COVER SHEET

AS093-7946

S.E.C. Registration Number

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES

(Company's Full Name)

7TH FLOOR, 1880 EASTWOOD AVENUE, EASTWOOD CITY CYBERPARK, 188 E. RODRIGUEZ JR. AVENUE, BAGUMBAYAN, QUEZON CITY

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

DINA INTING

Contact Person

709-2038 to 41

Company Telephone Number

12 31

Month *Day*

Fiscal Year

SEC FORM 17-A

FORM TYPE

09 3rd Tues.

Month *Day*

Annual Meeting

Certificate of Permit to Offer Securities for Sale

Secondary License Type, If Applicable

SEC

Dept. Requiring this Doc.

-

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

-

Domestic

-

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

AS093-7946

SEC Reg. No.

ALLIANCE GLOBAL GROUP, INC.

TABLE OF CONTENTS

Description

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. *For the fiscal year ended* **December 31, 2013**

2. *SEC Identification Number* **AS093-7946**

3. *BIR Tax Identification No*. **003-831-302-000**

4. *Exact name of issuer as specified in its charter* **ALLIANCE GLOBAL GROUP, INC.**

5. **METRO MANILA, PHILIPPINES**
   Province, country or other jurisdiction of incorporation or organization

6. (*SEC Use Only)*
   Industry classification code

7. **7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark**
   188 E. Rodriguez Jr. Avenue, Bagumbayan, 1110 Quezon City
   Address of principal office

8. **(632) 7092038 to 41**
   Registrant's telephone number, including area code

9. *Securities registered pursuant to Sections 8 and 12 of the SRC, or secs. 4 and 8 of the RSA*

Title of Each Class	*Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding* ***As of March 31, 2014***
Common	**10,269,827,979**

10. *Are any or all of these securities listed on Philippine Stock Exchange?* **Yes.**

11. *(a) AGI has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months.*
    (b) AGI has been subject to such filing requirements for the past ninety (90) days.

12. *The aggregate market value of the voting stock held by non-affiliates of AGI, based on the closing price of its common stock of Thirty Pesos and Sixty-Five Centavos (P30.65) on the Philippine Stock Exchange on April 25, 2014, is P126,333,115,045.*

TABLE OF CONTENTS

Page
No.

PART I – BUSINESS AND GENERAL INFORMATION

PART II - OPERATIONAL AND FINANCIAL INFORMATION

PART III – CONTROL AND COMPENSATION INFORMATION

PART IV – EXHIBITS AND SCHEDULES

PART I - BUSINESS AND GENERAL INFORMATION

1. BUSINESS

a. Organization And Business Development In The Past Three Years

a.1. The Company

Alliance Global Group, Inc. ("AGI" or "the Company") is one of the leading conglomerates in the Philippines, with interests in property development, food and beverage manufacture and distribution, quick-service restaurants and integrated tourism development businesses. The Company and its subsidiaries and associates ("**the Group**") operates a diversified range of businesses that focus on developing products and services that generally cater to the Philippine middle class.

Incorporated on October 12, 1993, AGI began operations in 1994 as a glass-container manufacturer after it acquired a glass manufacturing plant in Canlubang, Laguna. AGI initially listed its shares in the Philippine Stock Exchange ("PSE") in 1999; after which in the same year, it obtained approval from the Securities and Exchange Commission ("SEC") to broaden its primary business and become a holding company. Immediately, the Company began its diversification into the food and beverage and real estate industries, and, in 2005, into the quick-service restaurant business. In 2007, it reorganized to consolidate businesses controlled by Dr. Andrew L. Tan and family ("Tan family"), specifically in the distilled spirit manufacturing and property development. In 2008, the Company entered into integrated tourism development, with gaming activities, by partnering with a leading multinational leisure, entertainment and hospitality group. In 2011, AGI expanded its integrated tourism estate development outside of Metro Manila, particularly in the Calabarzon and Visayan regions. In 2013, the Group expanded its brandy manufacturing business in Spain.

The Tan family beneficially owns a majority interest in AGI.

a.2. Subsidiaries

Emperador Inc.

EMPERADOR INC. ("EMP" or "Emperador") is a publicly-listed domestic holding company which, through Emperador Distillers, Inc. ("EDI") and its subsidiaries, is engaged in the integrated business of manufacturing, distilling, bottling, and distributing brandy and other alcoholic beverages. It served as a platform for EDI to go public.

EMP was incorporated on November 26, 2001 and first listed its shares on the PSE on December 19, 2011. In August to September 2013, AGI, EDI and EMP, which is substantially a shell company at this time, entered into a series of transactions whereby AGI acquired 87.6% control over EMP and EMP acquired full ownership of EDI. EMP's acquisition of EDI from AGI is accounted for similar to a reverse acquisition of a non-operating shell company, wherein the legal subsidiary, which is EDI, is deemed as the acquirer and the legal parent, which is EMP, is deemed as the acquired. EMP is thus treated as a continuation of EDI's business. EMP has 20 billion authorized capital stock, 15 billion of which are issued and outstanding as of December 31, 2013. Its consolidated total assets amounted to P135 billion as of December 31, 2013.

EDI is a leading manufacturer and distributor of distilled spirits. It produces three principal brands, namely, Emperador Brandy, Generoso Brandy and The BaR flavored alcoholic beverage (gin, vodka, tequila), and distributes Ernest & Julio Gallo wines in the Philippines. EDI was incorporated on June 6, 2003 and sold to AGI by The Andresons Group, Inc. ("TAGI") and the Tan family on February 16, 2007. EDI increased its authorized capital stock to 22 billion in 2012, of which 12.5 billion shares is outstanding and held by EMP as of December 31, 2013.

Emperador operates two manufacturing plants in Laguna, Philippines. The second plant was acquired from Diageo Philippines (local producer of international liquor brands Johnnie Walker, Crown Royal, JeB, Buchanan's Smirnoff, among others) in May 2012. Emperador also has its own distillery plant which EDI acquired in February 2013 from The Consolidated Distillers of the Far East, Inc. ("Condis") of the Tan family.

Emperador procures its new bottles from *Anglo Watsons Glass, Inc*. ("AWG"), a wholly-owned domestic subsidiary of EDI, which caters principally to EDI's requirements. AWG operates a glass container manufacturing plant in Laguna on a 24-hour shift. AWG was incorporated on July 22, 1999 to handle the spun-off glass container manufacturing business of AGI, and EDI acquired it from AGI in June 2012. AWG has P400 million authorized, fully subscribed and paid up capital as of end-2013.

In 2013, Emperador embarked on acquisitions in Spain which include the Bodega San Bruno, the San Bruno trademark, vineyards, and sizable inventory of high-quality well-matured brandy from Gonzalez Byass S.A., one of the largest and oldest liquor and wine conglomerate in Spain. Under a supply agreement with Gonzalez Byass, the Emperador Deluxe Spanish Edition is produced and bottled in Spain and started selling in the Philippines in March 2013. The Spanish investments and operations are all under a wholly-owned subsidiary of EDI, *Emperador International Limited* ("EIL"), an investment and holding company incorporated in the British Virgin Islands on December 13, 2006.

Megaworld Corporation

MEGAWORLD CORPORATION ("MEG" or "Megaworld"), a publicly-listed domestic company, is one of the leading property developers in the Philippines and it pioneered the "live-work-play-learn" lifestyle concept for large-scale, mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment, and educational/training components. Megaworld's real estate portfolio includes residential condominium units, subdivision lots and townhouses, as well as office projects and retail space.

It was incorporated on August 24, 1989. While initially MEG builds only high-end residential condominiums and commercial properties on a stand-alone basis, in 1996, it began to focus on the mixed-used communities in response to the demand for lifestyle convenience of having quality residences in close proximity to office and leisure facilities, primarily for the middle-income market. Its first venture under this set-up is Eastwood City in Quezon City, which is the country's first cyberpark. It now has several community townships across Metro Manila, Cebu, Iloilo and Davao plus residential condominium projects in Metro Manila. MEG also engages in other property related activities such as project design, construction oversight and property management. It owns and operates the Richmonde Hotel Ortigas in Pasig City and Eastwood Richmonde Hotel in Quezon City through a wholly-owned subsidiary, *Prestige Hotels & Resorts, Inc*. Megaworld has P40.2 billion authorized capital stock and P32.2 billion paid-up capital (both common and preferred stock) as of end-2013. Its consolidated total assets amounted to P174 million as of December 31, 2013.

From 46% effective ownership interest in MEG in 2007, AGI increased its effective ownership interest in MEG thereafter through purchases in the market, exercise of stock rights and warrants, and subscription to new shares. By end-2013, AGI holds 65% effective interest in MEG.

Megaworld is continuously cited by award-giving bodies for excellence in corporate governance, investor relations, and financial performance. More recently in 2013, it garnered awards for Asia's Best CEO, Best Investor Relations and Best CSR from Corporate Governance Asia's Asian Excellence Awards; Most Organized Investor Relations, Best Senior Management IR Support, Strong Adherence to Corporate Governance from Alpha Southeast Asia; and Gold award for Investor Relations, Corporation Governance and Financial Performance from The Asset Excellence in Management and Corporate Governance.

Empire East Landholdings, Inc. ("Empire East" or ''ELI''), a publicly-listed domestic company under the Megaworld group, was incorporated on July 15, 1994. It specializes in multi-cluster condominium projects and multi-phase subdivision developments in key locations in Metro Manila and Laguna. Laguna Bel-Air is ELI's flagship township project while Pioneer Woodland's is its first transit-oriented development in Mandaluyong City. Before its incorporation, ELI used to be the community housing division of MEG. ELI, which was formerly reported as an associate of MEG, became a subsidiary of MEG in first half of 2011 when MEG increased its ownership stake to majority which as at December 31, 2011, 2012 and 2013 is at 61.1%, 78.6% and 81.5%, respectively.

Suntrust Properties, Inc. (''SPI''), incorporated on November 14, 1997, develops master-planned self-sustaining residential communities in Cavite and Laguna and condominiums in Metro Manila that provide affordable homes for the low- to moderate-income families. The developments that focus on space-saving and functionality features include Gentri Heights, Sherwood Hills, Riva Bella in Cavite; Sta. Rosa Heights, Sta. Rosa Hills and The Mandara in Laguna; Suntrust Adriatico Gardens, Parkview and Treetop Villas in Manila. In March2011, MEG acquired 50% majority interest in SPI. In 2013, MEG acquired 100% ownership by buying out the minority interests of Empire East and another related party.

Travellers International Hotel Group, Inc.

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. ("Travellers"), a publicly-listed company since November 5, 2013, is the developer and operator of Resorts World Manila ("RWM"), the first integrated leisure and resort in the Philippines that combines privately-operated gaming facilities with hotel, retail, dining, entertainment and other leisure amenities. The Company was awarded one of the first licenses issued by the Philippine Amusement and Gaming Corporation (PAGCOR) in June 2008 to construct and operate integrated leisure and gaming facilities to an international standard with the goal of enhancing tourism in the Philippines. RWM opened in August 2009.

Travellers was incorporated on December 17, 2003. It is AGI's first integrated tourism vehicle in Metro Manila in a partnership deal inked in August 2008 with Malaysia-based Genting Group through Genting Hong Kong Limited ("GHK"). Genting Group is a recognized global leader with over 45 years to its credit in leisure and hospitality, gaming and entertainment, and integrated resort business, known for such premier leisure brands as 'Resorts World', 'Maxims', 'Crockfords' and 'Awana'. GHK, on the other hand, is primarily engaged in the business of cruise and cruise-related operations, such as Star Cruises and Norwegian Lines, and is the third largest cruise operator in the world by number of lower berths. Its shares are listed on the Hong Kong Stock Exchange and traded on the GlobalQuote of the Singapore Exchange Securities Trading Limited.

Beginning 2012, Travellers is reported as a subsidiary and consolidated in accordance with applicable accounting standards. Prior to this, Travellers was accounted under equity method. Travellers has P10 billion authorized capital stock (common and preferred shares), P1.7 billion is outstanding as of end-2013. AGI's ownership interest is accounted through direct holding of 18% and indirect holdings through its subsidiaries Megaworld, First Centro, Inc. and Adams Properties, Inc. which hold 9%, 5% and 23%, respectively, of Travellers' outstanding common shares.

Global-Estate Resorts, Inc.

GLOBAL-ESTATE RESORTS, INC. ("GERI"), formerly Fil-Estate Land, Inc., a real estate domestic company incorporated on May 18, 1994, went public in November 1995. It is one of the leading property developers and is engaged in the horizontal development of residential subdivision lots, integrated residential, golf and other leisure-related properties, integrated tourism estates development and vertical development of mixed-use towers. With its prime land bank of 2,303 hectares located strategically in key tourist spots outside Metro Manila, with a large portion of which in Sta. Barbara in Iloilo, Tagaytay City, Laurel and Nasugbu in Batangas, and Boracay, GERI is well-positioned to set new standards in the country's tourism industry. It has P20 billion authorized capital stock, P10.986 billion of which was subscribed and paid-up as of December 31, 2013.

AGI acquired 60% interest in GERI in January 2011. With the capital infusion, GERI was able to pay its interest-bearing loans and pursue its development plans. In 2013, GERI doubled its authorized capital stock, of which Megaworld subscribed to 25% of the said increase; this together with indirect holdings translates to Meg's 24.7% beneficial ownership in GERI at end-2013. AGI's beneficial ownership interest becomes 65.2% at end-2013. GERI is AGI's vehicle for integrated tourism resorts development outside of Metro Manila.

Golden Arches Development Corporation

GOLDEN ARCHES DEVELOPMENT CORPORATION ("GADC") is a domestic corporation engaged in the operations and franchising of quick service restaurant business under the McDonald's brand in the Philippines and in accordance with the master franchise agreement with McDonald's Corporation ("MCD"), a company incorporated in Delaware and with principal offices in Illinois, USA. GADC was incorporated on July 16, 1980. It has P99.44 million authorized and paid up common capital stock, 49% of which is held by AGI and the rest by its founder, Mr. George Yang and his family.

AGI acquired its 49% interest in GADC on March 17, 2005 from McDonald's Restaurant Operations, Inc. ("MRO"), a subsidiary of MCD, both foreign corporations incorporated in the USA. MRO holds all of GADC's preferred shares

Golden Arches Realty Corporation ("GARC"*)* leases solely to GADC parcels of land where McDonald's restaurants and warehouses are situated. It was incorporated on June 25, 2001 and, at present, has P99.4 million authorized and issued common shares, 49% of which is held by AGI.

a.3. Bankruptcy or Similar Proceedings and Significant Assets not in Ordinary Course

The Company and its subsidiaries have not been involved in any bankruptcy, receivership or similar proceedings. Likewise, there were no other material reclassifications, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

b. Business Description

AGI is a holding company with interests in the food and beverage business (manufacturing and trading of consumer products), real estate (investment in and development of real estate, lease of properties, hotel operations and tourism resorts businesses), tourism-entertainment and gaming, and quick service restaurant (McDonald's). Through its subsidiaries and associates, the Company focuses on providing and developing products and services that cater to the needs, demands and aspirations of the country's middle-income sector. The Company believes that it is well positioned to benefit from consumer demand driven by the expected growth of this sector.

b.1.Principal Products Or Services And Their Markets

EMP
Emperador Brandy is the first brandy label launched in 1990. Generoso Brandy was launched in 2006 as an extension of Emperador Brandy. Emperador Brandy, at 72 proof, targets the relatively mature consumers 25 years old and above and is marketed in 1 liter, 1.5 liters, 750 ml and 375 ml bottles. Generoso, a lighter and sweeter brandy at 65 proof, is marketed to appeal to women and young drinkers aged 18 to 25 years. It comes in 700 ml and 375 ml bottles. A lighter brandy at 55 proof of extra smooth full body in 500 ml, 750 ml and 1-liter bottles, aptly labelled as Emperador Light, softly graced the market in December 2009. It is the country's first light brandy and it currently comprises more than 90% of the Group's alcoholic beverage sales. Emperador has won recognition as a trusted brand and has been recognized as the number one selling brandy in the world in terms of volume sold. It is the world's largest-selling brandy brand with sales volume of 31 million cases in 2012.

Emperador De luxe Spanish Edition was introduced in the market in March 2013. This premium product is bottled in Spain and is created specifically to appeal to the Philippine palate.

The BaR, the country's first flavored alcoholic beverage brand, was soft launched in November 2008 (grand launch in April 2009) with two variants in lemon-and-lime gin and orange vodka. Two more variants followed - the apple vodka in 2009 and the strawberry vodka in May 2010. The BaR, with its fruity flavors, targets the dynamic and active young drinkers. It is offered at a more affordable price as compared to the premium-priced brandy products. This fruity drink is 50.6 proof and comes in 700 ml bottle.

A clear and pure spirit vodka, The BaR Silver, was launched in the market in November 2010. It is intended to capture the customer preference for cocktail mixing. The BaR Citrus Tequila made its debut in April 2011. It is made from real tequila and flavored with a hint of citrus flavor - the first locally manufactured product of its kind. Both have higher alcohol content at 70 proof and target the more experienced drinkers aged 25 years and above. The BaR Cocktails Margarita, a Silver tequila, tested market in 2012 and was launched in the national capital region in December 2012.

Products are sold throughout the Philippines with National Capital Region accounting for approximately 30% of sales volume, Provincial Luzon for 47% and Visayas and Mindanao for 11% and 12%, respectively.

Flint glass containers in the form of bottles and jars are produced based on customers' specifications. Flints are plain transparent glass that could be processed into a variety of shapes and sizes for use in wines, liquors, juices, soft drinks, food preserves, sauces and flavorings. At present, glass containers are produced and supplied primarily to EDI.

Certain wines from the E.&J. Gallo Winery in California, USA are distributed in the Philippines. These include the following labels, among others: Carlo Rossi, Wild Vines, Gallo Family Vineyards, Red Rock, Turning Leaf, and Boone's Farm fruity-flavored beverages.

MEG
The real estate portfolio includes residential condominium units, subdivision lots and townhouses, and office, leisure and retail spaces as well as hotel spaces.

Megaworld is primarily engaged in developing large-scale mixed-used communities called "townships" that integrate lifestyle convenience of having high quality residences in close proximity to office, commercial, educational, and leisure and entertainment facilities. Its township projects at present, in which the strategy is to lease all commercial and retail properties and sell all residential units, are as follows:

1. Eastwood City is Megaworld's first community township development on approximately 18 hectares of land in Quezon City, Metro Manila. It centered on the development of Eastwood City CyberPark, the first PEZA-approved information technology ("IT") park in the country to provide offices with the infrastructure to support BPO and other technology-driven businesses on a 24-hour basis. Once the entire residential zone is completed, it is expected to contain at least 20 high-rise towers designed according to a specific theme and style. The office properties consist of 10 office buildings. The leisure and entertainment zone consists of Eastwood Mall, Eastwood Richmonde Hotel and Eastwood Citywalk, a dining and entertainment hub, Eastwood Citywalk 2, an amusement center with a cinema complex, a billiard and bowling center, and restaurants and specialty shops.

2. Forbes Town Center is a community township located on 5 hectares of land in Bonifacio Global City, Taguig, Metro Manila adjacent to the Manila Golf Club, the Manila Polo Club and the prestigious Forbes Park residential subdivision. Upon completion, Forbes Town Center is expected to consist of residential, retail and entertainment properties. Once completed, the residential zone is expected to consist of 13 towers comprising the Forbeswood Heights, Bellagio, Forbeswood Parklane, and 8 Forbes Town Road condominium projects. The leisure and entertainment zone is devoted to bars, restaurants and specialty shops which are designated to complement the residential buildings in this development as well as the surrounding office areas in Bonifacio Global City.

3. The McKinley Hill is a community township located on approximately 50 hectares of land in Fort Bonifacio, Taguig, Metro Manila. McKinley Hill consists of office, residential, retail, educational, entertainment and recreational centers. The residential zone consists of subdivision lots for low-density single-detached homes and low-rise (5 or 6-storey) garden villa clusters. The office properties will include the McKinley Hill Cyberpark which is a PEZA-designated IT special economic zone. Tenants of the office properties will largely be comprised of software developers, data encoding and conversion centers, call centers, system integrations, IT and computer system support. The leisure and entertainment zone is expected to have a Venetian theme and to consist of bars, restaurants, specialty shops,

cinemas and sports complex, to complement the office and residential areas in the community township. First phase of the zone was completed in 2009. Three international schools, the Chinese International School, the Korean International School and Enderun College, a hotel management institution affiliated with *Les Roches* of Switzerland, will initially comprise the "learn" component of the township. McKinley Hill is likewise home to the British Embassy which relocated on a 1.2 hectare property and Korean Embassy which is located on a 5,800 square meter site within the development.

In 2013, the Emperador Stadium, a soccer stadium with capacity for 2,000 spectators (and expansion capacity for an additional 3,000) opened in the leisure and entertainment zone. The stadium is being leased for an initial 4-year term to the United Football League.

4. Newport City is a community township located on 25 hectares of land that was previously part of the Villamor Air Base in Pasay City, Metro Manila, across from the NAIA Terminal 3 and adjacent to the Villamor golf course. The Newport City similarly integrates the live-work-play concept of Eastwood City, with the exception that it will be targeted towards tenants and buyers who consider proximity to the NAIA Terminal 3 an advantage. The residential zone, upon completion, will consist of 40 eight- to nine-storey medium-rise buildings that are grouped in clusters of five to six buildings. Pre-selling began for the first cluster in 2005. A PEZA special economic cyberpark will be established in the commercial zone, as well as grade A office buildings. Tenants for the commercial area are expected to include multinational BPO companies, cargo logistics services and airline-related business. The leisure and entertainment zone is expected to consist of space which will be leased to tenants who will operate bars, restaurants, retail and tourist oriented shops, which are designed to complement the office and residential buildings in the community township.

   Newport City is home to Resorts World Manila, which is a leisure-and-entertainment complex comprising gaming facilities, restaurants, hotels, and shopping outlets, among others, which opened in August 2009.

   The hotel zone includes Marriott Hotel Manila, Maxims Hotel and Remington Hotel which are under Travellers. There are two other hotels being constructed which are "condotel" projects of Megaworld, wherein all hotel rooms are sold to buyers, who then lease back the rooms to Megaworld for use as hotel rooms. Through these arrangements, Megaworld not only derives property development fees, but also recurring management fees for maintaining the rooms utilized by the hotels. The Belmont Luxury Hotel is expected to formally open in late 2015 while the Savoy Hotel in 2016. Travellers is also set to add two global hotel brands.

5. Manhattan Garden City is a residential development project which will consist of 20 residential towers on a 5.7-hectare property at the Araneta Center in Cubao, Quezon City. The Manhattan Garden City will be the Philippines' first major transit-oriented residential community, having direct links to two light rail transport lines, the MRT-3 and the LRT- 2. The MRT-3 line runs north to south along the EDSA highway in Metro Manila while the LRT-2 line runs east to west along Aurora Boulevard across Metro Manila. All key areas along the transportation lines within Metro Manila will be easily accessible from the development. The amenities of the Araneta Center such as the Gateway Mall will be available to residents of Manhattan Garden City.

6. The Mactan Newtown is a mixed-use township development in a 28.8 hectare property near Shangri-La Mactan Resort and Spa in Mactan, Cebu. It is expected on completion to have high-tech offices, a retail center, residential villages, leisure facitlites and beach front

resort. Development of the first luxury condominiums began at The Mactan Newtown, 8 Newtown Boulevard and One Pacific Residence towers. The Mactan Newtown is conferred with PEZA special economic zone status.

7. Iloilo Business Park is a mixed-use master-planned community in a 72 hectare property in Mandurriao, Iloilo, site of the old Iloilo airport. It is expected to comprise of BPO offices, hotels, a convention center, commercial and retail centers, a skills training center, recreational facilities and a transportation hub. The entire project was registered as a special economic zone with the government, which will allow it to benefit from a tax holiday period as well as other incentives for investors. In addition, Megaworld Center Mall, an upscale shopping mall will be built in the project.The convention center is expected to have 3,700-seating capacity on a 1.7-hectare portion of the park. Megaworld is also developing an approximately 18-hectare adjacent land into a high-end residential community.

8. Uptown Bonifacio is a community development on a 15.4 hectare property in the northern district of Fort Bonifacio, Taguig. Bonifacio Uptown comprised a residential portion in the northern part of Fort Bonifacio, and a portion for mixed-use on a parcel of land owned by NAPOLCOM. The Company will develop Bonifacio Uptown under a joint venture arrangement with the BCDA and NAPOLCOM. Condominium developments include One Uptown Residence and Uptown Ritz Residences.

9. McKinley West is a development on a 34.5 hectare portion of the Joint United States Military Authority Group (JUSMAG) property owned by BCDA and located across from McKinley Hill in Taguig, Metro Manila. The development of McKinley West into a mixed-use project is another joint venture undertaking with the BCDA.

10. Cityplace is 2.5-hectare mixed-use development project in Binondo, Metro Manila. It is expected to have at least 2,000 residential condominium units and a shopping center called Lucky Chinatown Mall. The development includes new green parks, a public car parking facility, new bypass roads and pedestrian overpasses to make the project environment and pedestrian-friendly.

As of December 31, 2013, it owns or has development rights to approximately 285 hectares of land primarily located in Metro Manila.

ELI 's real estate portfolio is composed of multi-cluster mid- to high-rise condominium projects and multi-phase subdivision developments in key locations in Metro Manila and the South. ELI set the trend for transit-oriented developments (TOD) where condominium communities are directly linked to mass-transit systems for faster and more efficient mobility in the metro. Its projects include:

1. Laguna BelAir is ELI's flagship township project located outside of Metro Manila. The 156-hectare horizontal development in Sta. Rosa, Laguna is a complete community setting featuring several residential phases with American-inspired homes, commercial blocks, recreational amenity zones, a science-oriented school and a parish church. The project has spearheaded various residential and commercial developments in Santa Rosa City which is now dubbed as the "New Makati City of the South."

2. Cambridge Village in Pasig-Cainta area is a multi-cluster large-scale resort-type residential development in an 8.8 hectare of land. Some clusters have been completed already while construction is ongoing for the remaining clusters.

3. The Sonoma is the second township project outside Metro Manila. This 50-hectare community in Sta. Rosa, Laguna features four residential phases with a 2.5-hectare amenity zone at the center. Currently, only The Sonoma offers single-detached homes and house-and-lot packages to its aspiring homeowners with about 6 house models to choose from. Its clubhouse and pools are reflective of the world-class resorts in its region that automatically provide that rejuvenating vacation-like ambience for its future homeowners. Two of its four phases, The Enclave and Country Club, are currently undergoing turnover.

4. The Rochester in San Joaquin, Pasig City is a 2.9 hectare large-scale Asian-Modern inspired exclusive community development that features 10 mid-to-high rise towers. It houses superb and stylish recreational amenities such as a posh and multi-purpose clubhouse, a lap pool, a mini bar, billiard tables, playgrounds and basketball courts. It offers 1-bedroom, 2-bedroom and 3-bedroom suites. One of its towers, Garden Villa One, is currently ongoing turnover at the 5th floor. The Rochester currently features the six-story Garden Villas 1 and 2, the 14-story Breeze Tower and the Parklane Tower. Recently, it has announced its latest tower, the Hillcrest.

5. San Lorenzo Place is a 4-tower development sitting on a 1.3 hectare piece of land located along EDSA corner Chino Roces Ave. at the Makati Central Business District. San Lorenzo Place boasts of superb recreational amenities including a pool, playground, gym, jogging trails and its unique bi-level mall with exclusive entrance for homeowners. San Lorenzo Place also offers a premium for higher floors because of the access to the majestic views of the city. It also provides a direct bridge to the MRT Magallanes station, setting its mobility as one of its best features. It offers 1-bedroom, 2-bedroom and 3-bedroom (combined) units. The first tower is expected for turnover to buyers this 2014, the construction of the next two towers is ongoing while the last tower is set for groundbreaking this 2014.

6. Pioneer Woodlands is a 6-tower development on a 1.5 hectare terrain located along EDSA corner Pioneer St. in Mandaluyong City. Its location, being at the midpoint of EDSA, with a direct bridge from its exclusive entrance point up to the MRT Boni station, is one of its best features as it not only offers superior access to every vital point in the city, but it also offers a diverse list of shopping-, dining-, educational-, medical- and other important lifestyle establishments within its radius. Within the development, one will find a complete set of rejuvenating amenities such as a swimming pool, basketball court, jogging trails, pocket gardens and gyms. This development offers widely cut living spaces from an executive studio, one bedroom, two bedroom and combined three bedroom units. Tower 1 has already been completed and turnover of units at the 30th floor is currently ongoing. Tower 2 is near completion while Towers 3 and 4 are in full swing.

7. Little Baguio is a 4 tower community atop a 1.8 hectare land. Its prime location is at the serene community of Brgy. Little Baguio along N. Domingo Street in San Juan City. This property conveniently links N. Domingo St. from one side to Aurora Blvd. on the other side by a 177-m access road – making it highly accessible to the schools and establishments in both streets. Conveniently, this, along with other recreational amenities like pools, gyms and jogging trails are only accessible exclusively by its residents. The address is also conveniently in between two main stations of the LRT2 namely J. Ruiz and Gilmore. Hopping onto the train is one of the fastest means of transportation around the city. One bedroom, two bedroom and three bedroom units are available here. Turnover of Tower 1 is ongoing. The remaining 3 towers are in various stages of construction.

8. Kasara Urban Resort Residences is ELI's innovation for high-end resort type of living in the heart of the city, in a 1.8-hectare property in Brgy. Ugong, Pasig City. This location is a convenient walking distance from C5 Road, Tiendesitas, SM Center Pasig, and Valle Verde Subdivisions. Kasara is composed of 6 high-rise towers that sandwich a striking amenity filled with water features in the middle of the development. This includes a lake-inspired pool, a clubhouse, mini bar, koi ponds, water fountains, man-made waterfalls and fitness trails. It offers Studio, 1-bedroom, 2-bedroom and Penthouse units. Recently it announced the opening of its 5th tower for selling.

9. Southpoint Science Park is a 31-hectare property in Gimalas, Balayan, Batangas that is intended for mixed-use development. Land development is ongoing.

Aside from these projects, ELI's portfolio includes ready-for-occupancy (RFO) units available in its various high-rise development projects in Metro Manila.

SPI's projects provide affordable homes in well-planned and secured community developments. Its communities feature commercial centers, clubhouses and other amenities, schools and 24-hour security. These include the following:

1. Sta. Rosa Height, Sta. Rosa Hills, Sentosa, The Mandara, and Verona are horizontal residential developments in Laguna.
2. Governor Hills, Gentri Heights, Cybergreens, Sunrise Hills, and Cyberville are horizontal community developments in Cavite.
3. Adriatico Gardens, Suntrust Parkview, UN Gardens, Suntrust Treetop Villas are condominium projects in Manila and Mandaluyong areas.
4. Suntrust Shanata, Suntrust Asmara, and Capitol Plaza are condominium projects in Quezon City.

GERI

GERI has a diversified portfolio of integrated tourism estates development; horizontal residential subdivision lots and residential/commercial complexes; residential communities integrated with golf, resort and other leisure related and commercial complexes; residential, office and commercial highrise; business park; and affordable housing.

1. Boracay Newcoast is the first and only tourism estate development with world-class resort offerings in the northeast side of Boracay. It sits on 140-hectare of land and will house a private residential village, specialty boutique hotels, shop houses and a massive commercial center called Newcoast Station and international hotel brands. Its Fairways & Bluewater Newcoast, a premier luxury eco-friendly vacation hotel, has over 250 well-appointed guestrooms, each with a spectacular view of an 18-hole par-72 golfcourse, the only one in the island. Fairways &Bluewater features three private white sand beach coves.

2. Twin Lakes is the first and only vineyard resort community in the Philippines, located in the rolling terrains of Tagaytay overlooking the world-famous Taal Lake. The master-planned integrated tourism estate that sits on a 1,149-hectare property will feature real vineyard and chateaus, residential condominiums and villages, hotels, golf course, nature park as well as commercial and retail hubs. The Vineyard, a 177-hectare mixed-used phase will host a hotel and resort, sports club and spa, culinary school, residential condominiums and a traditional wine chateau for aging the vintage produce – all with the views of the vineyard and man-made twin lakes. The residential subdivisions include Domaine Le Jardin, Le Soleil, and Le Jardin.

3. Forest Hills is a 500-hectare integrated development in Antipolo, Rizal which includes residential and commercial lots, an aqua park, two 18-hole golf courses and a community clubhouse.

4. Mountain Meadows is 260-hectare residential subdivision in Cagayan de Oro with a 4-hectare commercial area at the entrance of the project.

5. Sherwood Hills is a 350-hectare integrated development in Trece Martires, Cavite that will include residential lots, a 27-hole golf course and other facilities.

6. Newport Hills is a 127-hectare integrated residential and golf development in Lian, Batangas.

Travellers
Resorts World Manila ("RWM"), Travellers' first integrated leisure and lifestyle complex, combines hospitality, entertainment, leisure, shopping and gaming in one grand arena, a one-stop non-stop destination. It is strategically located within Newport City, adjacent to the Villamor golf course, and is across the Ninoy Aquino International Airport-Terminal 3 in Pasay City, Metro Manila. RWM features the upscale Newport Mall (90 retail stores and food-and-beverage outlets with a mix of high-end boutiques and mass market option), Newport Cinemas (24 hours on weekends), three-storey gaming facilities, the 1,500-seat Newport Performing Arts Theater (a majestic venue for concerts, plays, musicals and exclusive productions), the GameZoo arcade (a two-storey complex for the kids featuring 54 games including 4D rollercoaster, a mini bowling alley and a 32-inch xbox display), the Genting Club (a members-only lifestyle club, with a private gaming area, dining options and other fabulous lifestyle features), an office space (which features a training academy and a 400-seat capacity call center) and hotels.

Three hotels are currently in operation at RWM - the five-star 342-room Marriott Hotel Manila, the seven-star 172-all-suites Maxims Hotel, and the mid-range 712-room Remington Hotel.

GADC
McDonald's is one of the best-known global brands. All McDonald's restaurants in the Philippines are operated either by GADC or by independent entrepreneurs under a sub-franchise agreement or by affiliates under joint venture agreements with GADC. The McDonald's System in the USA is adopted and used in the domestic restaurant operations, with prescribed standards of quality, service and cleanliness. Compliance with these standards is intended to maintain the value and goodwill of the McDonald's brand worldwide.

McDonald's restaurants offer varied menu of uniform and quality products, emphasizing value, prompt and courteous service and convenience. The menu includes the McDonald's beef burgers variants (Burger McDo, Big Mac, Quarter Pounder, Cheese and Double cheese), chicken (Crispy Chicken Fillet sandwiches, McChicken, McNuggets), fish, (Filet-O-Fish), French fries, milk shakes, sundaes, beverages, and breakfast offerings. Products that cater to Philippine consumer preferences are also served, such as chicken with rice (Chicken McDo), spaghetti (McSpaghetti), and a Philippine breakfast menu. McCafe beverage, from specialty coffee to fruit smoothies, is another line that is expanding. The Philippine menu is designed to appeal to a diverse target market across all ages. Demographically, the target markets are A, B, and broad C.

Pik-Nik
Pik-Nik is an all-American fresh-fried potato snack line than includes Shoestring Potatoes, Fabulous Fries, Ketchup Fries, and other delicious potato snacks manufactured and

distributed internationally from USA by a wholly-owned subsidiary of AGI. Pik-Nik is the market leader in shoestring potato snack in the USA and is made with no preservatives or artificial ingredients. The products are packed in resealable, foil-lined canisters so they stay fresh and crunchy right to the bottom of the can. These canisters, along with the specialized ingredients and production process, give the products excellent shelf life. Pik-Nik also has Cheese Curls and Cheese Balls, and in September 2012 added the French Fried Onions. Pik-Nik has been in the market for more than 70 years since it was first introduced in the USA in the 1930s in San Jose, California. Pik-Nik is being manufactured in the USA and sold both in the USA and abroad, with Philippine distribution under EDI.

b.2. ***Foreign Sales***

EMP
A small volume of products (less than 1%) is exported to the Middle East in response to the demand of the Filipino communities living and working in the region.

MEG
Real estate products are also being marketed internationally (see b.3. below) in North America, Europe, Asia and the Middle East through various brokers. Foreign sales contributed approximately 17.5%, 12.1% and 4.5% to Megaworld's consolidated sales and revenues in 2013, 2012 and 2011, respectively.

Travellers
Based on RWM rated members (those members with card swipe), the principal foreign market consistently contributing for the past three years are from China, Korea, Singapore and Malaysia. Foreign guests in Maxims Hotel come from Korea, China, Malaysia, and Singapore; for Remington, Spain, United States, Malaysia and China; while for Marriott, majority are from the United States followed by Singapore, Korea and China.

GERI
GERI starts to generate sales from foreign market which contributes 8% of its consolidated real estate sales for the year 2013.

Pik-Nik
Pik-Nik products are being sold locally in USA and exported to other countries at a ratio of approximately 52%-48%. The domestic volume in the USA expanded by 1%, 6% and 12% in 2013, 2012 and 2011, respectively, because of new accounts and increased distribution in Texas, Midwest, Southwest and Southeast. Its international volume grew by 23%, 11% and 31% in 2013, 2012 and 2011, respectively, because of penetration in new areas in Asia, Saudi Arabia, and Latin America.

b.3. ***Distribution Methods***

EMP
The alcoholic beverage products are being marketed and distributed through 20 sales offices nationwide that supply to hypermarkets, supermarkets, wholesalers, traders, grocery outlets, convenient stores, and neighborhood stores. Products are not sold to restaurants or bars directly but are coursed through industrial dealers. Direct sales units comprising cash vans and saturation units are being used to cover sari-sari stores across the country. Cash vans sell directly to these small retailers on a cash-only basis, where the average transaction is for two cases.

The glass containers are delivered to the customers through the services of regular freight handlers who supply trucks for the exclusive use of AWG.

MEG

Property units are pre-sold prior to project completion, and often prior to start of construction, at various payment schemes, with down payment plans ranging from 50% to zero down payment. A typical payment scheme includes progressive payments over the period in advance of property construction, including a balloon payment to coincide with buyers' expected cash flows. ELI offers interest-free schemes. Postdated checks are collected to cover the entire purchase price based on an amortization schedule. Transfer of title to the property occurs only once all payments have been received. Typically, construction of a residential will not begin until at least 70% of the units have been pre-sold.

Each project has an in-house marketing and sales division which is staffed by a trained group of property consultants who exclusively market the projects. All property consultants are trained prior to selling and provided with skills enhancement programs intended to further develop them into high-caliber marketing professionals. Property consultants are required to meet the set criteria. There are also outside agents who compete directly with the in-house personnel. Marketing services staff are also employed to provide auxiliary services for sales and promotional activities; they are also responsible for monitoring the latest developments in the economy and the real estate property markets as well as conducting market research studies for the marketing division. An international marketing division based in Manila oversees a global network of sales offices worldwide which market the projects to overseas Filipino professionals and retirees throughout Asia, Europe, North America, the Middle East and Australia. Brokers in the different overseas markets sell the projects overseas through their respective marketing networks.

Commercial leases are generally for terms of three to five years, with annual rental escalation of 5%-10% and review provisions, and typically require three months of security deposits and three months of advance rental. Land and office leases, which require development of a specific building structure, are generally for 10 to 15 years. Retail rentals are typically based on a turnover component of 3% to 5% of the tenants' revenues, net of taxes and service charges, in addition to a minimum rent charge. Kiosk retailers are charged a flat rent fee.

ELI has satellite sales offices in key cities outside Metro Manila. It also has showrooms in project sites and major malls.

Travellers

RWM engages in direct relationship-based marketing, which is targeted at specific market segments. The marketing team focuses on market research, surveys, promotions and events that can drive visitations and convert them to returning guests. The sales team is responsible for sales revenues and channel performance. In addition, RWM advertises in many types of media both domestically and overseas, including television, radio, newspapers, magazines and billboards to promote general market awareness.

RWM uses a mix of different channels to reach the specific targets on gaming, lifestyle, and entertainment, such as:

- Direct sales - that comprises of three levels to provide clients with full service: (i) traditional sales, (ii) a business development team and (iii) in-house VIP host services.
- Indirect sales through junkets – from the well-established relationships of Genting Group, to source high-end players in different regions.

- Indirect sales through travel and tour operators – these accredited operators create group travel packages with discounts, to bring in guests in RWM as part of their itineraries, and in return, receive commissions.
- City shuttles - free, convenient, hassle-free shuttle transport for member-players and member-consumers to RWM. The key locations within Metro Manila are Eastwood, Makati, Quezon Avenue, Taguig, Parañaque, Binondo, Malate, Muntinlupa and others.
- Bus programme – with the purpose of looking to expand to other areas in Luzon by tapping potential segments in this area, RWM bridge the geographical gap by establishing bus routes in key locations in Luzon.

RWM uses a comprehensive membership management and customer database system. RWM uses Genting's Dynamic Reporting System (DSR), a fully integrated real-time table games and slots monitoring system.

GERI
Products are distributed to a wide range of clients through its in-house marketing company which acts as the marketing arm of the group.

GADC
McDonald's products are sold through McDonald's restaurants nationwide. There are 408 restaurants nationwide as of end-2013, 56% of which are owned by GADC while 44% are franchised. Thirty-seven new restaurants opened in 2013. The highest concentration is in NCR, followed by Southern Tagalog region. In selected areas, McDonald's products could be ordered and delivered round the clock through its "Dial8 McDo" telephone service. There are 261 restaurants that are open 24/7 (24 hours every day).

b.4. ***New Product Or Service***

MEG, GERI
Megaworld expands in the Visayas region with its projects in Cebu (The Mactan Newtown) and Iloilo (Iloilo Business Park), and recently in Mindanao region with its project in Davao City (Davao Park District). It is also set to build at least three more residential condominium towers in Makati Central Business District in the next two years.

GERI is embarking on integrated tourism estates development in Boracay, Tagaytay and Batangas. Tourism estates are master-planned tourism-oriented communities designed to attract foreign and local visitors and increase tourist traffic.

ELI begins land development of Southpoint Science Park, a 31-hectare property in Balayan, Batangas.

Travellers
Several new hotels and other gaming and non-gaming attractions are currently being developed at RWM. Phase 2 of RWM is expected to include a grand ballroom and convention center (the "Marriott Grand Ballroom"), as well as an annex to the current Marriott Manila Hotel (the "Marriott West Wing"), while Phase 3 is expected to feature two new hotels, the Hilton Manila and the Sheraton Hotel Manila, as well as an extension to Maxims Hotel. The Marriott Grand Ballroom and Marriott West Wing of Phase 2 are expected to be completed by the end of 2014 and the end of 2015, respectively. Phase 3 is expected to be completed by the second quarter of 2017. The construction of the Hilton Manila and Sheraton Hotel Manila and the expansion of Maxims Hotel will be accompanied by an increase in both gaming and non-gaming facilities. More attractions will also be introduced and suited for the family.

GADC
New McDonald's product variations and promotions are introduced every now and then which normally last for about 3-6 months only, and this is part of the normal business promotions. Value offerings, such as Everyday Mcsavers and Mcsaver meals, remain on the menu. Premium Desserts (double sundae, sundae duo, Oreo McFlurry overload) is also a big blast. In 2013, McSpicy is introduced in the second quarter and Spicy chicken with rice in fourth quarter.

Pik-Nik introduced the 4-oz shoestring potatoes in bags in November 2013 to target drug stores, convenience stores and dollar stores – a growing channel for salty snacks.

b.5. ***Competition***

In general, the Company believes that the high quality of all the products it sells/offers can effectively compete with other companies in their respective areas of competition.

EMP
The Philippine spirits industry is dominated by brandy, gin and rum. Popularity of these spirits is strangely delineated geographically - gin in the northern provinces, rum in Viz-Min areas and brandy in Metro Manila and urban centers nationwide. Brandy has recorded the highest consistent sales growth among all the spirits in the industry. The growing brandy consumption has encouraged the two traditional gin and rum giants to field their own brandy labels. There are also imported labels in the domestic market, like Fundador, Alfonso and Carlos I, but they are significantly more expensive than the locally-produced products. Emperador is recognized as the largest-selling brand in the Philippines and No. 1 brandy in the world, and EDI as the largest liquor company in the Philippines in terms of volume. EDI capitalizes primarily on the premium image and reputable quality of its brands.

The BaR flavored gin, vodka and tequila is the first fruity flavored clear spirit produced in the country. The traditional rum and gin makers followed suit. Tanduay Distillers, Inc. introduced Tanduay Cocktails while Ginebra San Miguel Inc. offered Flavors.

Emperador believes that its products are strongly positioned within their respective markets, as measured by market share and brand recognition. Emperador had an aggregate 97% share of the Philippine brandy market in terms of volume, according to Nielsen Retail Index. It believes its 'Emperador' brand is a status brand in the country and is associated with a certain level of success and sophistication that its potential customers aspire to.

Pik-Nik
Pik-Nik competes with other US-brands like Lays and Pringles in chips form, although the latter is not from natural potato. French's shoestring potatoes went back on grocery shelves in 2013. Pik-Nik is the best-selling brand in the USA with the best-selling sku– the Original shoestring potato in 9 oz cans. A local brand, Oishi, has fielded string potato snacks from potato starch in the local market.

MEG
The real estate market in Metro Manila is principally split between the BPO office market and the residential market. The group competes with other property investment, development, leasing and property holding companies to attract buyers and tenants for its properties in Metro Manila. The principal bases of competition in the real estate development business are location, product, price, financing, execution, completion, quality of construction, brand and service. The group believes it has several competitive advantages in each of these categories

due to the prime locations of its properties, innovative projects, a reputation for high quality designs, affordable pre-sales financing, after-sales service and a consistent track record of completion. MEG is the number one residential condominium developer in terms of number of units completed as of 2013 and units to be completed up to 2018 based on all projects launched as of third quarter 2013. This represents about 17% of the market. In terms of total aggregate saleable area of those projects launched and to be completed in the same period, it represents 14% of the market with a total saleable area of about 1.62 million square meters. The group attributes its strong residential sales to two main factors – the popularity of its live-work-play-learn communities in Metro Manila and its proven track record of delivering more than 320 buildings to its customers over the last two decades.

The group considers Ayala Land, Inc. ("ALI") to potentially be its only significant competitor in community township developments because of its presence in Fort Bonifacio where the group's Forbestown Center, McKinley Hill, McKinley West and Uptown Bonifacio projects are located. With respect to office and retail leasing business, the group has many competitors such as Robinsons Land Corporation ("RLC"), ALI and SM Prime Holdings, Inc. With respect to affordable housing and condomiums, the group competes with projects of RLC, Eton Properties, Filinvest, Vista Land, Landco, DMConsunji, Inc., SM Development Corporation, Sta. Lucia Realty and Cathay Land, among others.

The group generates its revenues from a wide base of customers and is not dependent upon a single or a few customers. No customer accounts for 20% or more of its revenues. The group believes that it has a broad tenant base and is not dependent on a single tenant or group of tenants.

Travellers

RWM, being the first integrated resort with world-class gaming in the Philippines, has set a benchmark in a very high and unique manner. The group competes with both Philippine and foreign owned hotels and resorts. With respect to the gaming business, competition comes from casinos operated by government and other private companies.

In particular, there are facilities already built or under construction by three developers other than the Company that have been granted provisional licenses by PAGCOR in Entertainment City, one of which has already opened. These three other companies similarly partnered with international resorts and gaming companies – Henry Sy's SM-consortium has Melco Crown Entertainment Ltd. of billionaires James Packer and Lawrence Ho (Macau); Gokongwei group has Tiger Entertainment Resort of Kazuo Okada (Japanese); Enrique Razon's Bloomberry Resorts Corporation tapped former operating officers of casinos in Las Vegas and other foreign lands. In addition, Resorts World Bayshore will be developed in Entertainment City by Travellers' co-licensee, Resorts World Bayshore City, Inc. (RWBCI). RWBCI and these three licensees are committed to an initial investment of US$1 billion each - to put up hotels, retail spaces, gaming area and thematic attraction. Razon is the first to complete its project, Solaire Manila which opened on March 16, 2013.

While it has the first-mover advantage, Travellers continues to develop other leisure and entertainment attractions to complement its gaming business. RWM is expanding its hotel service through additional hotel brands and rooms, and its attractions as a family destination.

In addition, PAGCOR operates 12 gaming facilities across the Philippines and 34 satellite gaming facilities (which are smaller casinos and slots clubs). The Philippine gaming market also includes many other private casino and gambling operations, including seven licensed private casino operators in special economic zones ("Ecozones"). The Philippine gaming market is also comprised of other gambling competitors specializing in horse racing, cock fighting, jueteng, lotteries, sweepstakes, online gaming operators and other smaller-scale gaming operators.

GERI

GERI aims to be one of the leading developers of integrated tourism estates in the Philippines. Its tourism estate projects located in Boracay, Nasugbu & Laurel, Batangas which feature integrated master-planned communities with world class offerings and amenities, are designed to set new standards in the Philippine tourism industry. GERI believes that its strategically located land bank, and reputation as an experienced developer and effective marketer of innovative real estate products gives it a competitive advantage. Its ownership of at least 14% of the Boracay Island, the number one tourist destination in the Philippines, together with its prime land inventory comprising 1,210 hectares and 600 hectares respectively in Laurel and Nasugbu, Batangas gives it a lead over its competitors. Some of its competitors have their name and relative number of years in the business as their strength, but they focus on specific projects. GERI, on the other hand, is a pioneer in master-planned integrated tourism developments which its competitors have yet to venture in.

The most prominent of GERI's competitors are ALI, RLC, SM Development Corporation, Filinvest, Vista Land, Landco and Sta. Lucia Realty. GERI also competes with other developers in entering into joint venture arrangement with strategic partners, locate and acquire highly marketable raw lands for development located in Metro Manila and in provinces.

GADC

McDonald's restaurants compete with a large and diverse group of restaurant chains and individual restaurants that range from independent local operators to well-capitalized national and international companies, delicatessens, cafes, pizza parlors, supermarkets and convenience stores. GADC considers Jollibee Foods Corporation as its main competitor. Jollibee, a home-grown brand with far greater number of restaurants nationwide than McDonald's, offers Filipino-influenced dishes of chicken, burgers, spaghetti, and other Filipino dishes. Another one is KFC, a global brand from USA whose most popular product is its Original Recipe fried chicken served with side dishes. Other competitors include Wendy's, Kenny Rogers, Shakey's and Pizza Hut. Since 2005, GADC has opened more than 180 new restaurants and initiated marketing campaigns such as new product launches, promotions, emotive television commercials, and discount coupons. It has embarked on modernizing its restaurants and re-imaging existing ones. GADC competes on the basis of taste, food quality and price of products, convenience of location, and customer service.

b.6. ***Sources And Availability Of Raw Materials***

EMP

The raw materials for producing brandy are generally sourced from foreign suppliers, except for the distilled spirit or alcohol which is being manufactured at EDI's own plant. The brandy concentrate and flavoring extracts are purchased from several reliable and high quality European suppliers. Metal closures, or caps, and labels are imported from Europe and China. Brand new bottles are manufactured and supplied by AWG. When AWG is unable to manufacture enough glass bottles to meet EDI's requirements, AWG sources glass bottles from foreign manufacturers. Carton boxes are sourced locally from at least three different suppliers. EDI has not experienced and does not anticipate any significant difficulty in obtaining adequate supplies of molasses, distilled neutral spirit, flavoring, bottles or packaging materials at satisfactory prices under its supply arrangements and believes its relationships with suppliers are good.

AWG is not dependent upon one or a limited number of suppliers for essential raw materials. It generally orders raw materials to meet its projected supply requirements for one year. It sources silica sand mainly from Malaysia and Vietnam; soda ash from China; and limestone, feldspar and cullets from domestic suppliers. AWGI has not had, and does not expect to have, difficulty sourcing glass bottles on behalf of EDI from third party suppliers, if required.

MEG, GERI

The group has its own architectural and engineering teams and also engages independent groups to carry out the design of its high profile development projects. The group's teams of project managers work closely with outside contractors in supervising the construction phase of each project. The group also has established relationships with a number of architectural firms in the Philippines and abroad and has a broad base of construction contractors and suppliers and is not dependent on any one contractor or supplier. Contractors for construction activities include EEI Corporation, SteelAsia Manufacturing Corporation, Orion Wire and Cable, Monolith Construction and Development Corporation and Datem Incorporated.

Principal construction materials are steel and cement which are commodities that are readily available in the market from a number of sources.

Travellers

Travellers has a large base of contractors and suppliers that provide construction, engineering and consulting services, and is not dependent on any one contractor or supplier. In 2013, the five largest suppliers – RGB Ltd., Starcom Philippines, Global Matrix Concept Group, Railtech Ltd., and Huizhou Qiaoxing Famous - accounted for 23.6% of total purchases for the year.

GADC

Suppliers for the McDonald's products are sourced using the McDonald's global supply chain, which allows the purchase of food, beverages and restaurant supplies at competitive prices and quality consistent with McDonald's products worldwide. McDonald's has quality assurance laboratories around the world to ensure that its standards are consistently met. In addition, McDonald's works closely with suppliers to encourage innovation, assure best practices and drive continuous improvement. GADC also contracts the services of third parties for its food supplies. GADC procures the services of a supply distribution center operated by Havi Food Services Philippines, Inc. that provides purchasing, warehousing, delivery, food preparation and other logistical support for the requirements of all of the McDonald's restaurants in the Philippines. GADC develops product specifications and continually monitors supplies to ensure compliance with McDonald's standards.

Pik-Nik

Pik-Nik uses only fresh potatoes from California and Oregon, pure vegetable oil, the finest seasonings and never any preservatives. The suppliers of potatoes for Pik-Nik have one-year contracts.

b.7. ***Customer Dependence***

The Group's businesses are not dependent upon a single or a few customers or tenants, the loss of which would not have a material adverse effect on the Company and its subsidiaries taken as a whole. There is also no customer that accounts for, or based upon existing orders will account for, 20% or more of sales.

b.8. ***Transactions With And/Or Dependence On Related Parties***

The Company and its subsidiaries, in the ordinary course of business, engage in transactions with affiliates. The Company's policy with respect to related party transactions is to ensure that these are entered on terms comparable to those available from unrelated third parties. Inter-company transactions between and among the Company and its subsidiaries are eliminated in consolidation and thus are no longer reflected in the consolidated financial statements. These primarily consisted of the following:

- Cash advances for financial requirements. Entities within the Group obtain advances from the parent and/or other entities and associates for working capital or investment purposes. There are also certain expenses that are paid in behalf of other entities.
- Lease of manufacturing facilities. AGI leases the glass manufacturing plant property to AWGI, and TEI leases the brandy manufacturing plant property to EDI.
- Lease of parcels of land. GARC leases out these lots to GADC.
- Lease of office spaces. MEG leases out office and parking spaces to AGI, subsidiaries, and affiliates.
- Purchase and sale of real estate, services and rentals. Real estate properties are bought or sold based on price lists in force with non-related parties. Services are usually on a cost-plus basis allowing a margin ranging 20%-30%. Commissions for marketing services are based on prevailing market rates.
- Supply of glass bottles. AWGI supplies the new bottle requirements of EDI.
- Receivablesfrom subsidiaries/franchisees.GADC supplies restaurant equipment, food, paper and promotional items to all franchisees, including affiliated restaurants, at normal market prices through a third party service provider.

Major related party transactions have been disclosed in Note 29 to the consolidated financial statements appearing elsewhere in this report.

b.9. ***Licenses, Trademarks, Franchises***

In the Philippines, certificates of registration of trademarks issued by the Philippine Intellectual Property Office prior to the effective date of the Philippine Intellectual Property Code in 1998 are generally effective for a period of 20 years from the date of the certificate, while those filed after the Philippine Intellectual Property Code became effective are generally effective for a shorter period of 10 years, unless terminated earlier.

EMP
EDI owns registered trademarks which are of material importance to the success of its business since they have the effect of developing brand identification and maintaining consumer loyalty. EDI's principal trademark is Emperador Brandy, which it purchased from Condis in 2007, in addition to associated patents, copyrights and goodwill and bottle designs for its brandy products. EDI's trademark for Emperador Brandy is for 10 years expiring in 2015 and renewable thereafter for a period of 10 years. Generoso Brandy is registered for 10 years up to December 2017. The trademark The BaR was acquired from The Bar Bottlers Corporation in 2008 and registered for 10 years up to December 2017. Emperador Deluxe is registered for 10 years.

The existing trademarks for Pik-Nik products are licensed and registered to EDI for 10- to 20-year periods and expire in 2015 and are renewable thereafter.

MEG, GERI
Megaworld owns the registered trademark over its name and logo which will expire in 2015 and is renewable for 10-year periods thereafter. GERI has also applied to register and protect the trademarks "Global-Estate Resorts, Inc.", "Boracay Newcoast", "Twin Lakes", "Harbortown" and their respective logos and devices. Although the brand is important, Megaworld and GERI do not believe that its operations or its subsidiaries' operations depend on its trademarks or any patent, license franchise, concession or royalty agreement.

Travellers
Travellers holds a PAGCOR license to operate casinos and engage in gaming activities in two sites – in Newport City (Site B) where RWM is situated, and in Entertainment City (Site A) where Bayshore City is set to rise. The term of the license is 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.

On March 18, 2013, Travellers and Resorts World Bayshore City, Inc. (RWBCI), incorporated in 2013 under common ownership, entered into a deed of accession (the Deed of Accession), which was accepted, agreed and consented to by PAGCOR. Pursuant to the Deed of Accession, RWBCI acceded to the rights, title, interests and obligations of Travellers under the license and the joint venture agreement with PAGCOR. Accordingly, PAGCOR recognized and included RWBCI as a co-licensee and co-holder of the license and the joint venture agreement.

Further, on June 10, 2013, Travellers and RWBCI entered into a cooperation agreement (the Cooperation Agreement) which designates the parties' respective rights, interests and obligations under the Provisional License and the Joint Venture Agreement. Specifically, the parties agreed that RWBCI would have all the rights and obligations under the license with respect to Site A and that Travellers would have all the rights and obligations with respect to Site B.

Accordingly, on June 28, 2013, PAGCOR issued an Amended Certificate of Affiliation and Provisional License certifying Travellers and RWBCI as co-licensees and co-holders of the Provisional License and the Joint Venture Agreement.

Travellers also has a non-exclusive non-transferable right and license within Metro Manila to the use of Marriott trademarks for hotel services and other related goods and services offered in connection with the hotel.

It has registered trademarks over "Passion," "Gamezoo," "Remington Hotel Newport City," "Remington Inn," "Remington Hotel Manila," "Newport Performing Arts Theather," "Grand Opera House Manila," "Fun Fiesta Jackpot," "Manila Millions Poker," "Mabuhay Millions Poker," "Noodle Works," "iGrab everything I want," "iGrab," "Impressions," "Café Maxims," "Mercado," "Kimchi and Mojou," "Remington Bar Lounge," "Bar 360," "Ginzadon," "Grabit," "Thrill Like No Other," "Newport Performing Arts Theater Bar," "The Terrace," "Musikat Records," "Oak Tree Inn," "Regal Inn," "Westford Inn," "Hotel Gran Palacio," "El Castillo de Manila", "Castillo Manila" and and "The Grand Theatre of Manila", and their related devices which will expire on various dates in 2021-2022, and are renewable thereafter.

GADC
GADC has nonexclusive rights as a franchisee to use and adopt the McDonald's intellectual property in the Philippines, including trademarks, service marks, patents, copyrights, trade secrets and other proprietary information, some of which, including the trademarks for "McDonald's," the golden arches logo, Ronald McDonald and "Big Mac." The license

agreement contains provisions regulating GADC's use of such trademarks in accordance with McDonald's Corporation's franchise system. GADC's license agreement with McDonald's was renewed in March 2005 for a period of 20 years. It provides for a royalty fee based on a certain percentage of net sales from the operations of all Company's restaurants, including those operated by the franchisees. Individual sublicense arrangements granted to franchisees generally include a lease and a license to use the McDonald's System for a period of 3 to 20 years, with a co-terminus provision with the master franchise.

b.10. ***Government Approval Of Principal Products Or Services***

EMP

The production, sale, distribution and advertisement of food products, locally manufactured and imported, are regulated by the Bureau of Food and Drugs ("BFAD") to ensure the pure and safe supply and good quality of food available in the country and to protect the health of the citizens. Republic Act ("RA") 3720 covers both locally manufactured and imported products and establishes standards as well as quality measures for food. A comprehensive enforcement framework was set up, which is deemed as necessary to ensure a pure and safe supply of food in the country.

The group has duly complied with the statutes and regulations implemented by the BFAD and has not received any notice of violation of these regulations from the BFAD. In connection with its obligations under these rules and regulations, the group has instituted rigorous quality control procedures to ensure that its products meet or exceed the prescribed standards and measures.

MEG, GERI

A barangay clearance and development permit from the local government unit ("LGU") must be secured before commencing land development works. Before the start of structural construction activities, a building permit must be secured from the LGU. A certificate of registration and a license to sell, both from the Housing and Land Use Regulatory Board ("HLURB"), must be secured before launching any selling activities. All subdivision and condominium plans for residential, commercial, industrial and other development projects are required to be filed with and approved by the HLURB and the relevant LGU of the area where the project is situated. Approval of such plans is conditional on, among other things, the developer's financial, technical and administrative capabilities. Alterations of approved plans, which affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant government body or agency.

Subdivision or condominium units may be sold or offered for sale only after a license to sell has been issued by the HLURB. As a requisite for the issuance of a license to sell by the HLURB, developers are required to file with the HLURB surety bond, real estate mortgage or cash bond to guarantee the construction and maintenance of the roads, gutters, drainage, sewerage, water system, lighting systems, and full development of the subdivision or condominium project and compliance with the applicable laws, rules and regulations. Real estate dealers, brokers and salesmen are also required to register with the HLURB before they can sell lots or units in a registered subdivision or condominium project. Real estate brokers are required by HLURB to take licensure examinations and attend continuing professional education programs.

Project permits and licenses to sell may be suspended, cancelled or revoked by the HLURB, by itself or upon a verified complaint from an interested party, for reasons such as non-delivery of title to fully-paid buyers or involvement in fraudulent transactions. A license or permit to sell may only be suspended, cancelled or revoked after a notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the HLURB's rules of procedure and other applicable laws.

The group routinely applies for regulatory approvals for its projects and some approvals are pending. No existing legislation or governmental regulation, and the group is not aware of any pending legislation or governmental regulation, that is expected to materially affect its business.

The group complies with all regulations applicable to the development and sale of its projects.

Travellers
Travellers operates its gaming activities through the license granted by PAGCOR, a government-owned and controlled corporation, which was granted the franchise to operate and license gaming casinos, gaming clubs and other similar recreation or amusement places, gaming pools, whether on land or sea, within the Philippines. The franchise of PAGCOR is extended for another 25 years after July 11, 2008, its original term.

The activities and operations of RWM are closely monitored by PAGCOR who maintains an office inside RWM where officials are stationed 24 hours a day. Travellers is in continuous close contact with PAGCOR regarding compliance with its gaming concession and all applicable Philippine laws. Travellers is also required to provide periodic reports to PAGCOR.

Shopping malls are regulated by the local government unit of the city or municipality where the shopping mall is located. Shopping mall operators must secure a mayor's permit or municipal license before operating and must comply with the fire safety provisions and other applicable local ordinances. Shopping malls that have restaurants and other food establishments as tenants must obtain a sanitary permit from the Department of Health.

GADC
There are no special government approvals necessary for new food products apart from the standard Department of Trade and Industry permits.

b.11. ***Effect Of Existing Or Probable Government Regulations***

Value Added Tax is a business tax imposed and collected from the seller in the course of trade or business on every sale of properties (real or personal), lease of goods or properties (real or personal) or rendering of services. It is an indirect tax, thus, it can be passed on to the buyer. Current rate is 12% of net retail/sale price or service revenue.

Effective November 1, 2005, sales of residential lots with a gross selling price of ₱1.5 million or less, and residential house and lots with a gross selling price of ₱2.5 million or less, are not subject to VAT. Effective January 1, 2012, the thresholds for exemption are increased to P1,919,500 or less for residential lots and P3,199,200 for residential house and lots.

EMP
In addition to VAT, the alcohol products which are manufactured in the Philippines for domestic sales or consumption, including imported items, are subject to specific taxes. The brandy products which are produced from locally processed distilled spirits from the juice, syrup or sugar of the cane were levied an excise tax of ₱14.68 per proof liter. [A proof liter is a liter of proof spirits, which are liquors containing one-half of their volume of alcohol with a specific gravity of 0.7939 at 15ºC]. The excise tax rate had increased by 8% annually from P11.65 in January 2007 to January 1, 2011 after which a new excise tax law was enacted in December 2012 and took effect on January 1, 2013.

RA 10351, known as the Sin Tax Reform Act of 2012, imposes on distilled spirits a 15% ad valorem tax based on net retail price per proof plus ₱20.00 per proof liter for the years 2013-2014, with the ad valorem tax rate increasing to 20% thereafter and the specific tax by 4% every year thereafter.

EDI increased its prices at the start of 2013 and it was not affected significantly by this new taxation.

MEG, GERI
Presidential Decree ("PD") 957, RA 4726 and Batas Pambansa ("BP") 220 are the principal statutes that regulate the development and sale of real property as part of a condominium project or subdivision projects for residential, commercial, industrial and recreational purposes. The HLURB is the administrative agency which, together with LGU, enforces these decrees and has jurisdiction to regulate the real estate trade and business.

All subdivision and condominium plans are required to be filed with the HLURB and the pertinent LGU of the area in the project is situated. Approval of such plans is conditional on, among other things, the developer's financial, technical and administrative capabilities. Alterations of approved plans which affect significant areas of the project, such as infrastructure and public facilities, also require prior approval of the relevant government body or agency. The development of subdivision and condominium projects can commence only after the relevant government body has issued the development permit.

The issuance of a development permit is dependent on, among others (i) compliance with required project standards and technical requirements which may differ depending on the nature of the project, and (ii) issuance of a barangay clearance, the HLURB locational clearance, Department of Environment and Natural Resources ("DENR") permits, and Department of Agrarian Reform ("DAR") conversion or exemption orders. A bond equivalent to 10% of the total project cost is required to be posted by the project developer to ensure commencement of the project within one year from the issuance of the development permit. Developers who sell lots or units in a subdivision or a condominium project are required to register the project with and obtain a license to sell from the HLURB. Subdivision or condominium units may be sold or offered for sale only after a license to sell has been issued by the HLURB.

Project permits and licenses to sell may be suspended, cancelled or revoked by the HLURB, by itself or upon a verified complaint from an interested party, for reasons such as involvement in fraudulent transactions, misrepresentation about the subdivision project or condominium project in any literature which has been distributed to prospective buyer. A license or permit to sell may only be suspended, cancelled or revoked after a notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the HLURB's rules of procedure and other applicable laws.

Real estate dealers, brokers and salesmen are also required to register with the HLURB before they can sell lots or units in a registered subdivision or condominium project. On June 29, 2009, *RA 9646 or the Real Estate Service Act of the Philippines* was signed into law. RA 9646 strictly regulates the practice of real estate brokers by requiring licensure examinations and attendance in continuing professional education programs.

Residential subdivision developments are essentially of two different types, which are distinguished by different development standards issued by the HLURB. The first type of subdivision, aimed at low-cost housing, must comply with BP 220, which allows for a higher density of building and relaxes some construction standards. Other subdivisions must comply with PD 957, which set out standards for lower density developments. Both types of development must comply with standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, the sewage disposal system, electrical supply, lot sizes, the length of the housing blocks and house construction. Under current regulations, a developer of a residential subdivision is required to reserve at least 30% of the gross land area of such subdivision for open space for common uses, which include roads, parks, playgrounds and recreational facilities. In low-density subdivisions (20 family lots and below per gross hectare), a developer is required to reserve at least 3.5% of the gross project area for such open spaces.

Further, *Republic Act No. 7279* requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 20% of the total subdivision area or total subdivision project cost, at the option of the developer; within the same or adjacent regions, whenever feasible, and in accordance with the standards set by the HLURB. Alternatively, the developer may opt to buy socialized housing bonds issued by various accredited government agencies or enter into joint venture arrangements with either the LGU or any of the housing agencies in socialized housing development.

RA 4726, also known as the Condominium Act, regulates the development and sale of condominium projects. RA 4726 requires the annotation of the master deed on the title of the land on which the condominium project shall be located. The master deed contains, among other things, the description of the land, buildings, common areas and facilities of the condominium project. A condominium project may be managed by a condominium corporation, an association, a board of governors or a management agent, depending on what is provided in the declaration of restriction of the condominium project. However, whenever the common areas are held by a condominium corporation, such corporation shall constitute the management body of the project.

RA 6552, or the Maceda Law, was promulgated to protect real estate buyers on installment basis (including residential condominium units but excluding industrial and commercial lots) by giving the buyers a total of at least 60-day grace period within which to pay any unpaid installments without any interest. RA 6552 also requires the sellers of real estate to give the buyers a refund of at least 50% of total payments made should the sale be cancelled provided the buyers have paid at least two years of installments. RA 6552 covers the business of the Company as it applies to all transactions or contracts involving the sale or financing of real estate through installment payments.

Shopping malls are regulated by the local government unit of the city or municipality where the shopping mall is located. Shopping mall operators must secure a mayor’s permit or municipal license before operating. Shopping mall operators must also comply with the provisions of *Republic Act No. 9514 or the Fire Code*, and other applicable local ordinances. Shopping malls that have restaurants and other food establishments as tenants must obtain a sanitary permit from the Department of Health. Shopping malls that discharge commercial wastewater must apply for a wastewater discharge permit from the DENR. As a tourism-related establishment, shopping malls may obtain accreditation from the Department of Tourism (“DOT”). A shopping mall can only be accredited upon conformity with the minimum physical, staff and service requirements promulgated by the DOT.

Certain investment properties are registered with *PEZA*, and this provides significant benefits to tenants. PEZA requirements for registration of an IT park or building differ depending on whether it is located in or outside Metro Manila. These requirements include clearances or certifications issued by the city or municipal legislative council, the DAR, the National Water

Resources Board, and the DENR. The PEZA is a government corporation that operates, administers, and manages designated special economic zones (“Ecozones”) around the country. Ecozones are selected areas with highly developed or which has the potential to be developed into agro-industrial, commercial, banking, tourist/recreational, investment and financial centers. An Ecozone may contain any or all of the following: industrial estates, export processing zones, free trade zones, and tourist/recreational centers. There are several activities eligible for PEZA registration and incentives including, but not limited to, IT services, Tourism and Retirement activities. PEZA-registered enterprises located in an Ecozone are entitled to fiscal and non-fiscal incentives such as income tax holidays and duty free importation of equipment, machinery and raw materials. Retirement Ecozone developers/ operators and retirement Ecozone facilities enterprises are entitled to fiscal and non-fiscal incentives.

The PEZA Board, through its Board Resolution No. 12-610 dated November 13, 2012, withdrew (i) the 5% Gross Income Tax incentive to developers of Tourism Economic Zones (“TEZ”) in Metro Manila, Cebu City, Mactan Island and Boracay Island; and (ii) the income tax holiday (ITH) incentive and 5% GIT given to locator enterprises of Tourism Enterprise Zones in the aforesaid 4 areas. Tourism enterprise locators in these 4 areas continue to enjoy tax and duty-free importation and zero-VAT rating on local purchase of capital equipment. The new policy does not have retroactive effect and therefore, existing PEZA TEZ developers and operators and tourism enterprises located in TEZ in the 4 aforesaid areas shall not be covered by the new PEZA policy. The same Board Resolution also denied the establishment of new TEZs in the four areas.

The Group routinely secures the required government approvals for its projects during the planning and construction and marketing stages of project development, including operations of its malls and lease properties. The Group is not aware of any pending government regulation that is expected to materially affect its business. The group believes it has obtained the required government approvals relevant for each project at its current state of development.

Travellers
RA 9160, as amended, or the Anti-Money Laundering Act of 2001 (“AMLA”), prohibits money laundering, a crime whereby the proceeds of an unlawful activity are transacted, thereby making them appear to have originated from legitimate sources. A “covered transaction” under the AMLA refers to a transaction in cash or other equivalent monetary instrument involving a total amount in excess of P500,000 within one banking day. Covered institutions must report all transactions to the Anti-Money Laundering Council within five working days of occurrence, unless the supervising authority concerned prescribes a longer period, which period shall not exceed 10 working days. Penalties include fines of not less than P100,000 and imprisonment ranging from nine months to fourteen years, depending on the money laundering committed. As of this date, casinos and all other activities of Travellers are not covered by AMLA.

The Company is subject to 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues, as provided under the Provisional License Agreement with PAGCOR.

BIR issued a circular on February 29, 2012 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. In April 2013, BIR issued a circular which clarifies that PAGCOR, its contractees and its licensees are subject to corporate income tax.

Considering the provisions of the License, the Group's management believes that no provision for income taxes is necessary to be recognized.

Travellers is registered with *PEZA* as a Tourism Economic Zone for Maxims, Marriott and Remington hotels and Newport Entertainment and Commercial Center. As such, Travellers is entitled to certain tax incentives.

b.12. ***Research And Development***

The regular research and development activities of the group for the past three years have not amounted to a significant percentage of revenues. There are no new products or design being developed that would require a material amount of the group's resources.

b.13. ***Compliance With Environmental Laws***

All development projects and industries located in areas surrounding the Laguna Lake are subject to regulatory and monitoring powers of the Laguna Lake Development Authority ("LLDA"). Since the glass plant and the brandy manufacturing complex are located in this area, permits to operate are being renewed with LLDA on a yearly basis.

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate ("ECC") prior to commencement. As a requisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement ("EIS") to the EMB while a project in an environmentally critical area are generally required to submit an Initial Environmental Examination ("IEE") to the proper DENR regional office. In the case of an environmentally critical project within an environmentally critical area, an EIS is required. The construction of major roads and bridges are considered environmentally critical projects for which EISs and ECCs are mandatory. While the EIS or an IEE may vary from project to project, as a minimum, it contains all relevant information regarding the project's environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System and that the proponent is committed to implement its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund ("EGF") when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The EGF is intended to meet any damages caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are required to include a commitment to establish an Environmental Monitoring Fund ("EMF") when an ECC is eventually issued. In any case, the establishment of an EMF must not be later than the initial construction phase of the project. The EMF shall be used to support the activities of a multi-partite monitoring team which will be organized to monitor compliance with the ECC; and applicable laws, rules and regulations.

Aside from the EIS and IEE, engineering geological and geo-hazard assessment are also required for ECC applications covering subdivisions, housing and other land development and infrastructure projects.

The Company and its subsidiaries have not incurred material costs to comply with environmental laws.

*b.14. **Number Of Employees***

As of December 31, 2013, the Group has a total workforce of 30,326 personnel categorized by business segment as follows:

	End-2013	Anticipated Hiring in 2014
GADC……………………………………………….	21,196	…………7,941
Travellers………………………………………...	4,984	……………138
Megaworld……………………………………….	1,771	……………361
Empire East……………………………………	339	……………..67
Emperador……………………………………….	1,207	……………115
GERI ………………………………………………..	434	
Others……………………………………………….	395	
Total ……………………………...……………..	30,326	…………8,623

The Group intends to hire additional employees if the present workforce becomes inadequate to handle operations. Approximately 8,623 new employees are anticipated to be hired within the ensuing 12 months primarily due to business expansion. None of the Company's or its subsidiaries' employees are represented by a labor union or covered by a collective bargaining agreement, other than production employees of AWG.

AWG's collective bargaining agreement will expire on January 20, 2015. The agreement provides for fixed rate wage increases, sick leave, vacation leave, union business leave, medical and dental services, bereavement benefits, separation pay, as well as other benefits such as family planning and employee welfare services. The employees also agree to follow certain grievance procedures and to refrain from strikes during the term of the agreement**.**

Megaworld maintains a tax-qualified, non-contributory retirement plan that is being administered by a trustee covering all regular full-time employees. GADC has a funded, defined contribution retirement plan covering all regular full-time employees wherein employees are allowed to make voluntary contribution. GERI has an unfunded, non-contributory defined benefit plan covering all regular employees.

Employees of sub-franchisees do not form part of GADC's workforce except for certain members of the sub-franchisee management staff. Regular employees of GADC are beneficiaries of a bonus program, determined by, among others, the level of profits, performance appraisals and the employee's position and salary level.

The Group has not experienced any disruptive labor disputes, strikes or threats of strikes, and management believes that the Group's relationship with its employees in general is satisfactory.

b.15. ***Major Business Risks***

Risks are integral part of business. Opportunity for advancement cannot be achieved without taking risks. This is why the Company and its subsidiaries adopted a policy whereby risks are identified before they cause significant trouble for the business. They carefully prepare structured/strategic plans to anticipate the inherent risks in their activities and set up methods to mitigate the effects of these risks. Risks are prioritized based on their impact to business, and probability of occurrence. There is a monitoring system that keeps track of the indicators and the actions/corrections undertaken. Feedbacks, both internal and external, are important for current and emerging risks.

The Group's risk management is coordinated with the Board of Directors and focuses on actively securing short-to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns. The Group does not actively engage in the trading of financial assets for speculative purposes.

The major risks that the present business faces include:

- *Hazards and natural or other catastrophes*. The Company and its subsidiaries' assets are always exposed to losses or impairment through fire and natural or man-made disasters and accidents that may materially disrupt operations and result in losses. In particular, damage to project structures resulting from such natural catastrophes could also give rise to claims from third parties or for physical injuries or loss of property, while any damage to main manufacturing and bottling facility could materially and adversely affect the ability to produce brandy in sufficient quantities. EDI and GADC also run the risk of contamination through tampering of ingredients, bottles or products that could result in product recall or food poisoning which in turn could create negative publicity that could adversely affect sales.

  Safety precautionary measures have been undertaken and installed within the operating system. Adequate insurance policies are likewise taken to cover from these risks. Any material uninsured loss or loss materially in excess of insured limits could materially and adversely affect the Company's business, financial condition and results of operations, while remaining liable for any project costs or other financial obligations related to the business.

- *Regulatory developments*. The Philippine property, integrated tourism, food and beverage and quick service restaurant industries are highly regulated. For example, in the property development and integrated tourism industries, it is required that a number of permits and approvals be obtained for development plans at both the national and local levels. Travellers is subject to gaming regulations for its casino operations. In the alcohol industry, there are restrictions on advertising, marketing and sales of alcoholic beverages to consumers and restrictions governing the operation of EDI's brandy manufacturing facilities. In the quick service restaurant industry, GADC is subject to retail trade and other industry specific regulations. The group's results of operations could be affected by the nature and extent of any new legislation, interpretation or regulations, including the relative time and cost involved in procuring approvals for projects. If the group fails to meet safety, health and environmental requirements, it may also be subject to administrative, civil and criminal proceedings initiated by the Government, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against the Company, as well as orders that could limit or halt its operations. The Group, thus, keeps abreast of current happenings and immediately institute measures to contain any adverse effect on the group.

- *Money laundering and cheating at gaming areas.* Casino and gaming activities are cash intensive and involve significant amounts of revenue daily. Customers may seek to influence their gaming returns through cheating or other fraudulent methods. Fraudulent activities, including collusion and automated play, could cause Travellers and its customers to experience losses, harm its reputation and ability to attract customers, and materially and adversely affect its business, goodwill, financial condition and results of operations. Travellers takes numerous preventive and mitigating measures for the handling of chips, cash and gaming equipment. It uses special technologies to prevent and detect potential fraudulent and counterfeiting activities as well as high value and suspicious transactions.

- *Supply of raw materials and packaging materials*. Materials used in production demand high quality and specialty. The raw materials that EDI and GADC use, such as distilled spirit, brandy flavoring, chicken, beef and paper, are largely commodities and are subject to price volatility caused by changes in supply and demand, weather conditions, fuel costs for transportation and production, agricultural uncertainty and government controls. Megaworld, GERI and Travellers source construction materials such as lumber, steel and cement and may also experience shortages or increases in prices. Rising price changes will result in unexpected increases in production or construction costs and decreases in gross margins if such increased costs cannot be passed on to consumers or buyers. If these costs are passed on, any increase in prices could materially affect demand for and the relative affordability of such products. Purchasing, therefore, keeps posted about supply sufficiency in the market and always looks out for new potential sources.

- *Consumer tastes, trends and preferences*. Consumer preferences may shift due to a variety of factors, including changes in demographic and social trends, leisure activity patterns and a downturn in economic conditions, which may reduce customers' willingness to purchase premium branded products or properties. In addition, concerns about health effects due to negative publicity regarding alcohol or fast food consumption, negative dietary effects, project location, regulatory action or any litigation or customer complaint against companies in the industry may have an adverse effect on results of operations. Any significant changes in consumer preferences and failure to anticipate and react to such changes could result in reduced demand for consumer products or projects and erosion of its competitive and financial position. Likewise, the launch and ongoing success of new products is uncertain as is their appeal to customers. Product innovation and responsiveness to changing consumer tastes and trends, therefore, have been important aspects of the group's ability to sell their products.

- *Competition.* Each of the Company's primary business operations is subject to intense competition. Some competitors may have substantially greater financial and other resources than EDI, Megaworld, GERI, Travellers or GADC, which may allow them to undertake more aggressive marketing and to react more quickly and effectively to changes in the markets and in consumer preferences. In addition, the entry of new competitors into any of the Company's primary business segments may reduce the Company's sales and profit margins.

- *Interests of joint development partners*. Megaworld and GERI obtain a significant portion of its land bank through joint development agreements with landowners, as part of its overall land acquisition strategy and intends to continue to do so. A joint venture involves special risks where the venture partner may have economic or business interests or goals inconsistent with or different from those of the Group.

- *Land for future development*. The real estate business is dependent, in large part, on the availability of large tracts of land suitable for development. As it and its competitors attempt to locate sites for development, it may become more difficult to locate parcels of suitable size at acceptable prices.

- *Philippine economic/political conditions*. The Company has derived substantially all of its revenues and operating profits from the Philippines and its businesses are highly dependent on the Philippine economy. Demand for, and prevailing prices of, developed land, house and lot units, and leisure products, such as the gaming facilities and retail outlets, are directly related to the strength of the Philippine economy, the overall levels of business activity in the Philippines and the amount of remittances received from OFWs. The Company's branded consumer food and beverage products and quick-service restaurant products are discretionary purchases by consumers, and demand for these products tend to decline during economic downturns when customers' disposable income declines. The Company's results of operations are expected to vary from period to period in accordance with fluctuations in the Philippine economy which is in turn influenced by a variety of factors, including political developments among others. Political instability in the Philippines could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material impact on the Company's business, financial condition and results of operation.

  While the Philippine economy has generally registered positive economic growth there can be no assurance that current or future Governments will adopt economic policies conducive to sustaining economic growth.

A further discussion on financial risk management objectives and policies is presented in the notes to the financial statements.

2. PROPERTIES

The following are the principal properties owned or leased by the group, including those reserved for future developments as of December 31, 2013:

Description	Location	Owned/Limitations on Ownership
Lots & Facilities		
Brandy manufacturing facility	Santa Rosa, Laguna	Owned
Brandy manufacturing facility-Annex	Biñan, Laguna	Owned
Alcohol distillery plant	Nasugbu, Batangas	Owned
Glass manufacturing plant	Canlubang Industrial Estate, Calamba, Laguna	Owned
Warehouse Town – a warehouse complex	Caloocan City	Owned
Vineyard lands	Spain	Owned
Several parcels for McDonald's use	Various locations	Owned
Lot – Citiwood Heights	EDSA, Quezon City	Owned
Condominium Units and Subdivision Lots Under Development - Megaworld		
One Uptown Residence	Fort Bonifacio, Taguig City	Joint Venture
Uptown Ritz Residences	Fort Bonifacio, Taguig City	Joint Venture
Uptown Parksuites Residence	Fort Bonifacio, Taguig City	Joint Venture
McKinley West	Fort Bonifacio, Taguig City	Joint Venture

Description	Location	Owned/Limitations on Ownership
8 Forbestown Road	Fort Bonifacio, Taguig City	Joint Venture
The Venice Luxury Residences	McKinley Hill	Owned
Viceroy	McKinley Hill	Owned
The Florence	McKinley Hill	Owned
81 Newport Boulevard	Newport, Pasay City	Joint Venture
101 Newport Boulevard	Newport, Pasay City	Joint Venture
150 Newport Boulevard	Newport, Pasay City	Joint Venture
Palm Tree Villas	Newport, Pasay City	Joint Venture
Eastwood Le Grand	Eastwood City, Quezon City	Owned
One Eastwood Avenue	Eastwood City, Quezon City	Owned
Manhattan Parview	Quezon City	Joint Venture
Manhattan Heights	Quezon City	Joint Venture
Manhattan Plaza	Quezon City	Joint Venture
Iloilo Business Park	Iloilo City	Owned
One Madison Place	Iloilo City	Owned
Lafayette Park Square	Iloilo City	Owned
8 Newtown Boulevard	Mactan Newtown, Cebu	Owned
One Pacific Residence	Mactan Newtown, Cebu	Owned
One Manchester Place	Mactan Newtown, Cebu	Owned
Greenbelt Hamilton	Makati City	Owned
Paseo Heights	Makati City	Owned
One Central	Makati City	Owned
Two Central	Makati City	Owned
Three Central	Makati City	Owned
Salcedo SkySuites	Makati City	Owned
Golf Hill Gardens	Quezon City	Owned
Noble Place	Manila City	Owned
Condominium Units in Completed Projects– Megaworld		
Greenbelt Madisons	Makati City	Owned
Greenbelt Chancellor	Makati City	Owned
Greenbelt Parkplace	Makati City	Owned
Greenbelt Radisson	Makati City	Owned
Greenbelt Excelsior	Makati City	Owned
Paseo Parkview Suites 1,2	Makati City	Owned
115 Upper McKinley	McKinley Hill	Joint Venture
McKinley Garden Villas	McKinley Hill	Joint Venture
The Woodridge 1,2	McKinley Hill	Joint Venture
Tuscany Private Estate	McKinley Hill	Joint Venture
Stamford Executive Residences	McKinley Hill	Owned
Morgan Suites Executive Residences	McKinley Hill	Owned
The Bellagio 1,2,3	Fort Bonifacio	Joint Venture
Forbeswood Heights	Fort Bonifacio	Joint Venture
Forbeswook Parklane	Fort Bonifacio	Joint Venture
The Parkside Villas	Newport City	Joint Venture
The Residential Resort at Newport	Newport City	Joint Venture
Eastwood Le Grand 1 & 2	Eastwood City	Owned
Eastwood Parkview 1 & 2	Eastwood City	Owned
Grand Eastwood Palazzo	Eastwood City	Owned
One Central Park	Eastwood City	Owned
One Orchard Road	Eastwood City	Owned
The Eastwood Excelsior	Eastwood City	Owned
The Eastwood Lafayette 1,2,3	Eastwood City	Owned
Marina Square Suites	Manila City	Owned
Greenhills Heights	San Juan City	Joint Venture
Manhattan Parkway	Quezon City	Joint Venture
El Jardin Del Presidente 1,2	Quezon City	Owned
8 Wack Wack Road	Mandaluyong City	Owned
Wack Wack Heights	Mandaluyong City	Owned
Cityplace Binondo A&B	Manila City	Owned
One Beverly Place	San Juan	Joint Venture

Description	Location	Owned/Limitations on Ownership
Rental Properties - Megaworld[1]		
PaseoCenter	Makati City	Owned
Greenbelt Parkplace Retail	Makati City	Owned
Greenbelt Radissons Retail	Makati City	Owned
The World Center	Makati City	Owned
California Garden Square	Mandaluyong City	Owned
City Place Retail Mall	Manila City	Owned
Lucky Chinatown Mall	Manila City	Owned
One Beverly Place Retail	San Juan	Owned
Corinthian Hills Retail	Quezon City	Owned
Global One	Eastwood City	Owned
Techno Plaza 1	Eastwood City	Owned
Techno Plaza 2 Units	Eastwood City	Owned
1800 Eastwood Avenue	Eastwood City	Owned
1880 Eastwood Avenue	Eastwood City	Owned
Cyber One Units	Eastwood City	Owned
IBM Plaza Units	Eastwood City	Owned
ICITE	Eastwood City	Owned
Eastwood City Walk 1 and 2	Eastwood City	Owned
Eastwood Mall	Eastwood City	Owned
Cyber Mall	Eastwood City	Owned
Eastwood Lafayette 3 Parking	Eastwood City	Owned
E-Commerce Plaza	Eastwood City	Owned
Commerce and Industry Plaza	McKinley Hill	Ground Lease
One Campus Place	McKinley Hill	Ground Lease
8 Campus Place	McKinley Hill	Ground Lease
8 Park Avenue	McKinley Hill	Owned
8 Upper McKinley Road	McKinley Hill	Owned
McKinley Hill (Phase 3) lots	McKinley Hill	Ground Lease
Science Hub	McKinley Hill	Ground Lease
The Venice Piazza	McKinley Hill	Ground Lease
Three World Square	McKinley Hill	Owned
Two World Square	McKinley Hill	Owned
One World Square	McKinley	Owned
McKinley Hill Parking building	McKinley Hill	Owned
Woodridge Residences	McKinley Hill	Joint Venture
Tuscany Retail	McKinley Hill	Joint Venture
Burgos Circle	Fort Bonifacio, Taguig City	Joint Venture
Parklane Strip	Fort Bonifacio, Taguig City	Joint Venture
One World Center	Cebu	Owned
Hotels		
Richmonde HotelOrtigas[2]	Pasig City	Owned
Eastwood Richmode Hotel[2]	Quezon City	Owned
Belmont Luxury Hotel	Newport City	Joint Venture
Savoy Hotel	Newport City	Joint Venture
Savoy Hotel Mactan	Mactan Newtown, Cebu	Owned
Completed Projects – Empire East		
Little Baguio Gardens	San Juan, Metro Manila	Owned
Laguna BelAir 1 and 2	Don Jose, Sta. Rosa, Laguna	Joint Venture
Governors Place	Mandaluyong City	Joint Venture
Gilmore Heights	Gilmore Ave. corN.Domingo, Quezon City	Joint Venture
Kingswood Tower	Makati City	Joint Venture
San Francisco Gardens	Mandaluyong City	Joint Venture
Greenhills Garden Square	Santolan Road, Quezon City	Owned
Central Business Park	Manggahan, Pasig City	Owned
Xavier Hills	Quezon City	Joint Venture
California Garden Square	Libertad St., Mandaluyong City	Owned
Ongoing Projects- Empire East		

Description	Location	Owned/Limitations on Ownership
Laguna BelAir 3	Biñan, Laguna	Owned
The Cambridge Village	Cainta, Rizal	Owned
Laguna BelAir 4	Don Jose, Sta. Rosa, Laguna	Owned
Little Baguio Terraces	San Juan, Metro Manila	Joint Venture
Pioneer Woodlands	Mandaluyong City	Joint Venture
San Lorenzo Place	Makati City	Joint Venture
The Rochester	Pasig City	Owned
The Sonoma	Sta. Rosa City	Joint Venture
Kasara Urban Resort Residences	Eagle St., Pasig City	Owned
Southpoint Science Park	Gimalas, Balayan, Batangas	Owned
Subdivisions, condominiums, condotels, townhouses and leisure development projects - GERI:		
8 Sto. Domingo Place	Quezon City	Joint Venture
Buenavida Village	Naga City	Owned
Buenavista Hills	Tagaytay	Joint Venture
Caliraya Springs	Cavinti, Laguna	Joint Venture
Camp John Hay Suites	Cam John Hay, Baguio City	Leasehold
Camp John Hay Forest Cabins	Camp John Hay, Baguio City	Leasehold
Cathedral Heights	Quezon City	Joint Venture
Capitol Plaza	Quezon City	Co-development
Central Park Place	Mandaluyong City	Joint Venture
Fairways &Bluewaters	Boracay, Aklan	Owned
Festival Villas	Dueñas, Iloilo	Owned
Forest Hills	Antipolo City	Joint Venture
Goldridge Estate	Guiguinto, Bulacan	Joint Venture
Grand Park Estates	Las Piñas City	Joint Venture
Holiday Homes	Gen. Trias, Cavite	Joint Venture
Magnificat Executive Village	Lipa, Batangas	Joint Venture
Mango Orchard Plantation	Naic, Cavite	Joint Venture
Manila Southwoods	Biñan, Laguna	Joint Venture
Monte Cielo De Naga	Naga City	Joint Venture
Monte Cielo De Penafrancia	Naga City	Joint Venture
Mountain Meadows	Cagayan De Oro	Joint Venture
Newcoast Village	Malay, Aklan	Joint Venture
NewcoastShophouse	Malay, Aklan	Joint Venture
Newcoast Boutique Hotel	Malay, Aklan	Joint Venture
NewcoastOceanway Res.	Malay, Aklan	Owned
Newport Hills	Lian, Batangas	Joint Venture
Nasugbu Harbour Town	Nasugbu, Batangas	Joint Venture
Pahara at Southwoods	Cavite	Joint Venture
Palacio Real	Calamba, Laguna	Joint Venture
Palmridge Point	Talisay, Batangas	Joint Venture
Parco Bello	Muntinlupa City	Joint Venture
Parklane Square	Las Piñas City	Joint Venture
Parkridge Estate	Antipolo City	Joint Venture
Paragon Plaza	Mandaluyong City	Joint Venture
Northpointe (Pines Royal Homes)	Baguio City	Joint Venture
Plaridel Heights	Plaridel, Bulacan	Joint Venture
Puerto Del Mar	Lucena City	Joint Venture
Puerto Real De Iloilo	Iloilo	Joint Venture
Queensborough North	Pampanga	Joint Venture
ResidenciaLipa	Lipa, Batangas	Joint Venture

Description	Location	Owned/Limitations on Ownership
Renaissance 5000	OrtigasCtr, Pasig City	Joint Venture
Richgate Condominium	Baguio City	Owned
Richgate Square	Baguio City	Joint Venture
Richview Square Exp'n	Baguio City	Joint Venture
Riverina	San Pablo City	Joint Venture
Sherwood Hills	Carmona, Cavite	Joint Venture
Southlakes Garden	Laguna	Joint Venture
Southwoods Peak	Carmona, Cavite	Joint Venture
Suburbia North - Ph 2	Pampanga	Joint Venture
Sta. Barbara Heights	Sta. Barbara, Iloilo	Joint Venture
Domaine Le Jardin	Laurel, Batangas	Owned
Tierra Vista	Lipa, Batangas	Joint Venture
Town Center Notrh	Aklan	Joint Venture
Windsor Heights	Tagaytay	Joint Venture
West Tower	Makati City	Joint Venture
Villa Maria	Boracay	Owned
Villa Margarita	Boracay	Owned
Belmont Hotel Boracay	Boracay	Owned
Boracay Portico	Boracay	Owned
Hotels under Travellers		
Marriott Hotel(3)	Newport City	Owned
Maxims Hotel(3)	Newport City	Owned
Remington Hotel(3)	Newport City	Owned

Notes:
(1) Lease terms and rental rates vary depending on the property and the lessee.
(2) The Richmonde Hotel Ortigas and Eastwood Richmonde Hotel are operated by a subsidiary of Megaworld.
(3) Marriott Hotel, Maxims Hotel, Remington Hotel are part of RWM.
(4) The 16-hectare land comprising McKinley Hill Phase 3 is being leased from the city government of Taguig for 25 years, renewable for another 25 years.

In addition, there are various operating lease agreements for McDonald's restaurant sites, offices and other facilities. These non-cancelable lease agreements are for initial terms of 3-40 years and, in most cases, provide for rental escalations, additional rentals based on certain percentages of sales and renewal options for additional periods of 5-25 years.

While the Group has sufficient land for future development, it continuously seeks opportunities to acquire and develop land in prime locations through purchase, joint venture arrangements or otherwise.

3. LEGAL PROCEEDINGS

There are no material litigations or claims pending or, to the best knowledge of the Company, threatened against the Company or any of its subsidiaries or associates or any of their properties that would adversely affect the business or financial position of the Company or any of its subsidiaries or associates.

4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There are no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

a. Market Information

The Company's common shares are traded on the Philippine Stock Exchange. The closing price of the said shares on March 31, 2013 is P21.15. The trading prices of the said shares for each quarter within the last two years and subsequent interim period are set forth below:

	2012				2013				2014
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
High	13.48	13.70	14.80	16.88	23.00	28.40	28.30	27.45	30.50
Low	10.24	11.14	10.86	14.02	16.56	20.25	22.30	21.95	25.30

(*Source: PSE Research Dept.)*

b. Shareholders

As of March 31, 2014 the Company had 1,222 stockholders, including nominees, holding 10,269,827,979 common shares and the Top Twenty Stockholders were as follows:

Rank	*Stockholder*	*No. of Shares Held*	*Per Cent to Total*
1	The Andresons Group, Inc.	3,944,826,194	38.412
2	PCD Nominee Corporation (Non-Filipino) *	3,341,846,727	32.540
3	PCD Nominee Corporation (Filipino)*	777,287,094	7.569
4	Altavision Resources, Inc.	451,574,334	4.397
5	Andrew L. Tan	341,684,350	3.327
6	Yorkshire Holdings, Inc.	255,773,508	2.491
7	Asiagroup Holdings, Inc.	220,004,000	2.142
8	Globaland Holdings, Inc.	220,004,000	2.142
9	Grand Bel Air Holdings, Inc.	220,004,000	2.142
10	Le Bristol Holdings, Inc.	216,100,000	2.104
11	California Orchard Growers Investments, Inc.	120,000,000	1.168
12	Eastwood Property Holdings, Inc.	112,600,000	1.096
13	Andresons Global, Inc.	30,088,596	0.293
14	Forbes Town Properties & Holdings, Inc.	10,000,000	0.097
15	Kingson Uy Siok Sian	5,001,100	0.049
16	Lucio W. Yan &/or Clara Y. Yan	1,000,000	0.010
17	First Centro, Inc.	364,000	0.004
18	American Wire & Cable Co., Inc.	200,000	0.002
19	Ching Bun Teng	150,000	0.001
20	Ramon C. Garcia	100,000	0.001

Please refer to Item 11 on page 56 for stockholders holding 5% or more. * PCD Nominee Corporations (Non-Filipino and Filipino) is comprised of several nominees and the participants with 5% or more are indicated in Security Ownership on page 56.

c. Dividends In The Two Most Recent Years And Subsequent Interim Period

It is the Company's policy to periodically declare a portion of its unrestricted retained earnings as dividend either in the form of cash or stock. The declaration of dividends depends upon the Company's earnings, cash flow and financial condition, among other factors. The Company may declare dividends out of its unrestricted retained earnings only. Unrestricted retained earnings represent the net accumulated earnings of the Company, with its capital unimpaired which are not appropriated for any other purpose. The Company may pay dividends in cash, by the distribution of property, or by the issue of shares of stock. Cash dividends are subject to the approval by the Board of Directors. Stock dividends are subject to the approval by both the Board of Directors and at least two-thirds (2/3) of the outstanding capital stock of the stockholders at a stockholders' meeting called for such purpose. On June 5, 2012 and August 23, 2013, AGI declared cash dividends of P0.36 and P0.38 per share, respectively, payable to all stockholders of record as of June 26, 2012 and September 9, 2013, respectively.

As of December 31, 2013, AGI has P9.4 billion unrestricted retained earnings available for dividend distribution.

d. Recent Sales Or Issuance Of Unregistered Or Exempt Securities

On December 19, 2011 and March 14, 2013, options to subscribe to common stock of the Company totaling 46.5 million and 59.1 million, respectively, were granted to key executives and senior officers, including the CEO and President, at an exercise price of P9.175 and P12.9997, respectively. The total number of outstanding options granted is 105.6 million options to subscribe to the same number of common shares. A total of 31.0 million options have vested as of December 31, 2013 and additional 19.7 million have vested in March 2014. No options have been exercised and no stocks have been issued as of to-date.

In 2011, Megaworld issued US$200,000,000 worth of corporate notes due in 2018 with a coupon of 6.75% and a yield of 6.875%. In 2013, Megaworld issued US$250,000,000 worth of corporate notes due in 2023 with a coupon of 4.25%. In both issuances, UBS acted as sole global coordinator and bookrunner. The corporate notes are listed in the Singapore Exchange Securities Trading Limited.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

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%
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**

	MEG[a]	EMP	RWM[b]	GADC	GERI	Others[c]	TOTAL
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.

7. FINANCIAL STATEMENTS

The audited consolidated financial statements, together with Statement of Management's Responsibility and Auditors' Report, and supplementary schedules are attached and filed herewith.

The consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS), on the historical cost basis except for the measurement of certain financial assets and liabilities. The preparation of the consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and related notes. The estimation and judgments are based upon management's evaluation of relevant facts and circumstances of the financial statements. Actual results may ultimately vary from those estimates.

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

8. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATERS

a. External Audit Fees And Services

a.1. *Audit and audit-related services*

Punongbayan&Araullo ("P&A") has been appointed as the principal accountant since 2003. In compliance with SEC Rule 68 paragraph 3 (b) (iv) (Rotation of External Auditors), and as adopted by the Company, external auditors or engagement partners are rotated or changed every five years. For 2012 and 2013, the lead engagement partner is Ms. Mailene S. Bisnar.

The respective fees billed by P&A for each of the last two fiscal years totaled P1,815,000 and P1,650,000 for the audit of 2013 and 2012 annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements

a.2. *Tax fees and all other fees*

There were no separate tax fees billed and no other products and services provided by P&A to AGI for the last two fiscal years.

a.3. *Audit Committee's approval*

All the above services have been approved by the Audit Committee through the internal policies and procedures of approval. The Committee is composed of Alejo L. Villanueva as Chairman and Sergio R. Ortiz-Luis, Jr. and Andrew L. Tan as members.

b. Changes In And Disagreements With Accountants On Accounting And Financial Disclosure

P&A, as principal auditors, issued an unqualified opinion on the consolidated financial statements. As such, there had been no disagreements with them on any accounting principles or practices, financial disclosures, and auditing scope or procedure.

PART III - CONTROL AND COMPENSATION INFORMATION

9. DIRECTORS AND EXECUTIVE OFFICERS

a. Directors And Executive Officers

Directors are elected annually by the stockholders to serve until the election and qualification of their successors. Two independent directors, Messrs. Sergio Ortiz-Luis, Jr. and Alejo Villanueva, Jr., were elected in the last annual stockholders' meeting on September 17, 2013.

The table below sets forth each member of the Company's Board as of March 31, 2014:

Name	Age	Citizenship	Position
Andrew L. Tan	64	Filipino	Chairman
Sergio R. Ortiz-Luis, Jr.	70	Filipino	Independent Director/Vice Chair
Kingson U. Sian	52	Filipino	Director
Winston S. Co	56	Filipino	Director
Katherine L. Tan	62	Filipino	Director
Kevin Andrew L. Tan	34	Filipino	Director
Alejo L. Villanueva, Jr.	72	Filipino	Independent Director

The table below sets forth the Company's executive officers as of March 31, 2014:

Name	Age	Citizenship	Position
Kingson U. Sian	52	Filipino	President
Katherine L. Tan	62	Filipino	Treasurer
Dina D.R. Inting	54	Filipino	First Vice President - Finance
Dominic V. Isberto	39	Filipino	Corporate Secretary
Rolando D. Siatela	53	Filipino	Assistant Corporate Secretary

Andrew L. Tan
Chairman of the Board

Mr. 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. Mr. 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.
Independent Director/Vice-Chairman

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 the Senior Vice President & 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 Director/President of Adams Properties, Inc., Eastwood Cyber One Corporation, Eastwood Locator's Assistance Center, Inc., Forbestown Properties Holdings, Inc., and Travellers International Hotel Group, Inc. He is also a Director of Emperador Inc., Asia E-Commerce, Inc., Citywalk Building Administration, Inc., Eastwood Corporate Plaza Building Administration, Inc., Eastwood City Estates Association, Inc., Forbes Town Commercial Center Administration, Inc., ICITE Building Administration, Inc., Paseo Center Building Administration, Inc., Techno Plaza One Building Administration, Inc., and World Café, Inc. He is the Senior Vice President & Chief Executive Officer of Megaworld Land, 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 and 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.

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 L. 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 ofUSAID), 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.

Dina D.R. Inting
First Vice President – Finance

Ms. Inting has served as First Vice President for Finance since January 1996 and at present its Compliance Officer and Corporate Information Officer. She is currently director of ProgreenAgricorp, Inc. and Compliance Officer and Corporate Information Officer of Emperador Inc. She gained an extensive experience in the fields of audit, comptrollership, treasury, finance, branch operations and personnel management from her previous employments. She is a Cum Laude graduate of Bachelor of Science in Commerce major in Accounting, Honors Program, at the Philippine College of Commerce (Polytechnic University of the Philippines), holds a certificate in Organizational Development from the Ateneo de Manila University, and is a Certified Public Accountant.

Dominic V. Isberto
Corporate Secretary

Mr. Isberto has served as the Corporate Secretary since September 14, 2007. He is the Corporate Secretary and Assistant Corporate Information Officer of Global-Estate Resorts, Inc. He is also the Corporate Secretary of Emperador Inc., Twin Lakes Corporation, Eastwood City Estates Association, Inc., Suntrust Properties, Inc. and Fil-Estate Properties, Inc. He also serves as Assistant Corporate Secretary of Adams Properties, Inc. Mr. Isberto has experience in litigation and banking and corporate law. He has a degree in Management Engineering from the Ateneo de Manila University and obtained his Bachelor of Laws degree from the University of the Philippines.

Rolando D. Siatela
Assistant Corporate Secretary

Mr. Siatela has served as Assistant Corporate Secretary since August 30, 2002. He is a Director of Asia Finest Cuisine, Inc. He is the Corporate Secretary of ERA Real Estate Exchange, Inc., ERA Real Estate, Inc., Oceanic Realty Group International, Inc., and Suntrust Home Developers, Inc. He concurrently serves as Asst. Corporate Secretary of Megaworld Corporation, Emperador Inc., Global-Estate Resorts, Inc. (formerly Fil-Estate Land, Inc.), and Suntrust Properties, Inc. He was employed as Administrative and Personnel Officer with Batarasa Consolidated, Inc. and served as Assistant Corporate Secretary and Chief Administrative Officer of The Andresons Group, Inc.

b. Significant Employees

The Company does not have employees who are not executive officers but expected to make significant contribution to the business.

c. Family Relationships

Chairman/CEO Andrew L. Tan is married to Treasurer/Director Katherine L. Tan and Director Kevin Andrew L. Tan is their son. Another son, Kendrick Andrew L. Tan is the Corporate Secretary and Executive Director of EDI. Both siblings are currently serving as directors of AWG, Newtown Land Partners, Inc., and Yorkshire Holdings, Inc.

d. Involvement In Legal Proceedings

The Company has no knowledge of any of the following events that occurred during the past five (5) years up the date of this report that are material to an evaluation of the ability or integrity of any director or executive officer or control person of the Company:

- Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- Any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

10. EXECUTIVE COMPENSATION

a. Executive Compensation

Name and Principal Position
Andrew L. Tan, Chairman (CEO)
Kingson U. Sian, President (COO)
Katherine L. Tan, Treasurer
Dina D. Inting, FVP-Finance
Dominic V. Isberto, Corporate Secretary
Rolando D. Siatela, Asst. Corporate Secretary

The officers receive fixed salary on a monthly basis from the respective subsidiaries or businesses they principally handle. Hence, for years 2013 and 2012, no compensation was received from AGI, the holding company, and neither will there be for 2014, except for an allowance for Mr. Kingson Sian which started in February 2007.

***b.* Compensation Of Directors**

In a board resolution passed in November 2007, members of the Company's Board of Directors began to receive per diem allowance for attendance in board meetings.

***c.* Employment Contracts, Termination Of Employment And Change-In-Control Arrangements**

There are no employment contract between the Company and a named executive officer; and no compensatory plan or arrangement, including payments to be received from the Company, with respect to a named executive officer, that results or will result from the resignation, retirement or any other termination of such executive's employment with the Company and its subsidiaries or from a change-in-control of the Company or a change in the named executive officer's responsibilities following a change-in-control and amount involved, including all periodic payments or installments, exceeds P2.5 million.

***d.* Warrants And Options**

On July 27, 2011, the Board of Directors of the Company approved an Executive Stock Option Plan (the "Plan") and this was approved on September 20, 2011 by stockholders holding at least 2/3 of the outstanding capital stock. The purpose of the Plan is to enable the key Company executives and senior officers who are largely responsible for its further growth and development to obtain an ownership interest in the Company, thereby encouraging long-term commitment to the Company. The Plan is being administered by the Compensation and Remuneration Committee (the "Committee") of the Board, composed of the following: Alejo L. Villanueva, Jr., Independent Director, as Chairman, and Winston S. Co and Kevin Andrew L. Tan, as members.

Under the Plan, the Company initially reserves for exercise of stock options up to approximately three percent (3%) of the Company's outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares. Stock options may be granted within ten (10) years from the adoption of the Plan and may be exercised within seven (7) 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 (9) months immediately preceding the date of grant. The options shall vest within three (3) 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 (3) year period.The Company shall receive cash for the stock options.

On December 19, 2011, 46.5 million options were granted to certain key executives and senior officers, including the CEO and President, at an exercise price of P9.175 with a market price of P10.28 on the date of grant. On March 14, 2013, additional 12.6 million options were granted to certain key executives at an exercise price of P12.9997 with a market price of P21.65 at the date of grant. As of December 31, 2013, a total of 31.0 million options have vested but not yet exercised. 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. As of this time, the Company cannot determine if options can be exercised with less than forty percent (40%) of the total price of the shares so purchased. The Company does not provide or arrange for loans to enable qualified participants to exercise their options.

11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(1) Security Ownership of Record and Beneficial Owners owning more than 5% of the Company's outstanding common stock as of March 31, 2014:

Title of Class	*Name and Address of Record Owner &Relationship w/ Issuer*	*Name of Beneficial Owner & Relationship w/ Record Owner*	*Citizenship*	*No. of Shares*	*Percent Owned*
Common	THE ANDRESONS GROUP, INC. 7/F 1880 Eastwood Avenue, Eastwood City Bagumbayan, Quezon City,[1]	THE ANDRESONS GROUP, INC. (TAGI)	Filipino	3,944,826,194	38.41%
Common	PCD NOMINEE CORPORATION (NON-FILIPINO) 37/F Tower 1, The Enterprise Center, 6766 Ayala Avenue, Makati City [2]	THE HONGKONG AND SHANGHAI CORP. LTD. (Non-Filipino) HSBC Securities Services 12th Floor, The Enterprise Center, Tower I, 6766 Ayala Avenue corner Paseo de Roxas, Makati City. [2]	Non-Filipino	1,556,520,619	15.16%
Common	YORKSHIRE HOLDINGS, INC. 28/F The World Centre 330 Sen. Gil Puyat Avenue, Makati City, Metro Manila [3]	YORKSHIRE HOLDINGS, INC. (YHI)	Filipino	1,583,459,842	15.41%
Common	PCD NOMINEE CORPORATION (NON-FILIPINO) G/F Makati Stock Exchange Building 6767 Ayala Avenue, Makati City	DEUTSCHE BANK MANILA-CLIENTS A/C[2] 26/F Ayala Tower One Ayala Triangle, Makati City	Non-Filipino	1,224,837,697	11.93%

(2) Security Ownership of Management as of March 31, 2014:

Title	*Name of Beneficial Owner*	*Citizenship*	*Amount*	*Percent*
Common	Andrew L. Tan *(Chairman of the Board)*	Filipino	341,684,350	3.33%
Common	Sergio R. Ortiz-Luis, Jr. *(Director)*	Filipino	1	0.00%
Common	Winston S. Co *(Director)*	Filipino	2,728	0.00%
Common	Kingson U. Sian *(Director)*	Filipino	5,001,100	0.04%
Common	Katherine L. Tan *(Director)*	Filipino	1	0.00%
Common	Alejo L. Villanueva, Jr *(Director)*.	Filipino	1	0.00%
Common	Kevin Andrew L. Tan *(Director)*	Filipino	1	0.00%
Common	Dina D. Inting*(FVP-Finance)*	Filipino	2,758	0.00%
Directors and Executive Officers as a Group			346,692,039	346,692,039

[1]Mr. Andrew L. Tan is the Chairman of the Board of TAGI, is authorized to appoint proxy to vote for the shares.
[2] HSBC and Deutsche are participants of the PCD Nominee Corporation. The beneficial owners of the shares are not known to the Company.
[3]Mr. Andrew L. Tan, Chairman of YHI is authorized to appoint proxy to vote for the shares which includes direct and indirect beneficial ownership through Altavision Resources, Inc., Asiagroup Holdings, Inc., Globaland Holdings, Inc. Grand Belair Holdings, Inc., and Le Bristol Holdings, Inc.

12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Except for the material related party transactions described in the notes to the consolidated financial statements of the Company for the years 2013, 2012 and 2011 (*please see as filed with this report*), there has been no material transaction during the last two years, nor is there any material transaction currently proposed, to which the Company was or is to be a party, in which any director or executive officer, any nominee for election as director, stockholder of more than ten percent (10%) of the Company's voting shares, and any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any such director or officer or stockholder of more than ten percent (10%) of the Company's voting shares had or is to have a direct or indirect material interest

PART IV - EXHIBITS AND SCHEDULES

13. EXHIBITS AND REPORTS ON SEC FORM 17-C

(b) Reports On SEC Form 17-C Filed During The Last Six Months Of The Report Period (June 1 To December 31, 2013)

Date	Disclosures
26 July 2013	Notice of Annual Stockholders' Meeting
07 August 2013	Press Release: Emperador invests P5.8 B in Spain
13 August 2012	a. Notice of Investor's Briefing b. Press Release: AGI net profit soars 34% to P11.3B in 1st half 2013
23 August 2013	Declaration of Cash Dividend
28 August 2013	Subscription to TSI shares in exchange for shares of Emperador Distillers, Inc.
17 September 2013	a. Results of Annual Stockholders' Meeting b. Results of Organizational Meeting of the Board of Directors c. Press Release: AGI launches offering of TSI shares
20 September 2013	Press Release: AGI successfully prices TSI offering Agreement to purchase shares in TSI held by Shiok Success International Ltd, and Dew Dreams International Ltd.
12 November 2013	Investor's Briefing for 3rd Quarter 2013 results of AGI
14 November 2013	AGI 9th month net profit soars 42% to P19.2B

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized.

Alliance Global Group, Inc.
Issuer

By:

ANDREW L. TAN
Chairman and CEO
(Principal Executive Officer)

KINGSON U. SIAN
President and COO
(Principal Operating Officer)

DINA D.R. INTING
FVP – Finance
(Principal Financial Officer and as Principal Accounting Officer and Comptroller)

DOMINIC V. ISBERTO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 2 2 APR 2014 2014 affiants exhibiting to me their Passports/SSS No., as follows: MAKATI CITY

NAMES	PASSPORT/SSS NO.	DATE OF ISSUE	PLACE OF ISSUE
Andrew L. Tan	EB1964603	February 23, 2011 to 2016	Manila
Kingson U. Sian	EB7369260	February 12, 2013 to 2018	Manila
Dominic V. Isberto	SSS 33-1952824-1		
Dina D.R. Inting	SSS 03-5204775-3		

Notary Public

Doc No. 321
Page No. 66
Book No. I
Series of 2014.

ATTY PARALUMAN D. ANDRES
Notary Public for Makati City
MCLE Compliance No. IV-0018254 Roll No. 58410
Commission No. 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 Fl. The Enterprise Center, Ayala, Makati City

Punongbayan & Araullo
An instinct for growth™

Consolidated Financial Statements and
Independent Auditors' Report

Alliance Global Group, Inc. and Subsidiaries

December 31, 2013, 2012 and 2011
(With Corresponding Figures as of January 1, 2012)

ALLIANCE GLOBAL

ALLIANCE GLOBAL GROUP, INC.
7th Floor, 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez Jr. Avenue
Bagumbayan, 1110 Quezon City
Tel. Nos. 7092038-41
Fax Nos. 7091966

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 22 APR 2014, affiants exhibiting to me their Passport/SSS No., as follows: MAKATI CITY

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		

Doc.No. 320
Page No. 65
Book No. I
Series of 2014

Notary Public
ATTY PARALUMAN D. ANDRES
Notary Public for Makati City
MCLE Compliance No. IV-0018254 Roll No. 58410
Commission No. M-473, Until December 31, 2014
IBP No. 936611; Until 12/31/14; PPLM Chapter
PTR No. 3673612, Until 12/31/14; Makati City
10th Fl. The Enterprise Center, Ayala, Makati City

Punongbayan & Araullo

An instinct for growth™

Report of Independent Auditors

19th and 20th Floors, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288
F +63 2 886 5506
www.punongbayan-araullo.com

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

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
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)
A S S E T S				
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

	Notes	December 31, 2013	December 31, 2012 (As Restated – see Note 2)	January 1, 2012 (As Restated – see Note 2)
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.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
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		**27,752,419**	(41,307,696)	(271,280,301)
Tax income (expense)	28	**(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

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Peso)

	Notes	2013	2012 (As Restated – see Note 2)	2011 (As Restated – see Note 2)
EQUITY ATTRIBUTABLE TO OWNERS OF 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		**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	21	**(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				
As previously reported		**59,870,536,020**	52,522,275,597	33,466,430,520
Effect of adoption of PAS 19 (Revised)	2	**(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.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
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 From (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 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.

(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%	-

Subsidiaries/Associates/Jointly Controlled Entities	Short Name	Notes	Percentage of Effective Ownership of AGI 2013	2012	2011
Subsidiaries					
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%
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%	-
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%	-

Subsidiaries/Associates/Jointly Controlled Entities	Short Name	Notes	Percentage of Effective Ownership of AGI 2013	2012	2011
Subsidiaries					
Travellers and subsidiaries					
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%
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, *Accounting 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 reassesess 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	P40,237,045,058	P 7,112,315	P40,244,157,373
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	P31,072,319,070	P 1,270,473	P31,073,589,543
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.

	December 31, 2012		
	As Previously Reported	Effect of Adoption of PAS 19 (Revised)	As Restated
Changes in profit or loss:			
Other operating expenses	P21,785,957,940	(P 60,451,842)	P21,725,506,098
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 and 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.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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	P 309,862,501,823
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
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	**P123,379,326,003**	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	**P309,862,501,823**	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	**P332,400,409,526**	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	**P23,737,469,759**	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)
Balance brought forward		**P30,074,787,370**	P 22,623,775,662

	Note	2013	2012
Balance carried forward		**P30,074,787,370**	P 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
		P54,684,250,287	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
Balance brought forward		**P 4,212,007,912**	P 3,696,139,865

	2013	2012 (As Restated – see Note 2.3)
Balance brought forward	**P 4,212,007,912**	P 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
	2,382,602,819	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
Balance brought forward	**P 1,636,742,988**	P 3,096,201,144

	2013	2012
Balance carried forward	**P 1,636,742,988**	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**
December 31, 2012							
Cost	P 7,676,126,272	P 22,161,584,959	P 7,870,985,788	P 2,010,380,647	P 4,023,148,565	P 1,218,336,017	P 44,960,562,248
Accumulated depreciation, amortization and impairment	(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	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
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
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	P 23,247,261	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
Balance carried forward	**P 3,795,792,269**	P 4,640,956,327

	2013	2012
Balance brought forward	**P 3,795,792,269**	P 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.

Face Amount	Outstanding Principal Balance 2013	Outstanding Principal Balance 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
P 5.0 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 under 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 fot 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 fot 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	**P17,218,460,867**	P13,909,991,637	P11,607,286,356
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	**P17,218,460,867**	P13,909,991,637	P11,607,286,356
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	P 37,713,496,197
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	(1,337,144.00)	-	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	**P4,961,352,403**	**P1,488,405,721**	P3,725,565,135	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
	P6,497,101,399	**P1,994,699,606**	P4,637,306,243	P1,421,857,829	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 2013	2012	2011	Outstanding Balance 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
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	**P 453,645,207**	P 195,470,510
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	**P 887,770,297**	P 697,049,267
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	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	1,584,6432,681
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	P11,132,469,222

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**	P112,666,559,797	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**	665,131,3687	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

	2013		2012	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
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 -**	**P51,086,163,464**	**P 146,063,688,909**

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
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 -	P 4,640,955,327	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 GROUP, INC. AND SUBSIDIARIES
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2013

Independent Auditors' Report on the SEC Supplementary Schedules
Filed Separately from the Basic Financial Statements

Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68

Others Required Information
(SEC Circular 11)

Punongbayan & Araullo

An instinct for growth™

Report of Independent Auditors To Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

19th and 20th Floors, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288
F +63 2 886 5506
www.punongbayan-araullo.com

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 in accordance with Philippine Standards on Auditing, the consolidated financial statements of Alliance Global Group, Inc. and subsidiaries (the Group) for the year ended December 31, 2013, on which we have rendered our report dated April 28, 2014. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

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

Alliance Global Group, Inc. and Subsidiaries
Schedule A - Financial Assets (Marketable Securities)
December 31, 2013

Financial Asset/Name of Banks	Amount Shown in Statement of Financial Position	Income Received and Accrued
Financial Assets at Fair Value Through Profit or Loss		
HSBC Private Bank	P 3,709,777,823	P 226,209,224
Bank of Singapore	2,214,413,844	161,774,493
Citi Private Bank	1,451,551,300	143,016,774
	7,375,742,967	531,000,491
Available-for-sale Securities		
Bank of Singapore	2,073,623,562	151,489,028
HSBC Private Bank	1,139,545,317	69,485,472
Citi Private Bank	1,186,738,009	116,925,555
Various unquoted equity instruments	191,886,997	-
Various quoted equity instruments	117,218,306	-
Various club shares	49,880,000	-
	4,758,892,191	337,900,055
Total Financial Assets	**P 12,134,635,158**	**P 868,900,546**

Alliance Global Group, Inc. and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2013

Name and Designation of Debtor	Balance at the Beginning of Period	Additions	Deductions: Amounts Collected	Deductions: Amounts Written off	Ending Balance: Current	Ending Balance: Not current	Balance at the End of Period
Advances to Officers and Employees:							
Philipps Cando VP for Operations, Megaworld	P 350,600	P -	(P 135,716)	P -	P 214,884	P -	P 214,884
Garry V. De Guzman VP for Legal Affairs, Megaworld	-	662,919	-	-	662,919	-	662,919
Monica V. Solomon VP for Corporate Management, Megaworld	65,404	-	(65,404)	-	-	-	-
Rolando D. Siatela Assistant Corporate Secretary, Megaworld	463,210	1,841	(108,991)	-	356,060	-	356,060
Edgardo Pinga VP for Project Development and Property Management, GERI (resigned as of December 31, 2012)	462,073	10,000	(472,073)	-	-	-	-
Catherine Marcelo VP for Human Resource and Corporate Services, GERI	721,227	141,541	(193,353)	-	669,415	-	669,415
Abraham Mercado VP for Sales and Marketing, GERI	2,395,654	4,134,803	(1,836,143)	-	4,694,314	-	4,694,314
Jennifer Romualdez VP for Contracts, Procurement and Project Management, GERI	747,220	1,634,429	(1,466,568)	-	915,081		915,081
Melody Macaraig-Binag Junior Legal Counsel, Titling, Permits and Taxation Department, GERI	724,287	62,884	(223,981)	-	563,190	-	563,190
Chia Darvin Officer, GERI	-	1,375,000	-	-	1,375,000	-	1,375,000
Salving Globio Officer, GERI	-	559,459	(100,480)	-	458,979	-	458,979
Federico Artuz Officer, GERI	-	457,958	(47,693)	-	410,265	-	410,265
Lailani Villanueva CFO and Compliance Officer, GERI	-	511,435	(149,542)	-	361,893	-	361,893
Carmen Villanueva Officer, GERI	-	1,351,901	-	-	1,351,901	-	1,351,901
Travellers - Officers and employees	65,225,143	160,243,187	(103,729,940)	-	121,738,390	-	121,738,390
	P 71,154,818	**P 171,147,357**	**(P 108,529,884)**	**-**	**P 133,772,291**	**-**	**P 133,772,291**

Legend:

Megaworld - Megaworld Corporation
GERI - Global Estate Resorts, Inc.
Travellers - Travellers International Hotel Group, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Schedule C - Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
December 31,2013

			Deductions		Ending Balance		
Name and Designation of Debtor	*Balance at Beginning of Period*	*Additions*	*Amounts Collected*	*Amounts Written off*	*Current*	*Not current*	*Balance at End of Period*
Due from Related Parties							
Newtown Land Partners, Inc.	4,156,168,601.00	-	870,811,693.00	-	3,285,356,908.00		3,285,356,908.00
Emperador International, Ltd.	4,384,582,659.00	342,532,214.00	3,826,442,931.00	-	900,671,942.00		900,671,942.00
Venezia Universal, Ltd.	3,704,180,549.00	-	529,474,611.00	-	3,174,705,938.00		3,174,705,938.00
Greenspring Investment Property Holdings, Inc.	5,405,307,375.00	2,862,917,383.00	-	-	8,268,224,758.00		8,268,224,758.00
First Centro, Inc.	585,283,335.00		381,158,602.00	-	204,124,733.00		204,124,733.00
Tradewind Estates, Inc.	1,365,342,033.00		161,760,000.00	-	1,203,582,033.00		1,203,582,033.00
Alliance Global Brands, Inc.	1,059,406,479.00	-	-	-	1,059,406,479.00		1,059,406,479.00
Megaworld	55,066,520.00	-	42,568,112.00	-	12,498,408.00		12,498,408.00
Alliance Global Group Cayman Islands, Inc.	16,246,550.00	-	-	-	16,246,550.00		16,246,550.00
Emperador Distillers, Inc.	251,148,594.00	100,205,912.00	303,224,506.00	-	48,130,000.00		48,130,000.00
McKester Pik-Nik International, Ltd.	13,855,070,955.00		361,079,517.00	-	13,493,991,438.00		13,493,991,438.00
Global Estate Resorts, Inc.	607,119,349.00	192,810,787.00	707,119,349.00	-	92,810,787.00		92,810,787.00
Anglo Watsons Glass, Inc.	405,576.00	8,950,000.00	400,000.00	-	8,955,576.00		8,955,576.00
Travellers International Hotel Group, Inc.	1,167,080,053.00	1,299,210,000.00	596,781,803.00	-	1,852,445,750.00	17,062,500.00	1,869,508,250.00

Alliance Global Group, Inc. and Subsidiaries
Schedule D - Intangible Assets - Other Assets
December 31, 2013

			Deduction			
Description	***Beginning Balance***	***Additions at Cost***	***Charged to Cost and Expenses***	***Charged to Other Accounts***	***Other Changes Additions (Deductions)***	***Ending Balance***
Intangible Assets						
Goodwill	**P 10,700,039,578**	P -	P -	P -	P -	**P 10,700,039,578**
Trademarks	**415,238,652**	**16,153,914**	**(102,334,204)**	**-**	**-**	**329,058,362**
Leasehold Rights	**23,833,943**	-	**(2,955,753)**	-	-	**20,878,190**
Computer Software	**2,583,029**	-	**(2,583,029)**	-	-	-
	P 11,141,695,202	P 16,153,914	(P 107,872,986)	P -	P -	**P 11,049,976,130**

Alliance Global Group, Inc. and Subsidiaries
Schedule E - Long-Term Debt
December 31, 2013

Title of Issue and Type of Obligation	*Amount Authorized by Indenture*	*Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Statement of Financial Position*	*Amount Shown Under Caption "Long-Term Debt" in Related Statement of Financial Position*	
Loans:				
Interest bearing loans	P 16,913,000,000	P 3,653,667,469	P 8,695,859,471	a, b, c, d, e, f
Foreign borrowings	$ 3,200,000	142,124,800	-	g
Related party	$ 12,000,000	-	532,724,721	h
		3,795,792,269	9,228,584,192	
Bonds Payable:				
Issuer:				
AG Cayman	$ 500,000,000	-	21,976,374,674	i
Travellers	$ 300,000,000	-	13,095,218,012	j
Megaworld Corporation	$ 200,000,000	-	8,782,856,018	k
	$ 250,000,000	-	7,625,297,602	l
	P 5,000,000,000	-	5,000,000,000	m
		-	56,479,746,306	
		P 3,795,792,269	**P 65,708,330,498**	

a *Interest-bearing loans include loans obtained by Megaworld pertaining to the following:*

1.) Unpaid balance of the P5.0 billion loan availed from a local bank in 2008 and 2009 to fund the development various real estate projects.

2.) Amount outstanding from a seven-year loan obtained for working capital purposes.

3.) Outstanding portion of a ten-year loan obtained from a local bank in 2003, 2005 and 2006, with a three-year grace period on principal payments, payable quarterly thereafter. The loan is secured by a certain investment property with a carrying amount of P40.4 million as of December 31, 2013.

b *Interest-bearing loans obtained by EELHI arising from trade receivable discounted on a with-recourse basis.*

c *Interest-bearing loans obtained by SPI include the following:*

1.) Interest-bearing loans obtained by SPI arising from trade receivable discounting (on a with recourse basis) and for purposes of obtaining additional working capital.

2.) Short-term loans acquired by SPI from various financial institutions for working capital requirements.

d *Loan drawn by Travellers in 2012 from an P11.0 billion loan facility with a local bank, to settle Travellers' secured loans from the same bank.*

e *Interest-bearing loans also include loans obtained by GADC which includes the following:*

1.) Loan from Planters Development Bank by GADC related to the purchase of land and building from the former for P130.0 million in December 2011.

2.) On December 2012, GADC entered into a loan facility agreement with BDO for a credit line amounting to P1.0 million. GADC already availed from the facility amounting to P400.0 million. The loan is payable in 20 quarterly installments, with interest rates of 5.15%.

f *Bank loan obtained by AGI and NTLPI, secured by 2.1 million Megaworld shares held by NTLPI, and covereed by a Deed of Pledge co-signed by AGI and NTLPI. Principal loan balance obtained by AGI and NTLPI amounts to P2.5 billion and 488.8 million, respectively.*

g *A $3.2 million loan, with annual minimum variable rate of 3%, was obtained to finance the acquisition of Travellers' of an aircraft. The loan is secured by a mortgage over the aircraft, assignment of receivables and other icnome from the proposed block charter between Travellers and APEC, one of Travellers' subsidiary, assignment of insurance over the aircraft and unconditional and irrevocable guarantee of Travellers.*

h *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, and bears annual interest at 10.0% or U.S.$1.2 million, payable every six months.*

i *Alliance Global Group Cayman Islands, Inc. issued seven-year bonds with interest of 6.50% per annum payable semi-annually every February 18 and August 18 each year, which are listed in Singapore Exchange Securities Trading Limited. The bonds will mature on 2017.*

j *Travellers issued $300.0 million face value note, with nominal annual interest of 6.9% per, payable semi-annually. The notes bear annual effective effective interest of 7.2%.*

k *On April 15, 2011, Megaworld issued seven-year term bonds which bear interest of 6.75% per annum payable semi-annually in arrears every April 15 and October 15 each year. The bond will mature on April 15, 2018.*

l *On April 2013, Megaworld issued a 10-year term bonds which bears interest of 4.25% per annum payable semi-annually every Apirl 10 and April 10 and October 10 each year. The bond will mature on 2023*

m *On November 18, 2009, Megaworld issued a P5.0 billion fixed rate unsecured bonds with a term of five years and six months and which bear an interest of 8.46% per annum.*

Legend:

AGI - Alliance Global Group, Inc.
Megaworld - Megaworld Corporation
AG Cayman - Alliance Global Group Cayman Islands, Inc.
NTLPI - Newtown Land Partners, Inc.
EELHI - Empire East Land Holdings, Inc.
SPI - Suntrust Properties, Inc.
GADC - Golden Arches Development Corporation
MRO - McDonald's Restaurant Operations, Inc.

Alliance Global Group, Inc. and Subsidiaries
Schedule F - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2013

Title of issue and type of obligation	*Amount authorized by indenture*	*Balance at the beginning of year*	*Balance at the end*
Loans:			
McDonald's Restaurant Operations, Inc.	$ 12,000,000	P 492,600,000	P 532,724,721

Alliance Global Group, Inc. and Subsidiaries
Schedule G - Guarantees of Securities of Other Issues
December 31, 2013

Name of Issuing Entity of Securities Guaranteed by the Company for which this statement is Filed	*Title of Issue of Each Class of Securities Guaranteed*	*Total Amount Guaranteed and Outstanding*	*Amount Owned by Person for which this Statement is Filed*	*Nature of Guarantee*
APEC Assets Limited by Travellers International Hotel Group, Inc.	Loans Payable to Maybank International (L) Ltd	P 142,124,800	P 142,124,800	Guarantee of Principal and Interest
Alliance Global Group Cayman Islands, Inc. by Alliance Global Group, Inc.	US$ 500.0 million, 7-year, 6.5% note listed in the Singapore Exchange Securities Trading Limited	21,976,374,674	21,976,374,674	Guarantee of Principal and Interest
		P 22,118,499,474	P 22,118,499,474	

Alliance Global Group, Inc. and Subsidiaries
Schedule H - Capital Stock
December 31, 2013

				Number of shares held by		
Title of Issue	***Number of shares authorized***	***Number of shares issued and outstanding as shown under the related balance sheet caption***	***Number of shares reserved for options, warrants, conversion and other rights***	***Related parties***	***Directors, officers and employees***	***Others***
Common shares - P1 par value	12,950,000,000	10,269,827,979	-	5,801,338,832	346,690,940	4,121,798,207

ALLIANCE GLOBAL GROUP, INC.
7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark,
188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City

SCHEDULE I - Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2013

Unappropriated Retained Earnings at Beginning of Year	P	4,863,744,080
Effect of Prior Period Adjustments		-
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		4,863,744,080
Net Profit Realized during the Year		
Net profit per audited financial statements		8,445,435,971
Other Transactions During the Year		
Cash dividends declared	(	3,902,534,632)
Retained Earnings Restricted for Treasury Shares		-
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	**P**	**9,406,645,419**

ALLIANCE GLOBAL GROUP, INC.
SCHEDULE J - FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2013 and 2012

	12/31/13	12/31/12
Current ratio	3.91	3.37
Quick ratio	2.62	2.15
Liabilities-to-equity ratio	0.75	0.89
Interest-bearing debt to total capitalization ratio	0.39	0.43
Asset -to-equity ratio	1.75	1.89
Interest rate coverage ratio	677%	770%
Net profit margin	18.69%	20.07%
Return on assets	6.94%	7.53%
Return on equity/investment	12.12%	14.26%
Return on equity/investment of owners	15.99%	16.58%

LIQUIDITY RATIOS measure the business' ability to pay short-term debt.
Current ratio - computed as current assets divided by current liabilities
Quick ratio - computed a cash, marketable securities, accounts receivable divided by current liabilities.

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term debt.
Liabilities-to-equity ratio - computed as total liabilities divided by stockholders'equity.
Interest-bearing debt to total capitalization ratio - computed as interest-bearing debt divided by interest-bearing debt + stockholder's equity attributable to controlling interest

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency. It shows how much of the assets are owned by the company. It is computed as total assets divided by stockholders'equity.

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments. It is computed as profit before income tax and interest expense ("EBIT") divided by interest.
In the computation, non-recurring gain is excluded from EBIT.

PROFITABILITY RATIOS
Net margin - computed as net profit divided by revenues
Return on assets - net profit divided by total assets
Return on investment - net profit divided by total stockholders' equity
Return on investment of equity owners- net profit attributable to owners of the parent divided by equity attributable to ownersof the parent company

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES

SCHEDULE K - Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters**	✓		
	Amendment to PFRS 1: Government Loans**	✓		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions**	✓		
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *(deferred application)*			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments*			✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendment to PFRS 10: Transition Guidance	✓		
	Amendment to PFRS 10: Investment Entities	✓		
PFRS 11	Joint Arrangements	✓		
	Amendment to PFRS 11: Transition Guidance	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendment to PFRS 12: Transition Guidance	✓		
	Amendment to PFRS 12: Investment Entities	✓		
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✓		

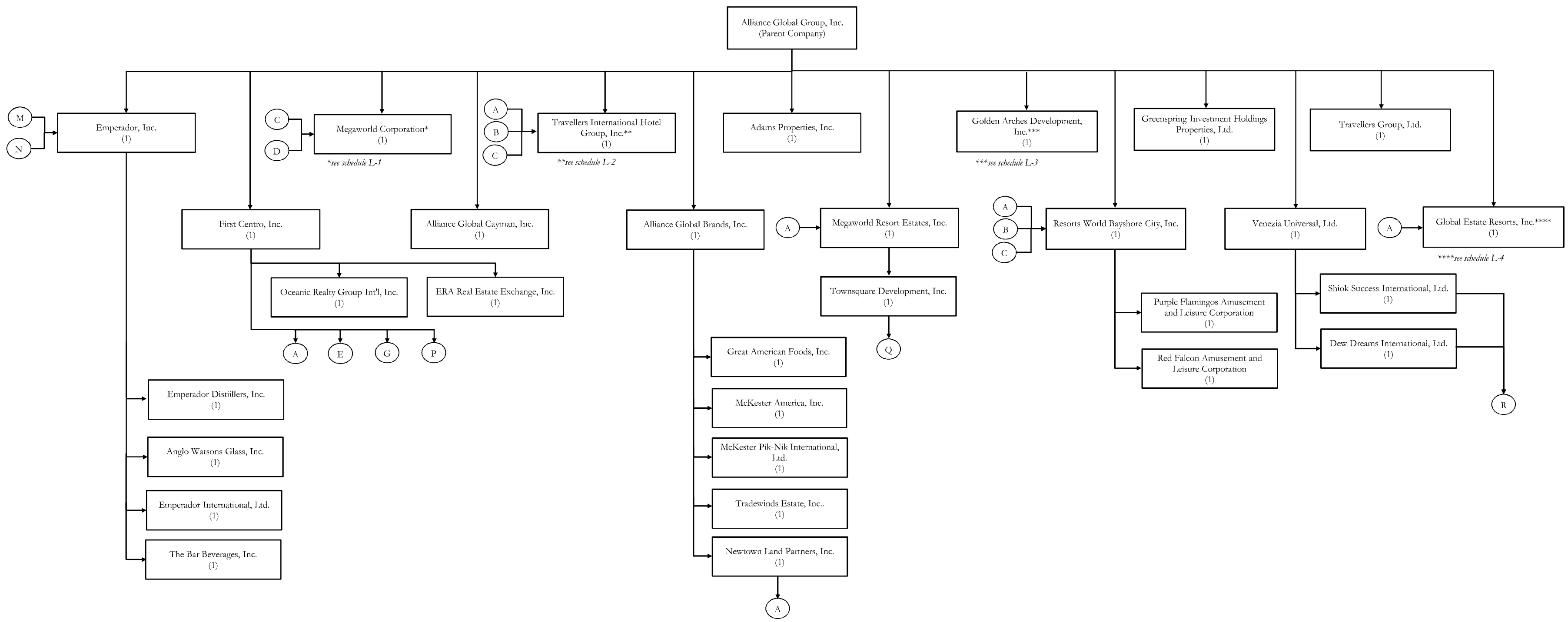
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendment to PAS 27: Investment Entities	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities* *(effective January 1, 2014)*			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets* *(effective January 1, 2014)*			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting* *(effective January 1, 2014)*			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	✓		
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs			✓

* These standards will be effective for periods subsequent to 2013 and are not early adopted by the Company.

** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

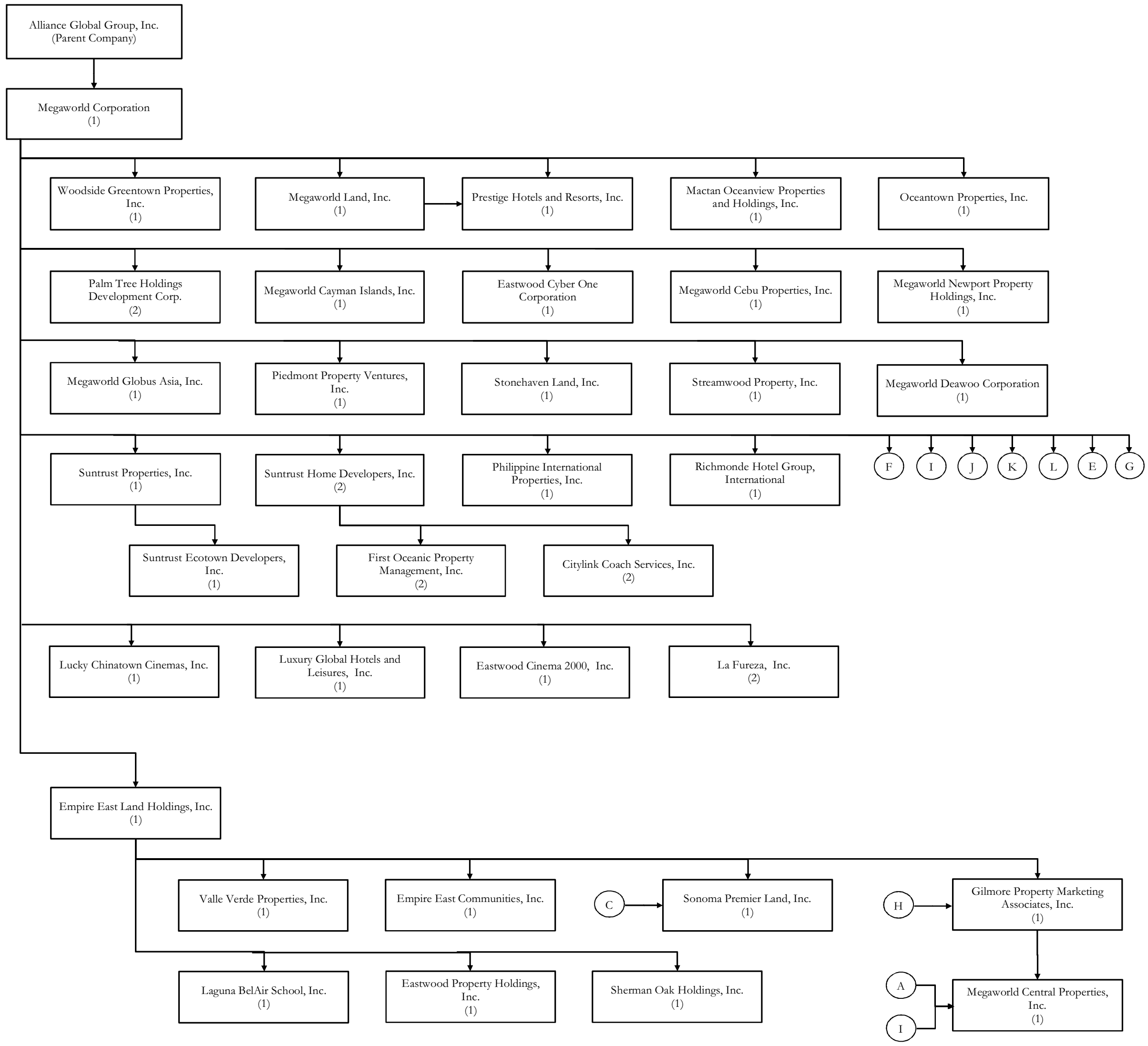
ALLIANCE GLOBAL GROUP, INC.
Schedule L - Map Showing the Relationship Between and Among the Company and Its Related Parties
December 31, 2013



Legend

(1)	Subsidiary	A	Megaworld Corporation	F	Manila Bayshore Property Holdings, Inc.	K	Megaworld Global Estates, Inc.	P	Sonoma Premier Land, Inc.
(2)	Associate	B	Adams Properties, Inc.	G	ResortsWorld Bayshore City, Inc.	L	Megaworld Central Properties, Inc.	Q	Gilmore Property Marketing Associates, Inc.
(3)	Jointly Controlled Entity	C	First Centro, Inc.	H	Townsquare Development, Inc.	M	Shiok Success International, Ltd.	R	Emperador Inc.
		D	Newtown Land Partners, Inc.	I	Megaworld Resort Estates, Inc.	N	Dew Dreams International, Ltd.		
		E	Travellers International Hotel Group, Inc.	J	Twin Lakes, Corp.	O	File-Estate Properties, Inc.		

ALLIANCE GLOBAL GROUP, INC.
Schedule L-1 - Map Showing the Relationship Between and Among the Company and Megaworld Corporation Group
December 31, 2013

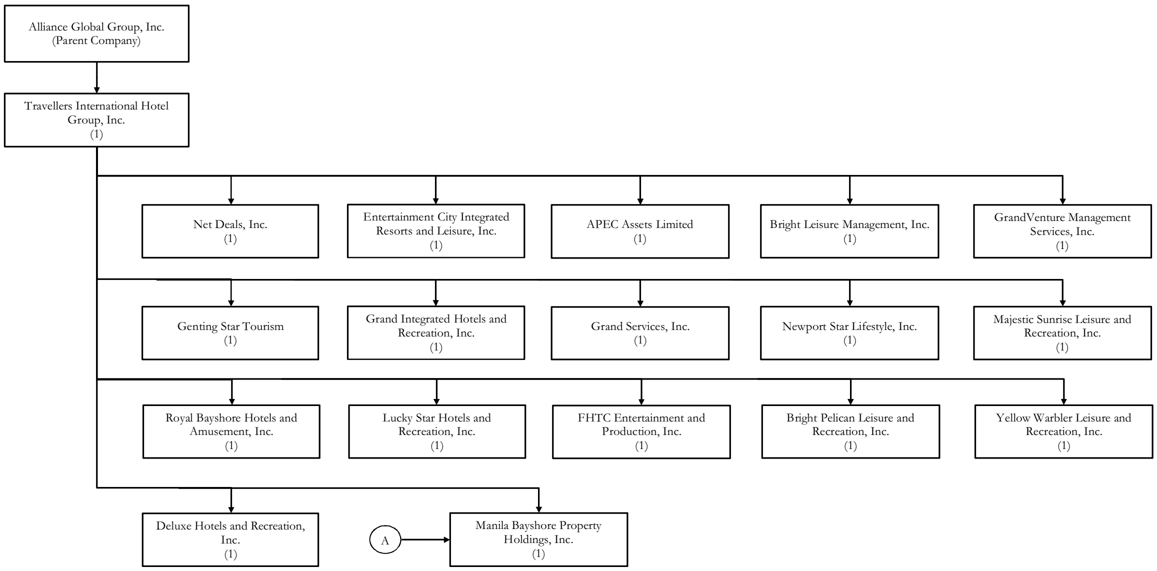


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld Corporation	J	Twin Lakes, Corp.
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	ResortsWorld Bayshore City, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

ALLIANCE GLOBAL GROUP, INC.
Schedule L-2 - Map Showing the Relationship Between and Among the Company and Travellers Group
December 31, 2013

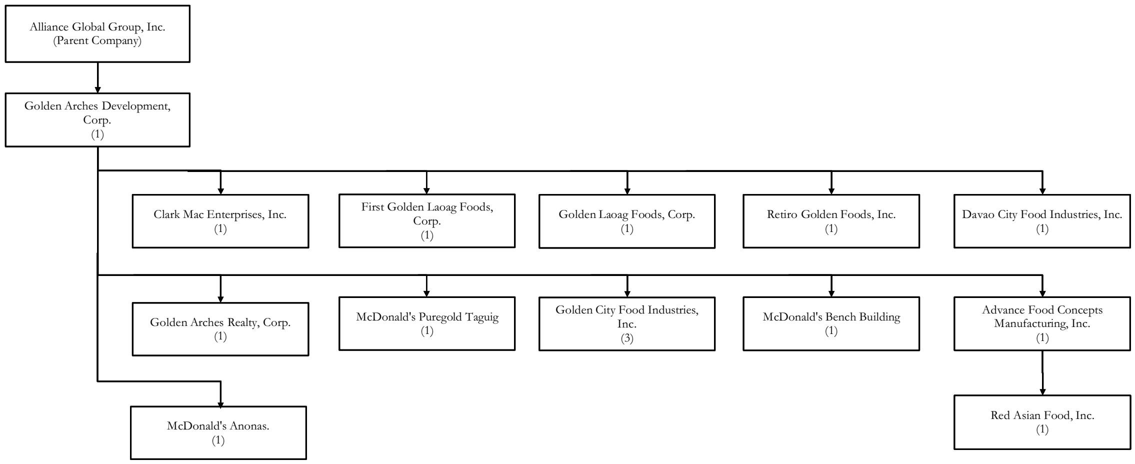


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld Corporation	J	Twin Lakes, Corp.
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	ResortsWorld Bayshore City, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

ALLIANCE GLOBAL GROUP, INC.
Schedule L-3 - Map Showing the Relationship Between and Among the Company and Golden Arches Development Corporation Group
December 31, 2013

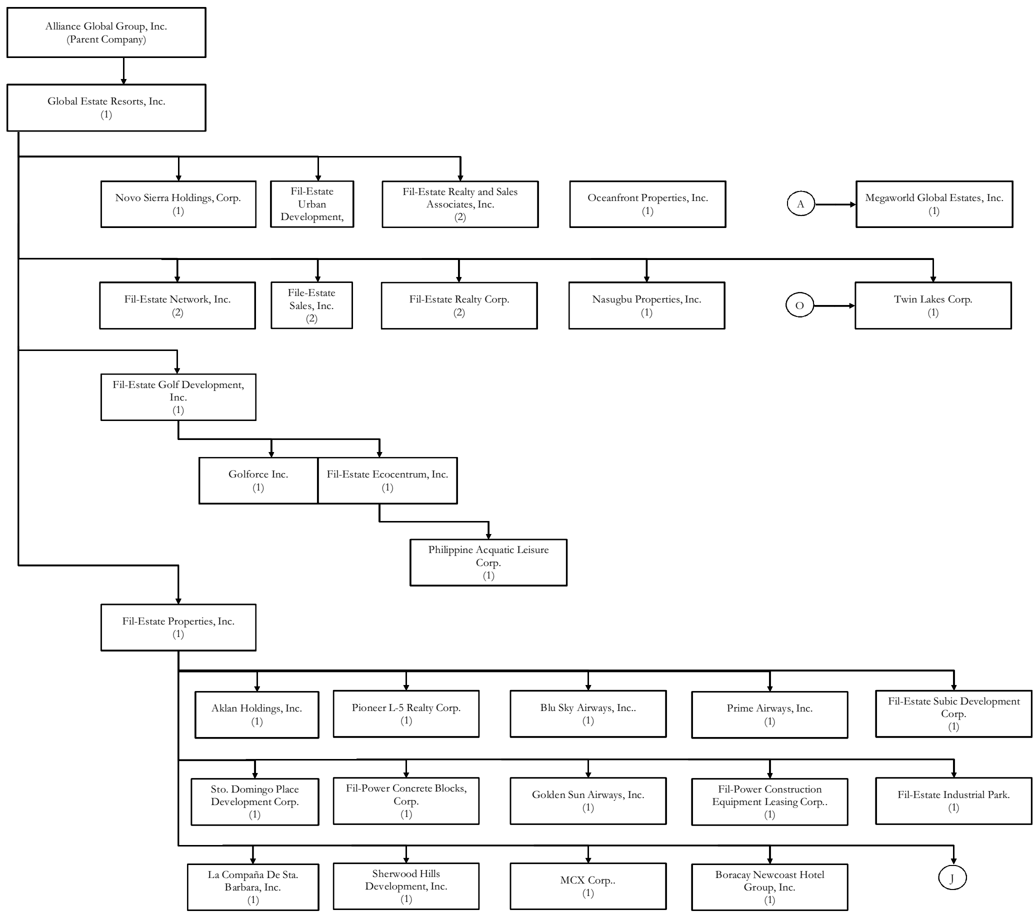


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld Corporation	J	Twin Lakes, Corp.
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	ResortsWorld Bayshore City, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

ALLIANCE GLOBAL GROUP, INC.
Schedule L-4 - Map Showing the Relationship Between and Among the Company and Global Estate Resorts Inc. Group
December 31, 2013



Legend

(1)	Subsidiary		
(2)	Associate		
(3)	Jointly Controlled Entity		
A	Megaworld Corporation	J	Twin Lakes, Corp.
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	ResortsWorld Bayshore City, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.