restaurants	2.15(g)	**14,554,160,085**	12,622,396,286	11,028,662,705
Rental income	14	**6,396,131,339**	5,350,764,337	3,862,807,616
Franchise revenues	2.15(h)	**1,256,044,080**	1,033,429,724	846,757,093
Others		**4,477,048,438**	3,458,052,826	605,311,251
		P 56,686,982,449	P 50,522,901,266	P 16,343,538,665

Individual sublicense arrangements granted to franchisees and joint venturers generally include a lease and a license to use the McDonald's system in the Philippines and, in certain cases, the use of restaurant facility, generally for a period of 3 to 20 years provided, however, that should GADC's license rights from McDonald's be terminated at an earlier date or not renewed for any reason whatsoever, these sublicense agreements shall there upon also be terminated.

Others include the Group's revenue from hotel operations amounting to P3,284.31 million, P2,731.87million and P392.17 million for 2013, 2012 and 2011, respectively. Others also include income from commissions, construction, cinema operations, parking, laundry, arcade, and production shows.

24. COST OF GOODS SOLD AND SERVICES

The components of cost of goods sold and services are as follows:

	Notes	2013	2012 (As Restated – see Note 2.3)	2011 (As Restated – see Note 2.3)
Cost of Goods Sold:				
Cost of consumer goods sold:				
Direct materials used		**P 17,585,498,788**	P 12,509,498,483	P 11,172,300,427
Change in work in process and finished goods	8	**1,014,637,574**	1,850,911,570	1,586,753,847
Indirect materials and other consumables		**322,508,207**	187,538,112	163,220,742
Depreciation and amortization	13, 15	**303,827,323**	179,839,440	115,833,216
Salaries and employee benefits	27.1	**151,363,069**	143,857,763	47,270,434
Supplies		**182,647,176**	130,123,336	48,772,251
Repairs and maintenance		**85,297,398**	61,571,202	41,145,620
Utilities		**188,647,176**	61,515,306	55,950,827
Outside services		**138,672,761**	48,385,674	39,664,849
Taxes and licenses		**25,303,245**	15,922,445	2,457,279
Other direct and overhead costs		**72,388,425**	71,301,250	38,564,201
		20,070,791,142	15,260,464,581	13,311,933,693
Cost of RE sales	2.15	**13,014,651,866**	9,654,880,549	10,315,106,663
Deferred gross profit on RE sales	2.6	**4,446,675,079**	3,472,095,346	3,091,703,036
		P 37,532,118,088	P 28,387,440,476	P 26,718,743,392
Cost of Services:				
Food, supplies and other consumables		**P 7,099,121,197**	P 6,249,176,648	P 4,262,498,143
Gaming license fees	30.3(b)	**6,506,213,809**	6,185,726,261	-
Salaries and employee benefits	27.1	**4,251,992,658**	2,681,587,989	1,508,886,936
Rental		**2,668,711,373**	2,369,692,411	1,985,759,486
Promotional allowance	2.15	**2,533,628,373**	1,687,446,005	-
Depreciation and amortization	13, 14, 15	**1,439,960,917**	1,274,911,262	517,637,794
Outside services		**755,934,220**	279,367,492	270,161,457
Entertainment, amusement and recreation		**472,324,723**	279,287,919	-
Other direct and overhead costs		**1,608,984,819**	1,644,913,451	891,073,499
		P 27,336,872,089	P 22,652,109,438	P 9,436,017,315

Cost of real estate sales pertain to actual costs of real projects incurred to date plus estimated costs to complete (see Note 2.6).

Deferred gross profit on real estate sales pertains to the unrealized portion of gross profit on a year's real estate sales.

Other direct and overhead costs include costs incurred for flight operations, air fare, hotel accommodation and operations and various other costs.

25. OTHER OPERATING EXPENSES

The details of other operating expenses are shown below.

	Notes	2013	2012 (As Restated – See Note 2.3)	2011 (As Restated – see Note 2.3)
Advertising and promotions		**P 9,827,324,537**	P 8,203,105,082	P 1,581,032,899
Salaries and employee benefits	27.1	**3,457,351,569**	3,239,601,285	1,498,487,525
Depreciation and amortization	13, 15	**2,575,690,600**	2,082,533,386	784,918,016
Utilities		**1,037,089,984**	1,131,603,614	339,378,559
Commissions		**938,974,577**	962,851,090	934,994,239
Freight and handling		**822,268,286**	784,233,562	460,232,574
Management fees	29.6	**615,688,637**	685,417,587	-
Royalty	29.10	**743,892,966**	646,450,272	559,245,358
Taxes and licenses		**684,837,466**	578,274,271	319,299,545
Rental		**805,334,658**	495,014,368	261,269,083
Professional fees and outside services		**691,241,478**	471,549,008	234,302,711
Transportation and travel		**461,097,810**	421,475,634	259,746,657
Repairs and maintenance		**393,252,254**	244,182,189	42,082,597
Representation and entertainment		**150,295,427**	171,864,087	96,993,406
Communication and office expenses		**43,904,963**	41,762,608	48,124,234
Insurance		**5,732,814**	7,072,922	6,630,699
Impairment of property, plant and equipment	13	**-**	30,593,000	-
Impairment of receivables	6	**1,852,173**	36,626,512	23,247,378
Write-down of inventories	8	**-**	28,008,639	24,432,059
Others		**1,819,886,263**	1,463,286,982	746,346,482
		P 25,075,716,462	P 21,725,506,098	P 8,220,764,021

These other operating expenses are classified by function as follows:

	2013	2012 (As Restated – see Note 2.3)	2011 (As Restated – see Note 2.3)
General and administrative expenses	**P 11,913,108,043**	P 10,276,757,684	P 4,633,673,275
Selling and marketing expenses	**13,162,608,419**	11,448,748,414	3,587,090,746
	P 25,075,716,462	P 21,725,506,098	P 8,220,764,021

GADC was granted by McDonald's the nonexclusive right to adopt and use the McDonald's System in its restaurant operations in the Philippines. The license agreement, as renewed in March 2005 for another 20 years, provides for a royalty fee, presented as Royalty, based on a certain percentage of net sales from the operations of all GADC's restaurants, including those operated by the franchisees. The balance of royalty fees and other advances payable to McDonald's as of December 31, 2013 and 2012 amounted to P119.4 million and P112.1 million, respectively, and is shown as part of Due to Related Parties under Trade and Other Payables account in the consolidated statements of financial position (see Notes 16 and 29.10).

Other operating expenses include expenses incurred for security services, used materials, supplies and other consumables, donations, training and development, membership dues, and various other expenses.

26. OTHER INCOME AND CHARGES

Other income and charges provide details of Finance and Other Income account and Finance Cost and Other Charges account as presented in the statement of comprehensive income.

	Notes	2013	2012 (As Restated – see Note 2.3)	2011 (As Restated – see Note 2.3)
Finance income:				
Interest income on cash and cash equivalents and others	5, 7	**P 3,099,675,804**	P 3,922,992,079	P 3,897,975,086
Other income:				
Fair value gains – net	7	**-**	1,433,951,500	-
Gain on divestment of interest in a subsidiary		**2,905,304,542**	-	-
Foreign currency gains – net		**2,336,779,018**	711,154,150	1,569,197,047
Income from acquisition of a subsidiary		**763,834,597**	-	3,131,993,894
Gain on reversal of liabilities		**160,666,483**	-	-
Gain on sale of investment in AFS financial assets		**128,177,128**	272,103,283	295,737,916
Dividend income		**14,178,074**	10,515,804	6,334,455
Preacquisition income	12	**6,315,710**	-	-
Gain on refunds		**4,100,270**	-	-
Miscellaneous	6, 8, 13	**754,342,224**	1,059,262,530	792,596,798
		P 10,173,373,850	P 7,409,979,346	P 9,693,835,196
Finance cost and other charges:				
Interest expense	17, 18 19, 28	**P 4,285,500,975**	P 3,751,269,989	P 2,654,422,604
Unrealized loss on interest rate swap	20	**112,842,001**	368,646,466	-
Fair value losses – net	7, 20	**429,371,099**	-	1,143,963,462
Day-one loss on non-current installment contract receivable		**49,995,897**	-	-
Loss on write-off of property development costs		**27,945,739**	61,518,212	-
Preacquisition loss	12	**-**	-	17,326,952
Miscellaneous	6	**103,123,984**	70,346,876	5,119,257
		P 5,008,779,695	P 4,251,781,543	P 3,820,832,275

A gain on acquisition of subsidiary amounting to P763.8 million was recognized in 2013 from the acquisition of 100% interest in WGPI by Megaworld in August 2013. The transaction was settled in cash amounting to P3.3 billion, while fair value of the net identifiable assets acquired amounted to P4.1 billion. A gain on acquisition of subsidiary amounting to P3.1 billion was recognized in 2011 from AGI's acquisition of 62% ownership in GERI.

27. SALARIES AND EMPLOYEE BENEFITS

27.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2013	2012 (As Restated – see Note 2.3)	2011 (As Restated – see Note 2.3)
Short-term employee benefits		**P 7,437,580,212**	P 5,762,362,586	P 2,912,226,585
Post-employment defined benefit	27.2	**266,310,249**	196,921,984	140,266,202
Stock option benefit expense	27.3, 29.12	**156,816,832**	105,762,467	2,152,108
		P 7,860,707,293	P 6,065,047,037	P 3,054,644,895

These are classified in the consolidated statements of comprehensive income as follows:

	Notes	2013	2012 (As Restated – see Note 2.3)	2011 (As Restated – see Note 2.3)
Cost of goods sold	24	**P 151,363,069**	P 143,857,763	P 47,270,434
Cost of services	24	**4,251,992,658**	2,681,587,989	1,508,886,936
Other operating expenses	25	**3,457,351,569**	3,239,601,285	1,498,487,525
		P 7,860,707,293	P 6,065,047,037	P 3,054,644,895

27.2 Post-employment Defined Benefit

(a) Characteristics of the Defined Benefit Plan

Except for Megaworld, GERI, and GADC, the Company and all other subsidiaries have no established corporate retirement plans. Travellers, EDI, AWGI and TEI compute its retirement obligation based on the provisions of Republic Act (R.A) No. 7641, *The Retirement Pay Law.* The amounts of retirement benefit expense and obligation were actuarially determined using the projected unit credit method for those with corporate retirement plans and those retirement plans following R.A. 7641. Whereas, the Company and the other subsidiaries within the Group have not accrued any retirement benefit obligation as each entity has less than 10 employees, except for Travellers, EDI, AWGI, and TEI. The Group's management believes that the nonaccrual of the estimated retirement benefits will not have any material effect on the Group's consolidated financial statements.

Megaworld maintains a funded, tax-qualified, noncontributory retirement plan that is being administered by a trustee bank covering all regular and full-time employees. GERI has an unfunded, noncontributory defined benefit plan covering all regular employees. GERI's plan provides for a lump-sum benefit equal to 85% to 150% of the employees monthly salary for every year of qualified duration of service. GADC has a funded, defined contribution retirement plan covering all regular and full-time employees, which allows voluntary employee contribution. Actuarial valuations for Megaworld, GERI and GADC are made annually to update the retirement benefit costs and the amount of accruals.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation reports obtained from an independent actuary in 2013 including the comparative year which has been restated in line with the adoption of PAS 19 (Revised), see Note 2.2(a)(i).

The amounts of retirement benefit obligation as of the end of the reporting periods, presented as non-current liability in the consolidated statements of financial position, are determined as follows:

	2013	2012 (As Restated – see Note 2.3)
Present value of the obligation	**P 1,801,290,300**	P 1,555,759,023
Fair value of plan assets	**(373,197,625)**	(347,280,123)
	P 1,428,092,675	P 1,208,478,900

The movements in the present value of retirement benefit obligation are as follows:

	2013	2012 (As Restated – see Note 2.3)
Balance at beginning of year	**P 1,555,909,468**	P 1,234,874,976
Current service and interest costs	**296,199,518**	257,217,845
Additions due to consolidation of new subsidiaries	**37,021,023**	21,761,432
Re-measurement gain (loss)	**(57,123,176)**	54,134,799
Benefits paid by the plan	**(30,716,534)**	(12,230,029)
Balance at end of year	**P 1,801,290,300**	P 1,555,759,023

The movements in the fair value of plan assets of funded retirement plans of Megaworld and GADC are presented below.

	2013	2012 (As Restated – see Note 2.3)
Balance at beginning of year	**P 347,280,123**	P 279,126,463
Contributions paid into the plan	**54,493,850**	49,686,053
Actual return on plan assets	**(8,203,292)**	31,472,895
Actuarial gain	**-**	(1,610,760)
Benefits paid by the plan	**(20,373,056)**	(11,394,528)
Balance at end of year	**P 373,197,625**	P 347,280,123

The Group expects to contribute in 2013, P12.0 million and P40.0 million to the retirement plan maintained for Megaworld and GADC, respectively. GERI has yet to decide the amount of future contributions to its existing unfunded retirement plan.

The plan assets of Megaworld (pertaining only to cash and equivalents amounted to P89.8 million) and GADC consist of the following:

	2013	2012
Investments in:		
Unit investment trust fund	**72.0%**	81.0%
Other securities and debt instruments	**27.2%**	6.5%
Long-term equity investments	**-**	10.2%
Cash and cash equivalents	**0.4%**	1.9%
Loans and receivables	**0.4%**	0.4%
	100.0%	100.0%

In 2013, there is no return from GADC's plan assets, while actual returns amounts to P31.5 million and P16.8 million in 2012 and 2011, respectively.

The fair value of the plan assets is at Level 1 in the fair value hierarchy except for loans and receivables which are at Level 3.

The amounts of retirement benefits expense recognized as part of Salaries and Employee Benefits (see Note 27.1) in the consolidated statements of comprehensive income are as follows:

	2013	2012 (As Restated – see Note 2.3)	2011 (As Restated – see Note 2.3)
Current service cost	**P 255,590,445**	P 196,921,984	P 129,219,066
Past service cost	**10,719,804**	-	199,580
Effects of settlement/curtailment	**-**	-	10,847,556
	P 266,310,249	P 196,921,984	P 140,266,202

The amounts of retirement benefit expense are allocated as follows:

	2013	2012 (As Restated – see Note 2.3)	2011 (As Restated – see Note 2.3)
Cost of goods sold and services	**P 148,721,619**	P 91,051,139	P 38,770,284
Other operating expenses	**117,588,630**	105,870,845	101,495,918
	P 266,310,249	P 196,921,984	P 140,266,202

In determining the retirement benefit obligation, the following actuarial assumptions were used:

	2013	2012
Discount rates	**4.37% - 6.23%**	5.02% - 7.30%
Expected rate of salary increases	**3.00% - 7.00%**	3.00% - 7.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The discount rates assumed were based on the yields of long-term government bonds, as of the valuation dates. The applicable period used approximate the average years of remaining working lives of the Group's employees.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

Discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents, equity securities and debt securities. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Company's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

(i) Sensitivity Analysis

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

		Maximum Impact on Post-employment Obligation	
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
Discount rate	+/- 1%	P 547,000,764	(P 655,699,929)
Salary increase rate	+/- 1%	788,268,145	(655,699,929)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

The Group, through its BOD, envisions that the investment positions shall be managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This aims to match the plan assets to the retirement obligations by investing in equities and maintaining cash and cash equivalents that match the benefit payments as they fall due and in the appropriate currency.

(iii) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P1,428.1 million based on the Group's latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 23 years' time when a significant number of employees is expected to retire.

The maturity profile of undiscounted expected benefit payments from the plan as at December 31, 2013 are as follows:

Within one year	P 47,698,754
More than one year to 5 years	79,432,185
More than five years to 10 years	572,089,311
More than ten years to 15 years	771,595,916
More than 15 years to 20 years	1,355,722,396
More than 20 years	30,934,762,708
	P 33,761,301,270

27.3 Stock Option Benefits

The Group's stock option benefit expense includes the amounts recognized by the Company, Megaworld and GERI over the vesting period of the options granted by them (see Note 21.5). Options for 31.0 million shares have vested as of December 31, 2013. Stock option benefits expense, included as part of Salaries and Employee Benefits amounted to P156.8 million in 2013, P105.8 in 2012 and P1.9 million in 2011 (see Note 27.1).

GADC's stock options already fully vested as of December 31, 2011. The related payable, amounting to P82.0 million and P3,164.0 million as of December 31, 2012 and 2011, respectively, is presented as Payable to MRO Under Stock Option Plan which is part of the Non-current portion of Other Liabilities in the consolidated statements of financial position (see Note 20).

28. TAXES

28.1 Current and Deferred Taxes

The tax expense reported in the consolidated statements of comprehensive income for the year ended December 31 are as follows:

	2013	2012 (As Restated – see Note 2.3)	2011 As Restated – see Note 2.3)
Reported in consolidated profit or loss			
Current tax expense:			
RCIT at 30%	**P 4,030,414,576**	P 3,536,607,270	P 2,322,589,115
Final tax at 20% and 7.5%	**225,256,736**	287,702,318	270,007,575
Minimum corporate income tax (MCIT) at 2%	**29,429,810**	26,568,346	10,076,534
Preferential tax rate at 5%	**27,592,034**	-	18,802,816
Others	**75,941,268**	74,566,986	18,328,041
	4,388,634,424	3,925,444,920	2,639,804,081
Deferred tax expense relating to origination and reversal of temporary differences	**968,122,673**	706,666,186	713,200,408
	P 5,356,757,097	P 4,623,478,952	P 3,351,837,203
Reported in consolidated other comprehensive income -			
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(P 22,204,044)**	(P 83,187,376)	P 85,226,726

ECOC and SEDI, which are subsidiaries of Megaworld, are PEZA- registered entities which are covered by the 5% preferential tax rate on gross income from registered activities in lieu of all local and national taxes and to other tax privileges.

In November 2011, the Board of Investments approved SPI's application for registration on a certain project. SPI is entitled to income tax holiday for three years from November 2011 or actual start of commercial operations/selling, whichever is earlier but in no case earlier than the date of registration, with certain terms.

The reconciliation of tax on consolidated pretax income computed at the applicable statutory rates to consolidated tax expense is as follows:

	2013	2012 (As Restated – see Note 2.3)	2011 (As Restated – see Note 2.3)
Tax on consolidated pretax income at 30%	**P 8,523,671,095**	P 7,535,140,539	P 5,428,367,912
Adjustment for income subjected to different tax rates	**(1,598,765,848)**	(845,041,085)	(361,619,505)
Tax effects of:			
Income not subject to RCIT	**(9,233,947,881)**	(9,979,739,392)	(1,944,509,400)
Nondeductible expenses	**7,106,788,376**	6,993,144,567	194,042,858
Tax benefit arising from unrecognized deferred tax asset	**572,841,777**	785,150,505	31,645,338
Additional deduction with the use of Optional Standard Deduction (OSD)	**(38,707,207)**	(20,338,447)	(14,097,571)
Gross income generated from PEZA-registered activities	**(2,025,971)**	(969,310)	(1,513,964)
Increase in remeasurement gains on Retirement liability	**39,012,060**	-	-
Others	**(12,109,304)**	164,763,729	(20,688,821)
Tax expense reported in consolidated profit or loss	**P 5,356,757,097**	P 4,623,478,952	P 3,353,004,489

The deferred tax assets and liabilities as of December 31 presented in the consolidated statements of financial position relate to the following:

	2013	2012 (As Restated – see Note 2.3)	2011 (As Restated – see Note 2.3)
Deferred tax assets:			
Retirement benefit obligation	**P 389,030,740**	P 314,796,003	P 294,368,394
Allowance for impairment losses	**177,764,052**	181,298,846	157,263,520
Net Operating Loss Carry-over (NOLCO)	**48,333,454**	185,389,015	174,154,490
Accrued rent	**35,755,872**	48,115,007	39,396,892
MCIT	**23,317,621**	15,808,652	11,004,011
Allowance for inventory write-down	**13,183,799**	15,394,757	9,206,605
Unrealized income – net	**4,635,851**	3,304,102	2,988,344
Gross profit for tax purposes	**-**	17,446,954	-
Share based employee compensation	**-**	11,554,581	-
Unrealized foreign currency losses	-	127,032	1,903,411
Others	**36,538,273**	15,803,589	15,198,094
	P 728,559,662	P 809,038,538	P 705,483,761
Deferred tax liabilities – net:			
Uncollected gross profit	**P 6,305,622,637**	P 5,072,458,458	P 4,184,468,051
Capitalized interest	**1,160,842,521**	1,135,379,776	953,496,771
Unrealized foreign currency (gains) losses	**(262,572,657)**	52,847,842	39,281,721
Difference between the tax reporting base and financial reporting base of property, plant and equipment	**198,812,638**	200,166,619	143,527,885
Uncollected rental income	**91,493,961**	143,687,644	96,614,243
Translation adjustments	**(87,005,067)**	(102,276,919)	(31,481,851)
Accrued retirement cost for tax purposes	-	(188,131,869)	(116,022,532)
Others	**(164,714,655)**	19,971,460	259,462,413
	P 7,242,479,378	P 6,334,103,011	P 5,529,346,701

The deferred tax expense reported in the consolidated statements of comprehensive income is shown below.

	Consolidated Profit or Loss			Consolidated Other Comprehensive Income		
	2013	2012 (As Restated – see Note 2.3)	2011 (As Restated – see Note 2.3)	**2013**	2012 (As Restated – see Note 2.3)	2011 (As Restated – see Note 2.3)
Deferred tax expense (income):						
Uncollected gross profit	**P 1,233,164,179**	P 887,990,407	P 1,487,033,750	**P -**	P -	P -
NOLCO	**(137,055,561)**	(11,234,525)	1,041,573	**-**	-	-
Retirement benefit obligation	**104,000,889**	(87,071,501)	(64,742,722)	**6,932,192**	(12,392,308)	(81,384,090)
Capitalized interest	**25,462,745**	181,883,005	341,878,304	**-**	-	-
Uncollected rental income	**(52,193,683)**	47,073,401	73,592,570	**-**	-	-
Accrued rent	**(12,359,135)**	(8,718,115)	5,130,979	**-**	-	-
MCIT	**7,508,969**	(4,804,641)	142,921	**-**	-	-
Allowance for impairment losses	**(3,534,794)**	(24,035,326)	10,240,751	**-**	-	-
Difference between the tax reporting base and financial reporting base of property, plant and equipment	**(1,353,981)**	56,638,734	(38,378,062)	**-**	-	-
Unrealized foreign currency gains - net	**(127,032)**	11,789,742	(5,170,963)	**-**	-	-
Translation adjustments	**-**	-	-	**15,211,852**	(70,795,068)	(3,842,636)
Fair value adjustments on AFS	**-**	-	-	**-**	-	-
Others	**(195,390,923)**	(342,844,995)	55,626,558	**-**	-	-
	968,122,673	706,666,186	1,866,395,659	**22,204,044**	(83,187,376)	(85,226,726)
Effect of Megaworld's consolidation of EELHI, SPI and GPMAI	**-**	-	(1,129,384,994)	**-**	-	-
Effect of consolidation of GERI	**-**	-	(23,810,257)	**-**	-	-
Deferred tax expense (income)	**P 968,122,673**	P 706,666,186	P 713,200,408	**P 22,204,044**	(P 83,187,376)	(P 85,226,726)

The details of NOLCO, which can be claimed as deduction from the respective subsidiaries' future taxable income within three years from the year the loss was incurred, are shown below.

Year	**Original Amount**	**Applied in Current Year**	**Expired Balance**	**Remaining Balance**	**Valid Until**
2013	P 2,698,274,684	P -	P -	P 2,698,274,684	2016
2012	1,852,489,020	(1,337,144)	-	1,851,151,876	2015
2011	415,740,232	(3,814,389)	-	411,925,843	2014
2010	1,591,750,423	(54,512,812)	(1,537,237,611)	-	2013
	P 6,558,254,359	(P 59,664,345)	(P 1,537,237,611)	P 4,961,352,403	

Certain companies of the Group is subject to the MCIT which is computed at 2% of gross income, as defined under the tax regulations. The details of MCIT, which can be applied as deduction from the entities' respective future regular income tax payable within three years from the year the MCIT was paid, are shown below.

Year Incurred	**Original Amount**	**Expired**	**Remaining Balance**	**Valid Until**
2013	P 32,246,693	P -	P 32,246,693	2016
2012	20,660,215	-	20,660,215	2015
2011	27,852,997	-	27,852,997	2014
2010	15,267,510	(15,267,510)	-	2013
	P 96,027,415	(P 15,267,510)	P 80,759,905	

The following summarizes the amount of NOLCO and other deductible temporary differences as of the end of 2013, 2012 and 2011 for which the related deferred tax assets – net have not been recognized by certain subsidiaries within the Group based on their assessments that the related tax benefits may not be realized within the provided period.

	2013		2012		2011	
	Amount	**Tax Effect**	Amount	Tax Effect	Amount	Tax Effect
NOLCO	**P 4,961,352,403**	**P 1,488,405,721**	P 3,725,565,135	P 1,117,669,541	P 216,828,440	P 65,048,532
Unrealized loss on interest rate swap	**1,137,998,386**	**341,399,516**	1,325,831,385	397,749,416	-	-
Share-based compensation	**264,469,448**	**79,340,834**	20,174,162	6,052,249	1,890,150	567,045
MCIT	**65,098,838**	**65,098,838**	43,808,507	43,808,507	3,023,416	907,025
Retirement benefit obligation	**49,435,000**	**14,830,500**	32,448,290	9,734,487	657,761	197,328
Allowance for impairment	**24,385,645**	**7,315,694**	23,653,124	7,095,937	65,175,745	19,552,724
Unrealized foreign currency losses – net	**(12,578,916)**	**(3,773,675)**	(536,950,652)	(161,085,196)	-	-
Accrued rent	**6,627,877**	**1,988,363**	2,101,002	630,301	7,290,233	2,187,069
Allowance for inventory write-down	**312,718**	**93,815**	352,036	105,611	458,815	137,645
ARO	**-**	**-**	323,254	96,976	546,532	163,959
	P 6,497,101,399	**P 1,994,699,606**	P 4,637,306,243	P 1,421,857,829	P 295,871,092	P 88,761,327

28.2 Optional Standard Deduction

Corporate taxpayers have an option to claim itemized deductions or OSD equivalent to 40% of gross sales. Once the option to use OSD is made, it shall be irrevocable for that particular taxable year.

In 2013, 2012 and 2011, the companies within the Group opted to continue claiming itemized deductions, except for AWGI and MDC which opted to use OSD, in computing for its income tax due.

29. RELATED PARTY TRANSACTIONS

The Group's related parties include its stockholders, associates, jointly controlled entities, the Group's key management personnel and retirement fund, and others as described below.

The summary of the Group's transactions with its related parties as of and for the years ended December 31, 2013 and 2012 are as follows:

Related Party Category	Notes	**Amount of Transaction**			**Outstanding Balance**	
		2013	2012	2011	**2013**	2012
Parent Company and subsidiaries' stockholders:						
Accounts payable	29.1	**P -**	(P 1,500,000,000)	P -	**P -**	P -
Loan payable	29.3	**-**	-	(33,480,000)	**532,724,721**	492,600,000
Interest expense on loan payable	29.3	**51,198,700**	50,562,700	51,900,000	**13,378,621**	10,747,946
Redeemable preferred shares	19	**-**	-	-	**528,133,002**	470,098,561
Casino transactions	29.5	**9,911,409,089**	8,722,105,033	14,611,122,743	**329,046,155**	847,048,733
Incidental rebate charges	29.5	**2,653,102,036**	2,522,926,974	2,166,770,132	**331,528,281**	80,777,594
Management fees	29.6	**562,848,779**	631,335,697	624,475,469	**23,996,555**	127,590,957
Related party under common ownership						
Purchase of raw materials	29.2	**418,361,736**	7,820,858,350	7,687,228,540	**451,648,340**	789,565,615
Purchase of imported goods	29.2	**146,501,368**	488,803,326	484,858,067	**35,270,647**	119,069,000
Acquisition of assets	29.4	**897,569,335**	-	-	**196,597,811**	-
Rental expense	29.7	**6,345,773**	3,320,328	-	**-**	-
Associates						
Rental income	29.7	**747,495**	1,174,635	5,075,000	**603,436**	580,028
Advances granted	29.9	**844,804,273**	(278,710,723)	183,463,451	**2,713,925,501**	1,869,121,228

Related Party Category	Notes	Amount of Transaction 2013	2012	2011	Outstanding Balance 2013	2012
Others						
Rental income	29.7	**1,443,364**	134,018	473,184	**171,104**	948,580
Receivable from joint venture	29.8	**22,797,613**	32,822,342	(1,000,000)	**17,711,146**	15,811,782
Advances granted	29.10	**43,939,262**	178,057,833	418,078,000	**1,239,264,958**	1,195,325,696
Advances obtained	29.10	**407,641,062**	190,721,030	309,940,000	**1,295,411,359**	887,770,297
Advances from joint venture partners and others	29.11	**(502,295,497)**	632,225,121	224,177,805	**354,107,249**	856,402,926
Other liabilities	29.13	**159,814,099**	21,552,014	-	**161,969,303**	21,552,014

29.1 Due to a Stockholder

As of December 31, 2011, the Company has outstanding noninterest-bearing, unsecured and payable on demand, liability to The Andresons Group, Inc. (TAGI) amounting to P1.5 billion which is presented as part of Trade and Other Payables account (see Note 16). The Company fully paid the entire liability in 2012.

29.2 Purchase of Goods

Prior to the acquisition of the distillery plant in 2013, Emperador sources its alcohol requirements from Consolidated Distillers, Inc. (Condis). Emperador imports raw materials such as alcohol, flavorings and other items through Andresons Global, Inc. (AGL). There are also finished goods purchased from Condis and through AGL. These transactions are payable within 30 days. The outstanding liability related to such purchases is presented as part of Trade Payables under current Trade and Other Payables in the consolidated statements of financial position (see Note 16).

29.3 Loan from MRO

GADC has a loan agreement with MRO. The principal amount of the loan of U.S.$12.0 million is payable in full on March 17, 2025 (see Note 17). Accrued interest payable as of December 31, 2013 and 2012 is included as part of Accrued Expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

29.4 Acquisition of Assets

In 2013, GADC acquired building and leasehold improvements from McDonald's Philippines Realty Corporation (MPRC), with outstanding liability amounting to P196,597,811 as of December 31, 2013.

In 2013, Emperador acquired the distillery facilities of Condis, which include the following assets:

	Notes	
Property, plant and equipment	13	P 756,990,993
Inventories	8	140,578,342
		P 897,569,335

The acquisition was fully settled in cash in 2013.

29.5 International Marketing and Joint Co-operation Agreement with Genting Hongkong, Ltd. (GHL)

In 2009, Travellers entered into an international marketing agreement with GHL whereby GHL will handle the promotion of the Travellers' casinos and will bring in foreign patrons to play in its casinos. As a consideration for such service, Travellers shall pay GHL an amount equivalent to a certain percentage of gross gaming revenues recognized by Travellers from foreign patrons brought in by GHL.

In 2012, the Travellers and GHL terminated the international marketing agreement and executed a joint co-operation agreement to revise the consideration for the services of GHL to Travellers from a certain percentage of gross gaming revenues to a certain percentage of net turnovers.

Incidental rebate charges arising from this transaction are presented as part of General Marketing under the General and Administrative Expenses account in the consolidated statements of comprehensive income (see Note 16). The outstanding balances of payables are presented as part of Trade Payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 14).

Travellers also recognized outstanding receivables from GHL representing show money received by GHL from foreign patrons which GHL will later remit to the Travellers. The outstanding balances of receivables are presented as part of Trade Receivables under Trade and Other Receivables in the consolidated statements of financial position (see Note 6).

29.6 Operations and Management Agreement with GHL

Some of Travellers' administrative functions are being handled by certain key officers and employees under the management of GHL as agreed by both parties under the Operations and Management Agreement. Management fees are presented as part of Management fees under the Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 25). The outstanding liability arising from this transaction is presented as part of Accrued Expenses in the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

29.7 Rental Income from Associates

GERI leases its investment property to certain related parties with rental payments mutually agreed before the commencement of the lease. The revenue earned from leases to related parties are included as part of Rental Income under Rendering of Services account in the consolidated statements of comprehensive income (see Note 23). The outstanding receivable is short-term, unsecured, noninterest-bearing, and are generally settled in cash upon demand.

As of December 31, 2013 and 2012, based on management's assessment, the outstanding balance of rental income receivable from associate is not impaired; hence, no impairment losses were recognized.

29.8 Receivable from a Joint Venture

Receivables from GCFII are unsecured, interest free and normally settled in cash. These are included in Trade Receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

As of December 31, 2013 and 2012, based on management's assessment, the outstanding balance of the receivable from joint venture is not impaired; hence, no impairment losses were recognized.

29.9 Advances to Associates and Other Related Parties

Entities within the Group grant to or obtain advances from associates and other entities for working capital purposes. These advances to and from associates and other related parties are unsecured, noninterest-bearing and repayable upon demand. Settlement is generally made in cash. The outstanding balances of Advances to Associates and Other Related Parties, which are shown as part of Investments in Associates and Other Related Parties account in the consolidated statements of financial position, are presented as follows (these mainly represent advances granted by Megaworld) (see Note 12.1):

	2013	2012
Advances to:		
Associates	**P 1,004,507,999**	P 1,063,503,674
Other related parties	**1,709,417,502**	805,617,554
	P 2,713,925,501	P 1,869,121,228

The movements of the Advances to Associates and Other Related Parties account are as follows:

	2013	2012
Balance at beginning of year	**P 1,869,121,228**	P 2,147,830,751
Cash advances granted	**903,799,948**	5,731,527
Collections	**(58,995,675)**	(284,441,050)
Balance at end of year	**P 2,713,925,501**	P 1,869,121,228

As of December 31, 2013 and 2012, based on management's assessment, the outstanding balances of advances to associates and other related parties are not impaired; hence, no impairment losses were recognized.

29.10 Due from/to Related Parties

Transactions with related parties include the following: financing of opening of letters of credit and payment of progress billing, royalty fees, rentals, interest and certain expenses in behalf of the entities within Group or other related parties. The amounts due from and to related parties are unsecured, noninterest-bearing and due and demandable any time. Settlement is generally made in cash. As of December 31, 2013 and 2012, based on management's assessment, the outstanding balances of advances to associates and other related parties are not impaired, hence, no impairment losses were recognized.

The outstanding balances of Due from/to Related Parties are presented under Trade and Other Receivables (see Note 6) and Trade and Other Payables (see Note 16) accounts, respectively, in the consolidated statements of financial position as follows:

	2013	2012
Due from Related Parties		
Associates	**P 149,076,863**	P 246,293,062
Officers and employees	**270,968,418**	230,939,000
Other related parties	**819,219,677**	718,093,634
	P 1,239,264,958	P 1,195,325,696
Due to Related Parties		
Stockholder	**P453,645,207**	P195,470,510
Other related parties	**841,766,152**	692,299,787
	P 1,295,411,359	P 887,770,297

The details of the due from/to related parties are as follows:

	2013	2012
Due from Related Parties		
Balance at beginning of year	**P 1,195,324,696**	P 1,017,267,863
Additions	**567,411,271**	365,112,833
Collections	**(524,057,941)**	(187,055,000)
Balance at end of year	**P 1,239,264,958**	P 1,195,325,696
Due to Related Parties		
Balance at beginning of year	**P887,770,297**	P697,049,267
Additions	**577,290,766**	190,721,030
Repayments	**(169,649,704)**	-
Balance at end of year	**P 1,295,411,359**	P 887,770,297

McDonald's granted GADC the nonexclusive rights to adopt and use the McDonald's System in its restaurant operations in the Philippines. In March 2005, the license agreement was renewed for another 20 years, and provides for a royalty fee based on certain percentage of net sales from the operations of GADC's restaurants, including those operated by the franchisees.

GADC recognized royalty expenses amounting to P743.9 million and P646.5 million for 2013 and 2012, respectively (see Note 25). The outstanding payable to McDonald's relating to royalty expenses amounted to P332.3 million and P120.8 million December 31, 2013 and 2012, respectively, and presented as part of Due to Related Parties under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

GADC leases a warehouse and nine restaurant premises from MPRC, a company owned by MRO. The lease terms are for periods which are co-terminus with the lease agreements entered into by GADC with the owners of the land where the warehouse and restaurants are located. Except for the warehouse for which a fixed annual rental of P10.0 million is charged, rentals charged by MPRC to GADC are based on agreed percentages of gross sales of each store.

Rental charged to operations amounted to P30.6 million and P42.5 million in 2013 and 2012, respectively. There was no outstanding balance pertaining to the said transaction as of December 31, 2013, while the outstanding balance amounted to P4.1 million as of December 31, 2012.

As of December 31, 2013 and 2012, based on management's assessment, the outstanding balances of Due from Related Parties are not impaired, hence, no impairment losses were recognized.

29.11 Non-current Advances from Related Parties

Certain expenses of unconsolidated entities within the Group are paid by other related parties on behalf of the former. The advances are unsecured, non-interest bearing and generally payable on cash. Due to JV partners pertain to the share of JV partners in the proceeds from the sale in accordance with various JV agreements entered into by GERI. Total outstanding balance of the accounts is presented as Advances from Related Parties account in the consolidated statements of financial position.

Details of Advances from Related Parties are presented as follows:

	2013	2012
Advances from related parties	**P 120,487,829**	P 642,005,550
Advances from joint venture partners	**233,619,420**	214,397,376
	P 354,107,249	P 856,402,926

29.12 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows (see Note 27.1):

	2013	2012	2011
Short-term employee benefits	**P 625,867,278**	P 548,585,664	P 249,387,673
Stock-option benefit expense	**156,816,832**	105,762,467	2,152,108
Retirement benefits expense	**35,289,335**	31,226,762	18,554,113
	P 817,973,445	P 685,574,893	P 270,093,894

29.13 Other Liabilities

In the normal course of business, Travellers obtains from certain related parties unsecured non-interest bearing, cash advances for working capital requirements and other purposes which is presented as part of Other Current liabilities.

29.14 Transactions with the Retirement Plans

The Group has a formal retirement plan established separately for each significant subsidiary, particularly Megaworld, GERI and GADC. These plans are defined benefit post-employment plan maintained for qualified employees, administered and managed by trustee banks (except for GERI which is still an unfunded plan). The carrying amount and the composition of the plan assets as of December 31, 2013 and 2012 are shown in Note 27.2.

Unit investment trust fund and equity and debt securities, which are included as plan assets under the fund consist of investments in corporations listed in the PSE. The retirement fund neither provides any guarantee or surety for any obligation of the Group. The retirement fund also does not have any investments in the Group's shares of stock.

30. COMMITMENTS AND CONTINGENCIES

30.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under non-cancellable operating lease agreements covering certain office and commercial spaces. The leases have terms ranging from 3 to 33 years, with renewal options, and include annual escalation rate of 5% to 10%.

Future minimum lease receivables under these leases as of December 31 are as follows:

	2013	2012	2011
Within one year	**P 6,158,808,873**	P 5,547,717,964	P 4,290,693,154
After one year but not more than five years	**30,278,029,365**	26,563,815,242	21,620,883,329
More than five years	**9,897,419,368**	8,989,364,762	6,872,890,522
	P 46,334,257,606	P 41,100,897,968	P 32,784,467,005

30.2 Operating Lease Commitments – Group as Lessee

The Group is a lessee under several operating leases covering condominium units for administrative use. The leases have terms ranging from 1 to 40 years, with renewal options, and include a 5% to 10% annual escalation rate.

The future minimum rental payables under these non-cancellable leases as of the end of the reporting periods are as follows:

	2013	2012	2011
Within one year	**P 326,051,985**	P 310,187,797	P 197,468,251
After one year but not more than five years	**666,739,701**	581,833,312	467,964,160
More than five years	**440,589,644**	299,994,297	249,599,590
	P 1,433,381,330	P 1,192,015,406	P 915,032,001

30.3 Provisional License Agreement of Travellers with PAGCOR

On June 2, 2008, PAGCOR issued a Provisional License (License) authorizing Travellers to participate in the integrated tourism development project in two sites and to establish and operate casinos, and engage in gaming activities in the two sites. The term of Travellers' License shall be co-terminus with PAGCOR's franchise which will expire on July 11, 2033, and shall be renewed subject to the terms of the PAGCOR Charter.

(a) Investment Commitments

Under the terms of the License, Travellers is required to complete its U.S.$1.3 billion (about P58.6 billion) investment commitment in phases, which amount is divided into Site A and Site B with the minimum investment of U.S.$1.1 billion (about P48.9 billion) and U.S.$216.0 million (about P9.6 billion), respectively (collectively, the Project).

As a requirement in developing the aforementioned Project, Travellers transferred U.S.$100.0 million (about P4.4 billion) to an escrow account with a local bank mutually agreed by PAGCOR and Travellers. At any given time, the escrow account shall have a maintaining balance of not lower than U.S.$50.0 million (about P2.2 billion)(see Note 5). For failure to comply with such maintaining balance requirement, Travellers shall be charged by PAGCOR an amount equal to P2.5 million for every 15 days until the noncompliance is corrected. Travellers is authorized to withdraw from the escrow deposit for the construction costs and other fees for the development of the investment commitment. The investment amount shall be exhausted for each phase of the Project.

As at December 31, 2013, Travellers has spent P33.5 billion for its casino projects pursuant to its investment commitment under the License. It has short-term placements amounting to U.S.$65.4 million (P2.9 billion) as at December 31, 2013 and 2012 to meet its requirements with PAGCOR in relation to this investment commitments (see Note 5).

(b) Taxation of Travellers' Casino Operations

Under the Travellers' License with the PAGCOR, Travellers is subject to the 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues. The gaming license fees are directly remitted by Travellers to PAGCOR as required under the License (see Note 24).

The PAGCOR Charter grants PAGCOR an exemption from taxes, income or otherwise, as well as exemption from any form of charges, fees, or levies, except for the 5% franchise tax on gross revenue or earnings derived by PAGCOR on its casino operations. On February 29, 2012, the BIR issued a circular which affirmed the nonexemption from corporate income taxation of PAGCOR by virtue of the amendment of R.A. 9337 of Section 27(c) of the National Internal Revenue Code of 1997.

Considering the provisions of the License, the Group's management believes that no provision for income taxes is necessary to be recognized in the consolidated financial statements.

(c) Requirement to Establish a Foundation

Travellers, in compliance with the requirement of PAGCOR to incorporate and register a foundation for the restoration of cultural heritage, incorporated Manila Bayshore Heritage Foundation, Inc. (or the Foundation) on September 7, 2011 primarily to engage in various activities for charitable, educational, cultural and artistic purposes, and to promote, perpetuate, preserve and encourage Filipino culture.

The foundation shall be funded by Travellers by setting aside funds on a monthly basis. The funds set aside shall be remitted to the foundation on or before the 10th day of the succeeding month. Travellers has recognized accrual, based on 2% of total gross gaming revenues from non-junket tables. In 2013, it remitted a total of P1 billion representing donations for the current and prior years and the foundation has started to undertake certain construction and school projects in Pasay and Paranaque cities in partnership with the Philippine Department of Education, Culture and Sports.

30.4 Others

As at December 31, 2013, EELHI and Travellers have unused lines of credit from certain banks and financial institutions totaling to P18.2 billion.

There are other commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements.

31. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at FVTPL, AFS financial assets, interest-bearing loans, bonds payable, trade receivables and payables and derivative asset and liabilities which arise directly from the Group's business operations. The financial debts were issued to raise funds for the Group's capital expenditures.

The Group does not actively engage in the trading of financial assets for speculative purposes.

The Group is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

31.1 Market Risk

(a) Foreign Currency Sensitivity

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. The currency exchange risk arises from the U.S. dollar-denominated cash and cash equivalents, FVTPL, loans and bonds which have been used to fund new projects.

Foreign currency denominated financial assets and liabilities, translated into Philippine pesos at period-end closing rate are as follows:

	2013		2012	
	U.S. Dollars	**HK Dollars**	U.S. Dollars	HK Dollars
Financial assets	**P 34,766,824,958**	**P 1,347,307,562**	P 37,937,643,171	P 2,461,548,380
Financial liabilities	**(59,074,985,969)**	**(642,724,055)**	(44,194,216,461)	(875,795,282)
	(P 24,308,161,011)	**P 704,583,507**	(P 6,256,573,290)	P 1,585,753,098

The sensitivity of the consolidated income before tax for the period with regard to the Group's financial assets and the US dollar – Philippine peso exchange rate assumes +/- 23% and +/- 14% changes of the Philippine peso/U.S. dollar exchange rate for the years ended December 31, 2013 and 2012, respectively. The HK dollar – Philippine peso exchange rate assumes +/- 20% and +/- 13% change for the year ended December 31, 2013 and 2012. These percentages have been determined based on the average market volatility in exchange rates in the previous year and 12 months, respectively, estimated at 95% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting periods.

If the Philippine peso had strengthened against the U.S. dollar, with all other variables held constant, consolidated income before tax would have increased by P5.5 billion and P0.6 billion for the years ended December 31, 2013 and 2012, respectively. If in 2013 and 2012, the Philippine peso had strengthened against the HK dollar, with all other variables held constant, consolidated income before tax would have decreased by P0.1 billion and P0.2 billion, respectively.

However, if the Philippine peso had weakened against the U.S. dollar and the HK dollar by the same percentages; then consolidated income before tax would have changed at the opposite direction by the same amount.

The Group periodically reviews the trend of the foreign exchange rates and, as a practical move, increases its U.S. dollar-denominated time deposits in times when the Philippine peso is depreciating or decreases its U.S. dollar-denominated placements in times when the Philippine peso is appreciating.

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

(b) Interest Rate Sensitivity

The Group interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. At present, the Group is exposed to changes in market interest rates through bank borrowings and cash and cash equivalents, which are subject to variable interest rates. The Group maintains a debt portfolio unit of both fixed and variable interest rates. All other financial assets are subject to variable interest rates.

The sensitivity of the consolidated income before tax for the period to a reasonably possible change in interest rates of +/- 1.44% for Philippine peso and +/- 0.14% and U.S. dollar in 2013 and +/-2.43% for Philippine peso and +/-0.56% for U.S. dollar in 2012 with effect from the beginning of the period. These percentages have been determined based on the average market volatility in interest rates, using standard deviation, in the previous year and 12 months, respectively, estimated at 95% level of confidence.

The sensitivity analysis is based on the Group's financial instruments held at December 31, 2013 and 2012, with effect estimated from the beginning of the period. All other variables held constant, the consolidated income before tax would have increased by P0.4 billion and P1.2 billion for the years ended December 31, 2013 and 2012, respectively. Conversely, if the interest rates decreased by the same percentage, consolidated income before tax would have been lower by the same amount.

31.2 Credit Risk

Generally, the Group's credit risk is attributable to trade and other receivable arising mainly from transactions with approved franchisees, installment receivables, rental receivables and other financial assets. The carrying values of these financial assets subject to credit risk are disclosed in Note 32.1.

The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Franchisees are subject to stringent financial, credit and legal verification process. In addition, accounts receivable are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant portion of sales, advance payments are received to mitigate credit risk.

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

Trade and other receivables that are past due but not impaired are as follows:

	2013	2012
Not more than 30 days	**P 549,092,678**	P 267,577,242
31 to 60 days	**2,289,013,027**	1,754,101,477
Over 60 days	**747,543,582**	1,229,152,308
	P 3,585,649,287	P 3,250,831,027

31.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans, bonds, and preferred shares.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, mutual funds or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets. In addition, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues.

As at December 31, 2013, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Trade and other payables	P 15,356,683,282	P 7,826,578,063	P -	P -
Interest-bearing loans	1,603,279,826	2,192,512,443	8,795,031,294	433,552,898
Bonds payable	1,181,347,400	1,181,347,400	55,449,496,930	7,625,297,602
Advances from related parties	-	-	354,107,249	-
Redeemable preferred shares	-	-	1,352,336,993	1,574,159,348
Security deposits	-	-	86,286,060	61,932,286
Derivative liability	38,631,143	-	-	1,145,961,938
Other liabilities	519,684,000	-	-	-
	P 18,699,625,651	**P 11,200,437,906**	**P 66,037,258,526**	**P 10,840,904,072**

As at December 31, 2012, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Trade and other payables	P 12,529,113,451	P 9,978,367,724	P -	P -
Interest-bearing loans	2,849,991,987	1,390,790,216	13,584,594,409	930,621,429
Bonds payable	1,092,700,950	1,092,700,950	46,460,595,200	8,556,628,075
Advances from related parties	1,067,405,540	120,754,889	856,402,926	-
Redeemable preferred shares	-	-	1,352,336,993	1,584,642,681
Security deposits	-	57,911,357	26,693,587	60,577,037
Payable to MRO stock option	-	81,570	-	-
Derivative liability	-	-	1,246,123,668	-
Other liabilities	-	-	665,820,307	-
	P 17,539,211,928	P 12,640,606,706	P 64,192,567,090	P 11,132,469,222

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting period.

31.4 Other Price Risk Sensitivity

The Group's market price risk arises from its investments carried at fair value (financial assets classified as AFS financial assets). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, the observed volatility rates of the fair values of the Group's investments held at fair value and their impact on the equity as of December 31, 2013 and 2012 are summarized as follows:

	Observed Volatility Rates		Impact on Equity	
	Increase	Decrease	Increase	Decrease
2013 - Investment in equity securities	**+18.12%**	**-18.12%**	**P 480,595,059**	**(P 480,595,059)**
2012 - Investment in equity securities	+23.34%	-23.34%	P 659,310,557	(P 659,310,557)

The maximum additional estimated loss in 2013 and 2012 is to the extent of the carrying value of the securities held as of these reporting dates with all other variables held constant. The estimated change in quoted market price is computed based on volatility of listed companies at the PSE for the past 12 months at 95% confidence level.

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

32. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts and fair values of the categories of assets and liabilities presented in the consolidated statements of financial position are shown below.

		2013		2012	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets					
Loans and receivables:					
Cash and cash equivalents	5	P 94,977,525,445	P 94,977,525,445	P 67,965,116,707	P 67,965,116,707
Trade and other receivables	6	46,763,700,664	46,763,700,664	43,869,129,166	43,869,129,166
Other financial assets	9	1,322,462,800	1,322,462,800	832,313,924	832,313,924
		P 266,432,156,772	P 266,432,156,772	P 112,666,559,797	P 112,666,559,797
Financial assets at FVTPL:					
Marketable debt and equity securities	7	P 7,363,058,599	P 7,363,058,599	P 5,896,821,479	P 5,896,821,479
Derivative asset	7	12,684,368	12,684,368	665,131,367	665,131,367
		P 7,375,742,967	P 7,375,742,967	P 6,561,952,846	P 6,561,952,846
AFS Financial Assets:					
Debt securities	11	P 4,399,906,888	P 4,399,906,888	P 5,015,803,861	P 5,015,803,861
Equity securities	11	358,985,303	358,985,303	265,642,264	265,642,264
		P 4,758,892,191	P 4,758,892,191	P 5,281,446,125	P 5,281,446,125
Financial Liabilities					
Financial liabilities at FVTPL -					
Derivative liabilities	20	P 1,184,593,081	P 1,184,593,081	P 1,246,123,668	P 1,246,123,668
Financial liabilities at amortized cost					
Current					
Trade and other payables		P 23,183,261,345	P 23,183,261,345	P 22,166,172,363	P 22,166,172,363
Interest-bearing loans and borrowings		3,795,792,269	3,795,792,269	4,640,955,327	4,640,955,327
Other current liabilities		2,113,418,300	2,113,418,300	1,004,440,514	1,004,440,514
		P 29,092,471,914	P 29,092,471,914	P 27,811,568,204	P 27,811,568,204
Non-current					
Notes and bonds payable		P 56,479,746,306	P 56,479,746,306	P 45,990,628,809	P 45,990,628,809
Interest-bearing loans and borrowings		9,228,584,192	9,228,584,192	13,449,792,588	13,449,792,588
Redeemable preference shares		1,786,120,902	1,786,120,902	1,728,086,461	1,728,086,461
Due to related parties		354,107,249	354,107,249	856,402,926	856,402,926
Security deposits		148,218,346	148,218,346	148,218,346	148,218,346
		P 67,996,776,995	P 67,996,776,995	P 62,173,129,130	P 62,173,129,130

See Notes 2.4 and 2.12 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 31.

33. FAIR VALUE MEASUREMENT AND DISCLOSURES

33.1 Fair Value Hierarchy

The hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value of Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing services, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

33.2 Financial Instruments Measurements at Fair Value

The table below shows the fair value hierarchy of the Company's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2013 and 2012.

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial assets at FVTPL:				
Debt and equity securities	P 7,363,058,599	P -	P -	P 7,363,058,599
Derivative assets	12,684,368	-	-	12,684,368
Available-for-sale financial assets:				
Debt securities	4,399,906,888	-	-	4,399,906,888
Equity securities	117,218,306	49,880,000	191,886,997	358,985,303
	P 11,892,868,161	**P 49,880,000**	**P 191,886,997**	**P 12,134,635,158**
Financial liability:				
Financial assets at FVTPL:				
Derivative liabilities	**P 1,184,593,081**	**P -**	**P -**	**P 1,184,593,081**

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial assets at FVTPL:				
Debt and equity securities	P 5,896,821,479	P -	P -	P 5,896,821,479
Derivative assets	665,131,367	-	-	665,131,367
Available-for-sale financial assets:				
Debt securities	5,015,803,861	-	-	5,015,803,861
Equity securities	67,984,065	40,570,000	157,088,199	265,642,264
	P 11,645,740,772	P 40,570,000	P 157,088,199	P 5,281,446,125
Financial liability:				
Financial assets at FVTPL:				
Derivative liabilities	P 1,246,123,668	P -	P -	P 1,246,123,668

Described below are the information about how the fair values of the Company's classes of financial assets are determined.

a) Equity securities

As of December 31, 2013 and 2012, instruments included in Level 1 comprise equity securities classified as financial assets at FVTPL or AFS financial assets. These securities were valued based on their market prices quoted in various stock exchanges at the end of each reporting period.

Golf club shares classified as AFS financial assets are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period. Moreover, equity security held in a private company is included in Level 3 since its market value is not quoted in an active market, hence, measured by reference to the fair value of a comparable instrument adjusted for inputs internally developed by management to consider the differences in corporate profile and historical performance of the entity.

b) Debt securities

The fair value of the Company's debt securities which consist of corporate bonds is estimated by reference to quoted bid price in active market (i.e., Stock Exchange) at the end of the reporting period and is categorized within Level 1.

33.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The table below shows the fair value hierarchy of the Company's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2013 and 2012.

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Cash and cash equivalents	P 94,977,525,445	P -	P -	P 94,977,525,445
Trade and other receivables	-	-	51,086,163,464	51,086,163,464
	P 94,977,525,445	**P -**	**P 51,086,163,464**	**P 146,063,688,909**
Financial liabilities:				
Current:				
Interest-bearing loans and borrowings	P -	P -	P 3,795,792,269	P 3,795,792,269
Trade and other payables	-	-	23,183,261,345	23,183,261,345
Other current liabilities	-	-	2,113,418,300	2,113,418,300
Non-current:				
Interest-bearing loans and borrowings	-	-	9,228,584,192	9,228,584,192
Bonds payable	56,479,746,306	-	-	56,479,746,306
Due to related parties	-	-	354,107,249	354,107,249
Redeemable preferred shares	-	-	1,786,120,902	1,786,120,902
Security deposits	-	-	148,218,346	148,218,346
	P 56,479,746,306	**P -**	**P 40,609,502,603**	**P 97,089,248,909**

	2012			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Current:				
Cash and cash equivalents	P 67,965,116,707	P -	P -	P 67,965,116,707
Trade and other receivables	-	-	43,852,849,578	43,852,849,578
Trade and other payables	-	-	832,313,924	832,313,924
	P 67,965,116,707	P -	P 44,685,163,502	P 112,650,280,209
Financial liabilities:				
Current:				
Interest-bearing loans and borrowings	P -	P -	P4,640,955,327	P 4,640,955,327
Trade and other payables	-	-	22,166,172,363	22,166,172,363
Other current liabilities	-	-	1,004,440,514	1,004,440,514
Financial liabilities:				
Non-current:				
Interest-bearing loans and borrowings	P -	P -	P 13,449,792,588	P 13,449,792,588
Bonds payable	45,990,628,809	-	-	45,990,628,809
Due to related parties	-	-	354,107,249	354,107,249
Redeemable preferred shares	-	-	1,786,120,902	1,786,120,902
Security deposits	-	-	148,218,346	148,218,346
	P 45,990,628,809	P -	P 43,549,807,289	P 89,540,436,098

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

33.4 Investment Property Measured at Cost for which Fair Value is Disclosed

The fair value of the Megaworld's investment property, except for investment properties of WGPI, and GERI's building and improvements was determined by calculating the present value of the cash inflows anticipated until the life of the investment property using a discount rate of 10%. The fair value of WGPI was determined by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Megaworld's investment property is their current use.

GERI's land developments and improvements were derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square foot, hence, the higher the price per square foot, the higher the fair value.

As at December 31, 2013, the fair value of the Group's investment property is classified within Level 3 of the fair value hierarchy. The Level 3 fair value of the investment property was determined using the income approach which is performed with values derived using a discounted cash flow model. The income approach uses future free cash flow projections and discounts them to arrive at a present value. The discount rate is based on the level of risk of the business opportunity and costs of capital. The most significant inputs into this valuation approach are the estimated annual cash inflow and outgoing expenses, anticipated increase in market rental, discount rate and terminal capitalization rate.

Also, there were no transfers into or out of Level 3 fair value hierarchy in 2013.

34. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objective is to ensure its ability to continue as a going concern; to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk; and to maintain strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

It monitors capital using the debt to equity ratio as shown below.

	2013	2012
Total liabilities	**P 142,178,763,894**	P 128,454,982,666
Equity attributable to owners of the parent company	**107,692,727,038**	83,908,308,510
Debt-to-equity ratio	**P 1.32:1**	P 1.53:1

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for both periods.

ALLIANCE GLOBAL

Alliance Global Group, Inc.

7th Floor, 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriquez Jr. Avenue
Bagumbayan, Quezon City

www.allianceglobalinc.com