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SEC Registration No.

PHILIPPINE ESTATES CORPORATION

(Company's Full Name)

35TH FLR ONE CORPORATE CENTER
JULIA VARGAS COR. MERALCO AVE.
ORTIGAS CENTER, PASIG CITY

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

RIA CHRISTINA G. FRANCO

Contact Person

637-3112

Contact Telephone No.

12 31

Fiscal Year

SEC-17A

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

CFD

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

S T A M P S

Remarks = pls. use black ink for scanning purposes

MSEC Number 112978
File Number ______

PHILIPPINE ESTATES CORPORATION

(Company's Full Name)

35th Floor One Corporate Center, Julia Vargas Avenue cor. Meralco Avenue
Ortigas Center, Pasig City

(Company's Address)

637-3112

(Telephone Number)

December 31

(Fiscal Year Ending)
(month & day)

SEC FORM 17-A
(Form Type)

Amended Designation (if applicable)

2014

Period Ended Date

(Secondary Licensed Type and File Number

RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS
SEC ICTD APR 13 2015 12

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended December 31, 2014.

2. SEC Identification Number 112978   3. BIR Tax Identification No. 000-263-366

3. PHILIPPINE ESTATES CORPORATION

4. METRO MANILA, PHILIPPINES   6. [ ] (SEC Use Only)
Industry Classification Code:

7. 35th Floor, One Corporate Center, Julia Vargas Avenue cor. Meralco Avenue
Ortigas Center, Pasig City 1600

8. Telephone No. 637-3112   Area Code: 02

9. Securities registered:

5,000,000,000 Common Shares with par value of P1.00/share

No. of shares of Common Stock Issued and Outstanding:

1,445,549,830 common shares

Amount of Debt Outstanding:

P 403,002,854.00 (as per Financial Statements)

10. All of these securities which are all common shares are listed on the Philippine Stock Exchange.

11. The Corporation has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 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 and has been subject to such filing requirements for the past 90 days.

12. The aggregate market value of the voting stock held by non-affiliates of the Company is as follows:

Number of Shares	P 760,299,740
Market price as of 12/31/14	0.39
	P 296,516,899

PART 1 – BUSINESS

A. Description of Business:

(1) Business Development

The Company was incorporated on May 30, 1983 as "Philippine Cocoa Estates Corporation" under Securities and Exchange Commission (SEC) Registration No. 112978, with an authorized capital stock of only P1 million. Its primary purpose was to engage in all phases of agriculture. On February 29, 1984 its authorized capital stock was increased to P140 million. In November of that same year, the Company became a publicly listed company.

In 1987, the SEC approved two increases in the authorized capital stock of the Company: the first one on May 8 raising the capital to P180 million; and the second one on October 22, raising it further to P300 million.

In 1996, The Wellex Group, Inc. gained majority control of the Company and revamped its management. The new management opted for a change in business focus from agriculture to real estate, with the corporate vision of becoming a world-class real estate developer.

To align the Company to this new corporate vision, management applied with the SEC for approval to carry out certain strategic corporate changes. Thus, on May 16, 1996, the SEC approved the proposed changes, namely: (a) the change in the primary purpose clause from agriculture to the business of holding and developing real estate; (b) the change in the corporate name to reflect the new business focus; (c) the removal of the Class "A" and Class "B" classification of the Company's shares; and (d) the change in the par value of the shares from P10.00 to P1.00 per share.

Towards achieving its corporate vision, the Company filed an application to increase its authorized capital stock from P300 Million to P5 Billion. Out of this increase of P4.7 Billion, the amount of P1,194,333,800.00 was subscribed and paid up by five corporate investors. The principal part of the subscription was paid up by way of transfers to the Company of 45 parcels of land valued at P1,161,833,800.00, while a smaller portion of the subscription, amounting to P32,500,000.00 was paid through conversion of debt into equity. The increase in authorized capital stock was approved by SEC on March 26, 1997.

(2) Business of Issuer

With the acquisition of real properties by virtue of its agreement with Rexlon Realty Group, Inc., Recovery Real Estate Corporation, Ropeman International Corporation, The Wellex Group, Inc. and Pacific Rehouse Corporation, the Company conducted a study to determine the "highest and best use" of its real estate holdings for the purpose of enhancing their value and maximizing the returns to the stockholders.

The following are the projects of the company:

Completed Projects:

1. ***Pearl of the Orient Tower***.

   A 42-storey office-residential-recreational condominium tower in Roxas Boulevard, Manila.

   (No revenue for 2014)

2. ***Metrotech Industrial Park Valenzuela (formerly; Plastic City Industrial Park).***

   A 30-hectare, modern industrial park in the booming city of Valenzuela.

   (No revenue for 2014)

3. ***Pacific Grand Villas Phase 1.***

   The first phase of the successful Mediterranean-inspired residential community in the highly urbanized city of Lapu-lapu, Cebu.

   (No revenue for 2014)

4. ***Pacific Grand Villas Phase II.***

   The second completed project in Lapu-lapu City, Cebu, with bigger lot cuts than Phase 1 and new house models.

   (No revenue for 2014)

5. ***Pacific Grand Villas Phase III.***

   The third in the series of thriving Pacific Grand Villas communities in Lapu-lapu City, Cebu.

   Revenue for 2014 : P 7,004,289 6%

6. ***Chateaux Geneva.***

   A 10-hectare Swiss-Victorian themed community in the prime district of Jaro, Iloilo City.

   (No revenue for 2014)

ONGOING / CURRENT PROJECTS:

1. ***Pacific Grand Villas Phase IV.***

Phase 4 of Pacific Grand Villas features some 356 prime residential lot units. In this project we introduced at least four more new house models to satisfy the evolving demands of the market. This project caters also to an international blend of buyers, just like the earlier phases, making Pacific Grand Villas an international community that meets global standards and lifestyle.

Revenue for 2014: P 80,201,983 68%

2. ***Pacific Grand Townhomes Phase 1.***

The Pacific Grand Townhomes is a middle-class Victorian-themed townhouse project located in Lapu-Lapu City. It boasts of the exclusivity of a pocket community, consisting of 43 units of elegantly designed houses.

This stylish community is proximate to private and public institutions, recreational areas, schools, resorts, business and trade centers.

(No revenue for 2014)

3. ***Costa Smeralda.***

The second of our exclusive residential communities in Iloilo City, Costa Smeralda is themed after the famed Italian coastal resorts. Offering 395 lot-units, we introduced in this village four trendy yet sophisticated house designs of varying floor areas, blending form and function to perfectly suit the requirements of discriminating buyers.

Revenue for 2014: P 31,501,525 27%

4. ***Joint Project with Amaia Land (an Ayala Land company) for a residential subdivision in Cavite.***

The company has entered into a memorandum of agreement with Amaia Land (an Ayala Land Company) for the development of its 16-hectare property in General Trias, Cavite into a residential subdivision. The property is now being developed as part of the AmaiaScapes residential project, offering affordable house-and-lot packages.

(No revenue for 2014)

PROJECTS IN THE PIPELINE

1. ***Pacific Grand Villas Phase 5.***

   A follow-up to the highly successful Pacific Grand Villas series, Phase 5 is an expansion of the Mediterranean themed village in Lapu-lapu City Mactan, Cebu. The masterplanned community shall have bigger houses and lot cuts. Situated in the main entrance avenue by the commercial area, prime sections of this phase offer shop houses or specially-designed home-buildings, the ground floors of which are devoted to village commercial enterprises like salons, boutiques, clinics, spa, convenience stores, and the like. These units will be sold together with a luxurious housing component in this low density phase.

2. ***Aureville.***

   This project is our third residential community in Iloilo City. The house-and lot packages are mainly designed for homebuyers inclined for economy, maximizing value-for-money. Consisting of about 10 hectares, the initial offering is two bungalow-type house models of French inspiration. These single-level houses are very much suited also for senior citizens and retirees.

3. ***Pacific Grand Townhomes Phase II.***

   A very exclusive, pocket townhouse enclave, stylishly Mediterranean but with a *moderne* twist.Just right for young upwardly-mobile professionals or starter families, though equally attractive as full-family dwellings.Located in the hub of city conveniences, and all the fun of living in the resort city island setting of Mactan.

4. ***Commercial Project in Cebu.***

   A two-hectare, fully commercial area is allocated right by the main entrance frontage of Pacific Grand Villas in Lapu-lapu City, Cebu. The plan incorporates shopping arcades for shops such as food and entertainment, offices, banks, and other commercial outlets.

5. ***Exclusive Residential Enclave in Cebu.***

   Located in a prime section of an exclusive subdivision in Lapu-lapu City, Cebu, this pilot project consists of about 60 townhouse-type units. It is contemplated to be styled in the condominium concept, to afford ownership opportunities to foreigners opting to have their primary residences in Cebu.

FUTURE PROJECTS

1. ***Jaro Grand Estates – South.***

   Commercial-Institutional / Mixed-use estate strategically located just 3.3 kilometers away from Jaro Plaza, the Jaro Grand Estates (**JGE**)`is a 100-hectare master-planned community near Iloilo City's major hubs including colleges and universities, commercial and business areas, hospitals and government centers, air and sea ports. It integrates several land uses into a singular development. JGE is divided into 2 major enclaves: the JGE North, comprising of at least five themed residential villages, and the JGE-South that is planned for commercial mixed-use developments.

   When completed, the 40-hectare JGE-South is envisioned to feature its own commercial and restaurant strips, office and business centers, education area, and a hotel and tourist district.

2. ***Residential Projects in Luzon – Cavite, Bulacan, and other Luzon Growth Areas.***

   Philippine Estates Corporation continues to pursue project prospects in select locations in CALABARZON to the South, and Bulacan, Pampanga and Tarlac to the North.

3. ***Mixed-use development ventures in Metro Manila and Cebu.***

   Philippine Estates Corporation has been eyeing to engage in commercial real estate development as a natural offshoot of its experience and expertise in developing a variety of projects in different market categories. The company has already been into horizontal subdivision, high-rise condominium and industrial park developments.

   The Company is seriously considering the very lucrative potential of at least three select sites in Metro Manila - Ortigas, Malate, and Quezon City – and another site in Cebu. The plan is to build high-rise residential and office-commercial towers, with shopping, entertainment, and health-and-leisure components.

   The company is also conducting earnest feasibility studies of going into mixed-use developments that may include residential, commercial and office components and mid-rise structures in Metro Manila.

4. ***Condominium and upscale housing with commercial component, 21 hectares in Valenzuela.***

   Philippine Estates Corporation has teamed up with several other corporate landowners for a proposed development with Avida Land Corporation (a wholly-owned subsidiary of Ayala Land) of the prime estate in Valenzuela City, into a project that includes condominiums, upscale housing, and commercial components.

Competition:

The Company expects to compete with the biggest real estate developers all over the country. By strategically positioning itself in fast growing markets where land is still plenty and relatively less expensive, and by adhering to innovativeness and high standards of design and construction, the registrant anticipates its projects to set the trend in property building. The registrant has institutionalized its property management system and after-sales service to ensure that its developments will remain highly valued long after their turnover to buyers.

For its residential projects, the registrant targets the lower middle to middle-income families composed mostly of professionals and overseas Filipino workers.

Competitive business conditions and the registrant's competitive position in the industry and methods of competition.

Banks are more aggressive now in extending working capital to developers and financing to buyers. The government too is very visible in promoting its programs to answer the backlog in housing.

In the light of these, and the resilience of Filipinos to internal and external changes, the overall outlook on the Philippine economy as it relates to the real estate industry is optimistic. There has been a big positive shift from the former 'wait-and-see' attitude in property investments. Indeed, there has been more new projects being offered in the market signifying reviewed confidence of buyers and investors.

The Company is continually putting on stream various projects for implementation to take advantage of the continuing bullish outlook in the economy and the real estate industry.

The Company's projects are located not just in one area, but in several developed areas all over the country, thereby enhancing its market base.

The real estate industry remains to be growing, both for the local market and those targeting Filipinos overseas, whether OFW's or those who have relatives who are citizens abroad, or who happen to be married to foreigners. For the local market, there remains a real demand for millions and millions of houses that remain unserved. There is a trend towards providing more affordable packages in order to meet the real need of a wider market base, other than targeting the high-end market which, although the market remains, has become more cautious, and has much less sales velocity and demands bigger upfront capital input. Currently we cater more to the middle-income residential market. Competition in pricing has become stiff. We introduced more affordable house-and-lot packages whose prices and terms are easier for the wider market. Currently, our projects are mainly in Lapu-lapu City, Cebu, and in Iloilo City. The Company sees itself primarily as a developer of prime properties, not only in Metro Manila, but also in urban areas outside the capital, like Cebu and Iloilo. The registrant also plans to extend operations in rapidly growing areas in the south and across the countryside as well. The Company believes there remains a large untapped market in these locations offering tremendous opportunities for high-value properties. These areas also offer less competitors and relatively less expensive land component.

In Lapu-lapu City, Cebu, our current major competitors and their projects are as follows: CEBU DEVELOPERS - (1) Primary Homes, Inc. - - Projects: Brookefield, and Collinwood; and (2) MSY Holdings - - Bayswater ; NATIONAL DEVELOPERS - (1) Filinvest - - Project: Aldea del Sol; (2) Camella Homes/Villar Group - - Project: Montserrat.The Cebu developers have the benefit of being familiar locally. Primary Homes is the sister company of Primary Structures which is an established construction company in Cebu and possibly the biggest costruction company in Central and Southern Philippines. MSY Holdings, established in 2003 by Mariquita Salimbangon-Yeung, is a conglomerate engaged in landholdings and farming, memorial park development, resort and hotel development, and residential real estate. Filinvest and Camella/Villar Group are known developers in various market segments and categories all over the country.

In Iloilo City, our current major competitors and their projects are as follows: (1) Property Company of Friends, Inc. or ProFriends - - Montecillo Villas; (2) Crown Asia/Villar Group - - Savannah. ProFriends is an active developer with hundreds of hectares of completed and ongoing projects in Luzon. Crown Asia/Villar Group is a known developer in various segments and categories all over the country.

Despite the increasing competition, we are competitive because we are able to continuously offer innovative designs and packaging, including terms of payment to buyers, and incentives to our sellers/brokers. Very significantly, our projects have been known to be of good quality, for which we have been recognized and given an award as Leading Developer in Region 7 for Open Market Housing.

Sources and availability of raw materials:

The Company's construction of real estate projects are done through contractors. Contract packages are outsourced under competitive bidding, and we select contractors with proven experience, and the ones who can give us the best value for money. Part of our construction agreements with them is the detailing of the bill of materials that will be used for the projects, ensuring the desired quality. All materials and suppliers are readily available in the places where we have projects. There are no suppliers or contractors upon which we are dependent on.

Transactions with and/or dependence on related parties:

The Group makes advances to and from related parties for working capital requirements and for those related to joint venture agreements and other transactions.

Details of the Group's advances to related parties for the years ended December 31, 2014 and 2013 are as follows:

December 31, 2014	At beginning of Year	Additional advances/ Impairment	Accrual of interest	Collection/ reversal of impairment	At end of year
Common key management					
Plastic City Corp. *(a)*	*₱ 169,666,421*	*₱ 452,703*	*₱ 3,402,383*	–	*₱ 173,521,507*
Forum Holdings Corp. *(b)*	*72,512,895*	–	*1,422,957*	*(2,612,588)*	*71,323,264*
Kennex Container Corp. *(b)*	*28,526,684*	–	*553,916*	*(1,384,790)*	*27,695,810*
Orient Pacific Corp. *(b)*	*30,936,860*	–	*436,904*	–	*31,373,764*
Heritage Pacific Corp. *(b)*	*18,282,984*	–	*365,661*	–	*18,648,645*
Metro Alliance Holdings and Equity Corp. *(d)(e)*	*17,577,993*	–	*351,560*	–	*17,929,553*
Noble Arch Realty and Construction *(c)*	*17,685,025*	*60,221*	*352,966*	–	*18,098,212*
Pacific Rehouse Corp. *(b)*	–	–	–	–	–
Bataan Polytethylene Corp.	*172,729*	–	*3,456*	–	*176,185*
Weltex Industries Corp. *(e)*	*97,034*	–	–	*(97,034)*	–
Rexlon Industrial Corp. *(e)*	*25,385*	–	–	*(25,385)*	–
The Wellex Group, Inc.	–	*8,142,782*	*162,856*	–	*8,305,638*
Stockholders					
International Polymer Corp. *(b)(f)*	*65,524,431*	–	*1,884*	*(65,429,996)*	*96,319*
Ropeman International Corp. *(e)*	*136,381*	–	–	*(136,381)*	–
	421,144,822	*8,655,706*	*7,054,543*	*(69,686,174)*	*367,168,897*
Allowance for impairment					
Plastic City Corp.	*22,466,500*	–	–	–	*22,466,500*
Forum Holdings Corp.	*9,714,260*	–	–	–	*9,714,260*
International Polymer Corp.	*6,693,685*	–	–	*(6,597,366)*	*96,319*
Kennex Container Corp.	*3,620,012*	–	–	*(830,874)*	*2,789,138*
Orient Pacific Corp.	*3,161,455*	–	–	–	*3,161,455*
Heritage Pacific Corp.	*2,769,393*	–	–	–	*2,769,393*
Metro Alliance Holdings and Equity Corp.	*2,384,888*	–	–	–	*2,384,888*
Noble Arch Realty and Construction	*2,310,405*	–	–	–	*2,310,405*
Pacific Rehouse Corp.	–	–	–	–	–
Bataan Polyethylene Corp.	*153,468*	–	–	–	*153,468*
Rexlon Industrial Corp.	*5,894*	–	–	*(5,894)*	–
	53,279,960	–	–	*(7,434,134)*	*45,845,826*
	₱ 367,864,862	*₱ 8,655,706*	*₱ 7,054,543*	*(₱ 62,252,040)*	*₱321,323,071*

December 31, 2013	At beginning of year	Additional advances/ impairment	Accrual of interest	Collection/ reversal of impairment	At end of year
Common key management					
Plastic City Corp. *(a)*	₱ 164,724,195	₱ –	₱ 4,942,226	₱ –	₱ 169,666,421
Forum Holdings Corp. *(b)*	73,210,157	–	2,196,305	(2,893,567)	72,512,895
Kennex Container Corp. *(b)*	27,695,810	–	830,874	–	28,526,684
Orient Pacific Corp. *(b)*	24,018,139	–	720,544	(2,893,567)	21,845,116
Heritage Pacific Corp. *(b)*	20,559,758	–	616,793	(2,893,567)	18,282,984
Metro Alliance Holdings and Equity Corp. *(d)(e)*	17,066,013	–	511,980	–	17,577,993
Noble Arch Realty and Construction *(c)*	17,074,170	61,833	512,225	–	17,648,228
Bataan Polytethylene Corp.	167,698	–	5,031	–	172,729
Weltex Industries Corp. *(e)*	94,208	–	2,826	–	97,034
Rexlon Industrial Corp. *(e)*	24,646	–	739	–	25,385
Stockholders					
International Polymer Corp. *(b)(f)*	63,709,938	–	1,911,298	(96,805)	65,524,431
Ropeman International Corp. *(e)*	132,411	–	3,970	–	136,381
	408,477,143	61,833	12,254,811	(8,777,506)	412,016,281
Allowance for impairment					
Plastic City Corp.	22,466,500	–	–	–	22,466,500
Forum Holdings Corp.	9,714,260	–	–	–	9,714,260
International Polymer Corp.	6,693,685	–	–	–	6,693,685
Kennex Container Corp.	3,620,012	–	–	–	3,620,012
Orient Pacific Corp.	3,161,455	–	–	–	3,161,455
Heritage Pacific Corp.	2,769,393	–	–	–	2,769,393
Metro Alliance Holdings and Equity Corp.	2,384,888	–	–	–	2,384,888
Noble Arch Realty and Construction	2,310,405	–	–	–	2,310,405
Pacific Rehouse Corp.	–	–	–	–	–
Bataan Polyethylene Corp.	153,468	–	–	–	153,468
Rexlon Industrial Corp.	5,894	–	–	–	5,894
	53,279,960	–	–	–	53,279,960
	₱ 355,197,183	₱ 61,833	₱ 12,254,811	(₱ 8,777,506)	₱ 358,736,321

Orient Pacific Corp.	3,161,455	–	–	–	3,161,455
Heritage Pacific Corp.	2,769,393	–	–	–	2,769,393
Metro Alliance Holdings and Equity Corp.	2,384,888	–	–	–	2,384,888
Noble Arch Realty and Construction	2,310,405	–	–	–	2,310,405
Pacific Rehouse Corp.	1,394,587	–	–	(1,394,587)	–
Bataan Polyethylene Corp.	153,468	–	–	–	153,468
Rexlon Industrial Corp.	5,894	–	–	–	5,894
	54,674,547	–	–	(1,394,587)	53,279,960
	P 360,248,885	P3,246,626	P 11,940,544	(P13,899,505)	P364,325,744

Details of the Group's advances from related parties for the years ended December 31, 2014 and 2013 are as follows:

December 31, 2014	At beginning of Year	Additional advances from related parties	Settlement/Reversal	At end of year
Common key management				
Concept Moulding Corp.	*₱ 2,300,000*	*₱ 1,530,646*	–	*₱ 3,830,646*
Waterfront Cebu City Hotel	*76,602,783*	–	*(76,602,783)*	–
The Wellex Group, Inc.	*22,964,332*	*4,774,271*	–	*27,738,603*
Pacific Rehouse Corp.	*76,369,616*	*21,384,841*	–	*97,754,457*
Manila Pavilion	*166,530*	–	–	*166,530*
	₱ 178,403,261	*₱ 27,689,758*	*(₱ 76,602,783)*	*₱129,490,236*

December 31, 2013	At beginning of year	Additional advances from related parties	Settlement/Reversal	At end of year
Common key management				
Concept Moulding Corp.	*₱ 2,300,000*	*₱ –*	*₱ –*	*₱ 2,300,000*
Waterfront Cebu City Hotel	*39,168,686*	*44,361,294*	*(7,160,364)*	*76,369,616*
The Wellex Group, Inc.	*39,584,217*	*60,774,532*	*(23,755,966)*	*76,602,783*
Pacific Rehouse Corp.	*25,881,573*	*6,333,698*	*(9,250,939)*	*22,964,332*
Manila Pavilion	–	*166,530*	–	*166,530*
	₱ 106,934,476	*₱ 111,636,054*	*(₱ 40,167,269)*	*₱ 178,403,261*

a) Plastic City Corporation (PCC)

Advances to PCC represent interest bearing cash advances which bears an interest of 13% per annum. In 2009, PCC committed to pay by way of transfer of eleven (11) properties located at Metrotech Industrial Park with a total area of 21,475 sq.m. valued at P6,450/sq.m. The transfer, however, did not materialize in 2009 because of an impending "Lis pendens" case that was resolved with finality only on March 26, 2010. Subject properties were purchased by Plastic City Corporation from the Philippine National Bank (foreclosed properties) which were subject of the abovementioned case filed by Quisumbing et, al. The Supreme Court issued its final decision, in favor of PNB.

On May 2, 2011, PCC and the Group re-entered into a memorandum of agreement wherein PCC will transfer the ownership of the said properties as payment to its outstanding obligation to the Group. As at December 31, 2014 and 2013, the outstanding advances to PCC has not been settled pending transfer of property from PNB to PCC.

b) Forum Holdings Corp. (FPH), International Polymer Corporation (IPC), Kennex Container Corp. (KCC), Orient Pacific Corporation (OPC) , and Heritage Pacific Corporation (HPC)

In 2009, FPH, IPC, KCC, OPC, HPC and PRC executed respective unsecured promissory notes (PN) to cover their respective outstanding advances to the Parent Company with terms ranging from three to five years and bear interest of three percent (3%) per annum, renewable upon agreement of the parties. These PNs were renewed in 2014 with a three-year term and an interest of two percent (2%) per annum. These cash advances are to be settled through cash payments.

c) Noble Arch Realty and Construction Corporation (NARCC)

In 2005, NARCC entered into a Contract to Sell with Union Bank of the Philippines involving eight (8) parcels of land located in Valenzuela City, with an aggregate area of 15,997 square meters.

For the purpose of paying the obligation arising from the abovementioned contract, NARCC sought the assistance of the Group through subsequent interest bearing cash advances.

In 2008, for the purpose of paying off its advances from the Group, NARCC executed a Deed of Assignment, conveying to the Group, all its rights, interest and title under the Contract to Sell between NARCC and Union Bank.

As at December 31, 2014 and 2013, the deed of assignment is pending due to the delay in the transfer of ownership from the bank to the Group (assignee).

Subsequent to December 31, 2014, the properties were transferred to the Group through Deed of Absolute Sale executed by the Group and Union Bank of the Philippines on March 23, 2015.

d) Metro Alliance Holdings and Equity Corporation (MAHEC)

The Group provides unsecured advances to Metro Alliance Holdings and Equity Corporation with principal amount of ₱2,152,577 which bear interest at the rate of 3% per annum. The Group and MAHEC has not yet agreed on the mode of settlement of advances.

e) Installment contract receivables from TWGI and IPC

In addition to the advances made to related parties, the Group also has installment contracts receivables from related parties due beyond one year as follows (see Note 5):

	2014	2013
The Wellex Group, Inc.	**₱ 37,089,286**	₱ 85,698,179
International Polymer Corporation	**10,807,989**	10,807,989
	₱ 47,897,275	₱ 96,506,168

Though some of the Group's advances to and installment contracts receivables have no significant movements during the year, management is confident that these are collectible in full through cash payment or by way of transfer of properties.

Principal terms and expiration dates of all patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements held:

The Company does not hold any patent, trademark, copyright, franchise, concession, or royalty agreement. Our project names, i.e. subdivision names, are submitted to, and approved by the Housing and Land Use Regulatory Board (HLURB) which limits the use of project names on a first come-first served basis. The project names serve as the marks or labels of our products (real estate projects), but as of now they are not materially significant yet to merit special accounting valuation or accounting claim as asset for disclosure purposes.

Effect of existing or probable governmental regulations on the business:

The Company seeks to comply with all governmental requirements concerning its business. Lengthy processing period in the issuance of permits and clearances poses a detriment in terms of marketing and selling the Company's projects.

All projects of the Company are approved and duly covered by pertinent permits.

Cost of Development Activities:

The Company incurred P2.194M, P5.244M, P1.529M, and P0.185M, as costs for development activities in years 2014, 2013, 2012, and 2011 respectively. These figures represent 2.76%, 1.64%, 0.54%, and 0.74% of the revenue for the respective years.

Out of the P5.244M incurred for cost of development activities for 2014, P0.439M represents advance 20% socialized housing counterpart credits as required by HLURB Memorandum Circular No. 25 dated October 12, 2006 pursuant to Section 18 of the R.A. No. 7279, the beneficiary being Megaworld Homeowners Association's Subdivision, a resettlement (socialized) project under the supervision of the LGU, through the Iloilo City Urban Poor Affairs Office more particularly described as Lot No. 4502-A covered by TCT No. T-6956 (T-15753) with an area of 30,000 sqm located at Barangay Lanit, Jaro, Iloilo City.

Cost and effect of compliance with environmental laws:

The Company's development plans provide for full compliance with environmental safety and protection in accordance with law. The Company provides the necessary sewage systems and ecological enhancements such as open space landscaping with greenery.

Need for any governmental approval of principal products and services.:

The company secures the necessary permits and licenses from various government agencies for the development and selling of its projects. Among such permits are the Environmental Compliance Certificate (ECC) from DENR, Development Permit from local government unit, and License to Sell (LTS) from the Housing and Land Use Regulatory Board.

Total number of employees:

Currently, the Company has a total of sixty six (66) employees.

	Cebu	Davao	HO	Iloilo	Grand Total
Admin	9	2	23	7	41
Marketing	1		2	2	5
Operations	4		14	2	20
Grand Total	**14**	**2**	**39**	**11**	**66**

None of them is subject to any collective bargaining agreement.

The Company has a funded, noncontributory tax-qualified defined benefit type of pension plan covering substantially all of its employees. The benefits are generally based on defined contribution formula with minimum lump-sum guarantee of 100% of the latest monthly salary per year of service.

Item 2. Properties

The Company has the following real estate properties:

PROJECT/ PROPERTY	*LOCATION*	*AREA*	*REMARKS*
Pacific Grand Villas 1	Mactan Island Cebu	10.2 has (531 lots)	Completed
Pacific Grand Villas 2	Mactan Island Cebu	8.70 has (261 lots)	Completed
Pacific Grand Villas 3	Mactan Island Cebu	8.40 has	Completed
Pacific Grand Villas 4	Mactan Island Cebu	6.70 has	
4A			70.30% Complete
4B			88.52% Complete
Pacific Grand Townhomes	Mactan Island Cebu	7,359 sqm.	69.52% Complete
MetroTech Industrial Park (formerly Plastic City Industrial Park)	Valenzuela City	30 has (110 lots)	Completed
Chateaux Geneva (JV w/ PRC)	Jaro, Iloilo City	10 has (421 lots)	Completed

Pearl of the Orient Tower (formerly Embassy Pointe Tower) (JV w/ Pearl of the Orient Realty & Devt. Corp.)	Roxas Blvd.	7,600 sqm. (91 units)	Completed
Costa Smeralda (Coastal Villas)	Jaro, Iloilo	8.9 has	49.26% Complete Model units constructed

Facilities owned by the company are generally in good condition.

We secured a credit line/loan from Luzon Development Bank in the amount of Pesos Twenty Million (P20,000,000.00) on December 15, 2011 for which some of our undeveloped lots in Lapu Lapu City that are not yet being sold were mortgaged to fund our project in Cebu specifically Pacific Grand Villas Phase 4B. Another loan was secured from Luzon Development Bank in the amount of Pesos Fifteen Million (P15,000,000.00) on November 29, 2012. Additional credit lines were secured from CV Financial Corporation in the amount of Pesos Thirty Million (P30,000,000) and Fifteen Million Pesos in November 2013 and March 2014 respectively.

Item 3. Legal Proceedings

An action for Certiorari and Prohibition was instituted before the Court of Appeals by the Registrant on July 23, 2003, under Case No. CA-G.R. Sp. No. 78192, entitled "PHES vs. Hon. Cesar D. Santamaria in his capacity as Presiding Judge of RTC Makati Branch 146, et. al.", praying for the annulment of two (2) orders of respondent Judge, dissolving the writ of preliminary injunction and enjoining him from further taking cognizance of the case. This involves a mortgage sale of a raw land property of the Corporation against a bank debt.

Relanie R. Acuesta vs. PHES – HLURB Case No. REM – 071805015 (Iloilo). For rescission of contract with refund and attorney's fees. Case was appealed from the Court of Appeals to the Supreme Court, which rendered a decision in favor of complainant. PHES settled with complainant based on court decision.

PHES vs. Norsophil – Civil Case No. 122-V-03 – RTC Br. 75, Valenzuela City. For specific performance with prayer for writ of preliminary attachment. Case submitted for decision.

Davis vs. PHES HLURB (Cebu) Case No. REM-CVR-111511-0686 for Non-Delivery of Title with Damages. Case was elevated to the Office of the President (O.P.) Case was submitted for Decision. Awaiting decision of the O.P.

Bongato vs. PHES Civil Case No. 73010-PSG RTC Branch 67 - Pasig City, for Collection of Sum of Money with Damages filed by a previous contractor against PHES. During mediation, the parties entered into a Compromise Agreement and submitted to the Honorable Court for its approval. Judgment was rendered based on the Compromise Agreement.

Ybañez vs. PHES HLURB (Cebu) Case No. REM-CVR-020912-0694 for Issuance of Title, Deed of Absolute Sale or Refund of Money with Damages. PHES already filed its Answer and this case was set for Mediation Conference. During mediation, the parties decided to settle amicably. A Compromise Agreeement was duly executed and submitted for the approval of the Labor Arbiter. Judgment was rendered based on Compromise Agreement.

Philippine Estates Corporation (PHES) vs Sps Marcel and Rosemarie Foyle CA GR SP No. 135020; HLURB Case no REM VII-0030805-0480 for Recission of Contract with Damages and Attorney's Fees. Case still pending with the Court of Appeals. The contending parties were directed to submitted their respective Memorandum.

Southstar Construction and Development Corporation represented by Ambrosio G. Buenaventura, Jr. vs. Kenneth T. Gatchalian Civil Case No. 1671-07, this is a case for Collection for Sum of Money with Damages. Case is pending on Petition for Review with the Court of Appeals.

Item 4. Submission of Matters to a Vote of Security Holders

During the Annual Stockholders' Meeting held on October 10, 2014, the following matters formed part of the Agenda and were submitted to the vote of, and were subsequently approved by a unanimous vote of the stockholders owning 62.19% of the shares issued and outstanding:

1. Call to order.
2. Report on attendance and quorum.
3. Approval of Minutes of the Previous Stockholders' Meeting
4. President's Report to the Stockholders' for the year 2013
5. Ratification of the Acts of the Board of Directors and Management for 2013
6. Election of Directors for the Ensuing Team
7. Appointment of External Auditor
8. Such other matters
    a. Amendment of Article FOURTH of Articles of Incorporation
       Re Principal office from Metro Manila to 35th Floor, One Corporate Center, Doña Julia Vargas Ave., cor Meralco Ave., Ortigas Center, Pasig City, Metro Manila
9. Adjournment

(a) Elected members of the Board of Directors:

NAMES	AGE	CITIZENSHIP
ANTONIO A. HENSON	74	FILIPINO
ELVIRA A. TING	54	FILIPINO
DEE HUA T. GATCHALIAN	66	FILIPINO
JOAQUIN P. OBIETA	80	FILIPINO
ARTHUR R. PONSARAN	71	FILIPINO
ARTHUR M. LOPEZ	68	FILIPINO
RENATO B. MAGADIA	77	FILIPINO
MIGUEL B. VARELA*	74	FILIPINO
SERGIO R. ORTIZ-LUIS, JR*	71	FILIPINO
JAMES B. PALIT-ANG	51	FILIPINO
RICHARD L. RICARDO	51	FILIPINO

* Independent Directors

(b) Elected External Auditor: Diaz Murillo Dalupan & Company

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS:

Some of the directors and executive officers were involved in certain proceedings specifically: Lily Y. Part vs. Antonio Henson, Elvira A. Ting, Arthur R. Ponsaran, Joaquin P. Obieta, Lisandro Abadia, Yolanda T. dela Cruz, Dee Hua T. Gatchalian, Kenneth T. Gatchalian, Arthur M. Lopez, Renato B. Magadia, James B. Palit-Ang and May Castillo, for violation of P.D. 957 and Syndicated Estafa. The same is pending with the Office of the City Prosecution of Iloilo City, and was consequently dismissed by the same office for lack of merit. The complainant in the same case elevated the matter to the Department of Justice on Petition for review. Neither of said respondents have been convicted by final judgment in any criminal proceedings, or has been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor, found in an action by any court or administrative bodies to have violated a securities and commodities law.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

1. Market Information

- The shares of the Company are traded at the Philippine Stock Exchange.

  The high and low sale prices for each quarter within the last two (2) fiscal years are as follows:

	2014		**2013**	
	High	*Low*	*High*	*Low*
Q1	0.470	0.340	0.710	0.540
Q2	0.380	0.380	0.620	0.440
Q3	0.420	0.325	0.460	0.390
Q4	0.470	0.340	0.380	0.360

- The sale price as of December 31, 2014 was P0.390.

2. Holders

The number of holders of common shares as of December 31, 2014 was 709.

Names of the Top Twenty (20) shareholders as of December 31, 2014, the number of shares held, and the percentage of total shares outstanding held by each.

Rank	Stockholder's Name	No. of Shares Held	% of Ownership
1	PCD Nominee Corporation (Filipino)	677,187,360	46.846
2	Rexlon Realty Group, Inc.	200,000,000	13.836
3	Ropeman International Corp.	178,270,000	12.332
4	Recovery Real Estate Corp.	150,000,000	10.377
5	The Wellex Group, Inc.	143,892,990	9.954
6	PCD Nominee Corporation (Non-Filipino)	81,982,000	5.671
7	Recovery Development Corp.	3,000,900	0.208
8	Vicente C. Co	1,575,000	0.109
9	Richard L. Ricardo	1,230,000	0.085
10	Renato B. Magadia	1,000,000	0.069
11	Anthony Samuel Lee	900,000	0.062
12	International Polymer Corp.	718,000	0.035
13	Juliet Bangayan	545,000	0.035
14	Rodolfo S. Estrellado	500,000	0.035
15	Elvira A. Ting	500,000	0.035
16	Benison L. Co	364,000	0.025
16	Kenneth T. Gatchalian	320,000	0.022
17	Carolina G. Aquino	250,000	0.017
17	Betty S. Chan	250,000	0.017
17	Neptali A. Gonzales	250,000	0.017
17	Hortencia Lim	250,000	0.017
18	Tin Fu or Trajano	201,000	0.014
19	AMA Rural Bank of Mandaluyong, Inc.	100,000	0.007
19	Xu Zhen Jia	100,000	0.007
19	Siuphin Sy	100,000	0.007
19	Johnny Yap	100,000	0.007
20	Delfin Lazaro	67,480	0.005

3. Dividends

(a) No cash dividends were declared on the Company's common equity for the last two fiscal years.

(b) Common shares are entitled to dividends which shall be payable out of the Company's surplus profits. Dividends shall be declared at such time and in such manner and in such amounts as the Board of Directors shall determine. No dividends shall be declared if this will impair the capital of the Company.

4. Recent Sale of Unregistered Securities

There has been no sale of unregistered securities within the past three (3) years.

Item 6. Management's Discussion and Analysis or Plan of Operation

A) FULL FISCAL YEAR:

Results of Operations:

In the year 2014, the company was able to post a consolidated net sales of P118.708M compared to P189.78M sales of 2013 which shows a decrease of 37%.

The Company's current ratio registered at 358.95:1. Current Assets reached P817.886M while Current Liabilities registered at P227.853M. Debt-to-equity ratio registered at 1:38.31. The balance sheet shows accounts indicative of positive liquidity condition. Total assets registered at 1.455B.

Comparative Top Key Performance Indicators of the Company:

Management evaluates the Company's performance as it relates to the following:

a. Sales – The Company gauge its performance by determining the return on sales (net income after tax over the net sales). It indicates net profitability of each peso of sales.

b. Accounts Receivable – The Company assesses the efficiency in collecting receivables and in managing of credit by determining the past due ratio thru the aging of receivables.

c. Gross Profit Margin – Measures effectiveness of pricing and control of project development cost. This is derived by dividing gross profit over net sales.

d. Working Capital – The Company's ability to meet obligations is measured by determining current assets over current obligations. Working capital turnover is calculated by dividing Cost of Sales over Net Working Capital.

e. Variance Analysis – Another tool that measures efficiency on how the actual sales were attained via a vis forecasted sales.

INDICATOR	2014	2013
Return on Sales	11.26%	18.72%
Past Due Ratio	15.17%	28.09%
Gross Profit Rate	53.02%	43.30%
Working Capital Turnover	0.095	0.098
Sales Variance	-24.04%	-9.08%

Financial Condition:

Causes of material changes from period to period of financial statements:

a. Cash and Cash Equivalents – the significant increase of 391.56% was basically attributable to improved collection on sales, proceeds from loans and settlement from Kumassie plantation.

b. Prepayments and Other Assets – the 11.98% decrease was due to usage of creditable withholding taxes

c. Current Trade Receivables – the decrease of 12.14% was due to improved collection on sales

d. Deferred Tax Liability – the 16.00% decrease was due to adjustment on Deferred Gross profit

e. Accounts Payable and Accrued Expenses – the decrease of 14.60% was due to payment to contractors and suppliers

f. Loans Payable - the increase of 7.52% was the result of additional loan availed from CV Financial Corp

g. Retention Payable and Guaranty bonds – the 26.45% decrease pertains to the 10% retained payment of each progress billing of contractors to be paid until full completion of the contract of on-going projects.

h. Deferred Gross Profit – the increase of 20.99% was due to sales generated for the year.

i. Retirement benefit liability – the 82% decrease was due to the revaluation of retirement benefit obligation based on the expense recognized in 2013.

ANALYSIS OF PRIOR YEAR OPERATIONS AND FINANCIAL CONDITION:

Results of Operations:

In the year 2013, the company was able to post a consolidated net sales of P189.779M compared to P92.986M achievement of 2012 which shows an increase of 104%.

The Company's current ratio registered at 356.79:1. Current Assets reached P810.617M while Current Liabilities registered at P227.196M. Debt-to-equity ratio registered at 1:44.14. The balance sheet shows accounts indicative of positive liquidity condition. Total assets registered at 1.493B.

Comparative Top Key Performance Indicators of the Company:

Management evaluates the Company's performance as it relates to the following:

f. Sales – The Company gauge its performance by determining the return on sales (net income after tax over the net sales). It indicates net profitability of each peso of sales.

g. Accounts Receivable – The Company assesses the efficiency in collecting receivables and in managing of credit by determining the past due ratio thru the aging of receivables.

h. Gross Profit Margin – Measures effectiveness of pricing and control of project development cost. This is derived by dividing gross profit over net sales.

i. Working Capital – The Company's ability to meet obligations is measured by determining current assets over current obligations. Working capital turnover is calculated by dividing Cost of Sales over Net Working Capital.

j. Variance Analysis – Another tool that measures efficiency on how the actual sales were attained via a vis forecasted sales.

INDICATOR	2013	2012
Return on Sales	18.72%	18.72%
Past Due Ratio	28.09%	23.37%
Gross Profit Rate	43.30%	47.98%
Working Capital Turnover	0.098	0.098
Sales Variance	-9.08%	-62.81%

Financial Condition:

Causes of material changes from period to period of financial statements:

j. Cash and Cash Equivalents – the significant decrease of 70.01% was basically attributable to improved payment of prior years' payables and current payables particularly to contractors to finance on-going projects.

k. Prepayments and Other Assets – the 40.30% increase was due to Creditable withholding taxes paid

l. Noncurrent Trade Receivables – the increase of 29.68% was due to increased sales

m. Deferred Tax Assets – the 470.81% decrease was due to adjustment on Deferred Gross profit

n. Loans Payable - the increase of 55.99% was the result of additional loan availed from CV Financial Corp amounting to P30M

o. Advances from Related Parties – the increase of 66.83% was due to advances from related parties for working capital requirements.

p. Retention Payable and Guaranty bonds – the 18.21% increase pertains to the 10% retained payment of each progress billing of contractors to be paid until full completion of the contract of on-going projects.

q. Deferred Gross Profit – the increase of 9.69% was due to increase in sales.

r. Customers' Deposits – the decrease of 28.85% was due to increase in reported sales.

s. Retirement benefit liability – the 100% increase was due to the expense recognized for the year based on valuation for 2013.

Results of Operations:

In the year 2012, the company was able to post a consolidated net sales of P92.987M compared to P34.112M achievement of 2011 which shows an increase of 172.59%.

The Company's current ratio registered at 2.686:1. Current Assets reached P786.889M while Current Liabilities registered at P292.977M. Debt-to-equity ratio registered at 1:2.86. The balance sheet shows accounts indicative of positive liquidity condition. Total assets registered at 1.393B.

Comparative Top Key Performance Indicators of the Company:

Management evaluates the Company's performance as it relates to the following:

k. Sales – The Company gauge its performance by determining the return on sales (net income after tax over the net sales). It indicates net profitability of each peso of sales.

l. Accounts Receivable – The Company assesses the efficiency in collecting receivables and in managing of credit by determining the past due ratio thru the aging of receivables.

m. Gross Profit Margin – Measures effectiveness of pricing and control of project development cost. This is derived by dividing gross profit over net sales.

n. Working Capital – The Company's ability to meet obligations is measured by determining current assets over current obligations. Working capital turnover is calculated by dividing Cost of Sales over Net Working Capital.

o. Variance Analysis – Another tool that measures efficiency on how the actual sales were attained via a vis forecasted sales.

INDICATOR	2012	2011
Return on Sales	18.72%	-11.15%
Past Due Ratio	23.37%	60.04%
Gross Profit Rate	47.98%	40.63%
Working Capital Turnover	0.098	0.042
Sales Variance	-62.81%	-14.72%

Financial Condition:

Causes of material changes from period to period of financial statements:

t. Cash and Cash Equivalents – the significant decrease of 12.42% was basically attributable to improved payment of prior years' payables and current payables particularly to contractors to finance on-going projects.

u. Real Estate Inventories, Net – the 30.47% increase was due to on-going projects

v. Deferred Tax Assets – the 81.75% decrease was due to adjustment on Deferred Gross profit and application of MCIT.

w. Accounts Payable & Accrued expenses – the increase of 11.88% was due to increased liability to suppliers and contractors on credit terms due to on-going projects.

x. Loans Payable - the increase of 32.28% was the result of additional loan availed from Luzon Development Bank amounting to P15M.

y. Advances from Related Parties – the increase of 1048.82% was due to advances from related parties for working capital requirements.

z. Retention Payable and Guaranty bonds – the 13.60% increase pertains to the 10% retained payment of each progress billing of contractors to be paid until full completion of the contract of on-going projects.

aa. Deferred Gross Profit – the increase of 8.56% was due to increase in sales.

bb. Customers' Deposits – the increase of 14.60% was due to increase in sales.

cc. Retirement benefit liability – the 8.90% increase was due to the expense recognized for the year based on valuation for 2012.

In the year 2011, the company was able to post a consolidated net sales of P34.112M compared to P30.75M achievement of 2010 which shows an increase of 10.93%.

The Company's current ratio registered at 3.83:1. Current Assets reached P652.698M while Current Liabilities registered at P170.428M. Debt-to-equity ratio registered at 1:4.36. The balance sheet shows accounts indicative of positive liquidity condition. Total assets registered at 1.248B.

INDICATOR	2011	2010
Return on Sales	-11.15%	-28.35%
Past Due Ratio	60.04%	4.02%
Gross Profit Rate	40.63%	31.70%
Working Capital Turnover	0.042	0.02
Sales Variance	-14.72%	-23.12%

Financial Condition:

Causes of material changes from period to period of financial statements

a. Cash and Cash Equivalents – the significant increase of 695.80% was basically attributable to improved collections and loan availed from Luzon Development Bank amounting to P20M.

b. Trade and Other Receivables, net - the decrease of 15.97% was due to improved collection.

c. Prepayments and other current assets – the 57.84% increase was due to creditable withholding taxes that arise from the sale, exchange or transfer of real property.

d. Advances to related parties – the increase of 5.25% was due to interests charged to affiliates.

e. Property and Equipment – the increase of 60950.14% was brought about by the purchase of asset for the year particularly units at One Corporate Center in Pasig City.

f. Other Assets - the decrease of 21.76% was the result of refunded refundable deposits.

g. Accounts Payable & Accrued expenses – the increase of 61.53% was due to increased liability to customers who backed out from their sales contract and payables to suppliers on credit terms.

h. Loans Payable - the increase of 3901.05% was the result of loan availed from Luzon Development Bank amounting to P20M.

i. Retention Payable – the 13.67% decrease pertains to the payment of the 10% of each progress payment retained by the company until full completion of the contract.

j. Deferred Gross Profit – the decrease of 7.28% was due to realized and completed cost of real estate projects sold pertaining to current and previous year sales.

dd. Retirement benefit liability – the 35.67% increase was due to the expense recognized for the year based on actuarial valuation for 2011.

PLAN OF OPERATION

The Company is continuously evaluating a number of alternatives and measures for generating liquidity to meet material commitments for capital expenditures for the development of the projects. Some of the more significant measures are as follows:

- Intensive collection campaign
- Launching of subdivision projects catering to the middle income market
- Regular review of development costs matching the pace of development with fund availability and thorough review of sales prices.
- Negotiations for the purchase of land for future development

The company will continue to develop through the following projects:

- Pacific Grand Villas Phase 5 – a follow-up to the highly successful Pacific Grand Villas series. The masterplanned community shall have bigger houses and lot cuts to cater primarily to middle up to upper-middle income Cebuanos. Bigger houses of similar character and the same community features of the earlier phases shall be employed not only to complement the whole Pacific Grand Villas development but to maintain a low-density environment as well.

- Aureville. - This project is our third residential community in Iloilo City. The house- and lot packages are mainly designed for homebuyers inclined for economy, maximizing value-for- money. Consisting of about 10 hectares, the initial offering is two bungalow-type house models of French inspiration. These single-level houses are very much suited also for senior citizens and retirees.

- Pacific Grand Townhomes Phase II - A very exclusive, pocket townhouse enclave, stylishly Mediterranean but with a *moderne* twist. Just right for young upwardly-mobile professionals or starter families, though equally attractive as full-family dwellings. Located in the hub of city conveniences, and all the fun of living in the resort city island setting of Mactan.

- Commercial Project in Cebu - A two-hectare, fully commercial area is allocated right by the main entrance frontage of Pacific Grand Villas in Lapu-lapu City, Cebu. The plan incorporates shopping arcades for shops such as food and entertainment, offices, banks, and other commercial outlets.

- Exclusive Residential Enclave in Cebu - Located in a prime section of an exclusive subdivision in Lapu-lapu City, Cebu, this pilot project consists of about 60 townhouse-type units. It is contemplated to be styled in the condominium concept, to afford ownership opportunities to foreigners opting to have their primary residences in Cebu.

- Condominium and upscale housing with commercial component, 21 hectares in Valenzuela - Philippine Estates Corporation has teamed up with several other corporate landowners for a proposed development with Avida Land Corporation (a wholly-owned subsidiary of Ayala Land) of the prime estate in Valenzuela City, into a project that includes condominiums, upscale housing, and commercial components.

Other Notes to Operations and Financials:

Analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

- **Any known trends, demands, commitments, events or uncertainties that will have an impact on the issuer's liquidity;**

  At present, the uncertainty that has a material impact on sales is the economic situation. The seemingly improving economic situation has not translated into a significant buying mood for the real estate market. As a result, there are contingencies that may affect future operations of the company the resolution of which are dependent to a large extent on the efficacy of the fiscal measures and other actions.

- **Any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;**

  The Company sees no event that will trigger direct or contingent financial obligation that is material to the Company.

- **All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during reported period.**

  There were no material off-balance sheet transactions, agreements, obligations, (including contingent obligations), and other relationship of the company with unconsolidated entities or other persons created during the reported period.

- **Any material commitments for capital expenditures, the general purpose of such commitments and expected sources of funds of such expenditures.**

  There were no material commitments for capital expenditures except those arising from the ordinary project development requirements that were well within the regular cash flow budget coming from internally generated funds.

- **Seasonal aspects that had material effect on the financial condition or results of operation.**

  Projects are launched any time of the year depending on several factors such as completion of plans and permits and appropriate timing in terms of market condition and strategies. Development and construction works follow.

- **Internal and external sources of liquidity**

  Collections from selling activities provide liquidity. Externally, the Company avails of credit lines offered by banks. The Company periodically reviews its capital structure and existing obligations.

Item 7. Financial Statements

The consolidated Financial Statements and related Notes to Financial Statements of the Company are incorporated herein by reference and attached as an integral part of this Annual Report.

Item 8. Changes in or Disagreements With Accountants on Accounting and Financial Disclosure

There were no changes in or disagreements with the Company's external auditors on accounting and financial disclosures.

Independent Public Accountant

The Company's independent public accountant is the accounting firm of Diaz, Murillo, Dalupan and Co. The same external auditor might be recommended by the Board of Directors at the Annual Meeting of Stockholders. The representatives of the external auditor are expected to be present at the Meeting, where they will have the opportunity to make a statement if they so desire.

(a) Audit and Audit-Related Fees

	YEAR	AMOUNT
1. Audit of Financial Statement	2014	P 470,000.00
	2013	440,000.00

2. No audit fees for other related services

(b) Tax Fees	2014	nil
	2013	nil

(c) All other fees

No other fees were billed and paid during the last two (2) fiscal years.

(d) The external auditor regularly tenders an audit engagement proposal that the Company's Audit Committee reviews. The Audit Committee looks into the audit plan, scope and frequency of the audit and regularly holds committee meetings with the external auditor.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

1. Respective business experience of the Members of the Board of Directors and Officers covering the past five (5) years:

   a. ANTONIO A. HENSON – 74 years old, Filipino **(Chairman)**
   - Director – Wellex Industries, Inc.
   - Former President – Highlands Prime, Inc.
   - Former Director – Belle Corporation
   - Former Director – Philex Mining Corporation
   - Former Director – Republic Glass Holdings Corp
   - Former Director – BDO Leasing and Finance Inc.
   - Former Undersecretary – Department of Trade and Industry
   - Former General Manager – National Development Company
   - Former President – Clark Development Corporation

   b. ELVIRA A. TING – 54 years old, Filipino **(Director/Pres/CEO)**
   - Director/ Vice Chairman – Forum Pacific, Inc.
   - Vice President – Wellex Industries, Inc.
   - Director/ Treasurer – Waterfront Philippines, Inc.
   - Treasurer /Director – Acesite Philippines, Inc.
   - Former Director – Metro Alliance Holdings
   - Chairwoman and President – Orient Pacific Corp.
   - Chairwoman and President – Rexlon Realty Group, Inc.
   - Corporate Treasurer – Pacific Rehouse Corp.
   - Chairwoman and President – Crisanta Realty & Development Corp
   - Chairwoman and President – Heritage Pacific Corp.

   c. JOAQUIN P. OBIETA - 80 years old, Filipino **(Director/Corporate Secretary)**
   - Managing Partner – Corporate Counsels, Phils.
   - Director – Forum Pacific, Inc.

   d. DEE HUA T. GATCHALIAN - 66 years old, Filipino **(Director)**
   - Treasurer – The Wellex Group, Inc.
   - Corporate Treasurer – Orient Pacific Corp
   - Chairwoman and President – Recovery Development Corp
   - Corporate Treasurer – Rexlon Realty Group, Inc.
   - Corporate Treasurer – Novateknika Land Corp.
   - Corporate Treasurer – Recovery Real Estate Corp.
   - Vice President – Pacific Rehouse Corp.
   - Chairwoman and President – Westland Pacific Properties Corp.
   - Chairwoman and President – Palawan Estates Corp.

e. RENATO B. MAGADIA – 76 years old, Filipino **(Director)**
- Chairman – ZetaMark, Inc., Mabuhay Vinyl Corporation, Metro Alliance Holdings & Equities Corporation
- Vice Chairman – Acesite (Phils.) Hotel Corporation

f. ARTHUR M. LOPEZ – 68 years old, Filipino **(Director)**
- Country Representative – CCA Management B.V.
- Consultant – Bellevue Resort, Bellevue Suites and Palmerston Hotel
- Chairman – Acesite Philippines Hotel Corporation
- Director – Waterfront Hotels

g. ARTHUR R. PONSARAN - 71 years old, Filipino **(Director/Treasurer)**
- Managing Partner – Corporate Counsels, Phils.
- Chairman – Value Management & Options Corp. and Marfour Credit Corporation

h. MIGUEL VARELA – 74 years old, Filipino **(Independent Director)**
- Chairman Emeritus – Philippine Chamber of Commerce and Industry
- Chairman – Employers Confederation of the Philippines
- Director – Philippines, Inc.
- President – Phil. Association of Voluntary Arbitration Foundation, Inc.
- Independent Director – Wellex Industries, Inc.
- Independent Director – Metro Alliance Holdings & Equities Corp.
- Independent Director, Vice Chairman – Megaworld Corporation
- Independent Director – Global Estates Resorts, Inc.
- Independent Director – Emperador, Inc.

i. RICHARD L. RICARDO - 52 years old, Filipino **(Director)**
- Vice President for Strategic Initiatives – The Wellex Group, Inc.
- Vice President for Corporate Affairs – Acesite (Phils.) Hotel Corporation
- Corporate Affairs Officer – Waterfront Philippines, Inc.
- Director – Wellex Industries, Inc.
- Director – Forum Pacific Inc.
- Vice President for Corporate Affairs – Metro Alliance Holdings & Equities Corp.

j. JAMES B. PALIT-ANG – 51 years old, Filipino **(Director/VP-Land Management & Special Projects)**
- Chairman & President – Noble Arch Realty & Construction Corp.
- Chairman & President - Crisanta Realty Development Corp.
- Director & Corporate Treasurer – Pacific Rehouse Corporation
- Vice President – Forum Holdings Corp.
- Chairman and President – Pacific Concorde Corp.
- Treasurer – Metro Alliance Holdings & Equities Corp.

k. SERGIO R. ORTIZ-LUIS, JR.- 72 years old, Filipino **(Independent Director)**
- President – Philippine Exporters Confederation, Inc.
- Independent Director – Waterfront Philippines, Inc.
- Director – Rural Bank of Baguio
- Vice Chairman - Alliance Global, Inc.
- Independent Director – BA Securities

l. MARIEL FRANCISCO – 33 years old, Filipino **(Asst. Corporate Secretary)**
   - Associate – Corporate Counsels, Philippines
   - Corporate Secretary – Wellex Industries, Inc.

The term of office of the Directors is one (1) year. All of the directors and executive officers, except for Messrs. Joaquin P. Obieta, Sergio R. Ortiz-Luis, Jr., James B. Palit-Ang, Richard L. Ricardo and Miguel B. Varela have served for fifteen (15) years.

2. There is no person who is not an executive officer but expected by the registrant to make significant contribution to the business.

3. Ms. Dee Hua T. Gatchalian and Ms. Elvira A. Ting are sisters.

4. None of the directors or officers of the registrant has been involved in any bankrupt petition, or a violation of a Securities or Commodities Law nor has been convicted by final judgment, nor has been subjected to any order or decree.

Item 10. Executive Compensation

1. Estimated Compensation :

Name and Principal position	*Year*	*Salary*	*Bonus*	*Other Annual Compensation (13th Mo.)*
ELVIRA A. TING President & CEO	2014	P 840,000.00	0.00	P 70,000.00
JAMES B. PALIT-ANG VP – Land management	2014	P 585,000.00	0.00	P 48,750.00
RIA CHRISTINA G. FRANCO Finance Head	2014	P 405,000.00	0.00	P 33,750.00
FERDINAND P. HALILI Operations Head	2014	P 405,000.00	0.00	P 33,750.00
BRANDO M. BULOSAN Planning and Design Head	2014	P 360,000.00	0.00	P 30,000.00

The estimated aggregate compensation of the members of the Board of Directors and Executive Officers as a group for the year 2014 is P2,811,250.00

Name and Principal position	*Year*	*Salary*	*Bonus*	*Other Annual Compensation (13th Mo.)*
ELVIRA A. TING President & CEO	2013	P 840,000.00	0.00	P 70,000.00
JAMES B. PALIT-ANG VP – Land management	2013	P 540,000.00	0.00	P 45,000.00
TERESITA C. ROQUE Finance Head	2013	P 210,000.00	0.00	P 17,500.00
RIA CHRISTINA G. FRANCO Finance Head	2013	P 180,000.00	0.00	P 15,000.00
BRANDO M. BULOSAN Planning and Design Head	2013	P 330,000.00	0.00	P 27,500.00
FERDINAND P. HALILI Operations Head	2013	P 360,000.00	0.00	P 30,000.00

Teresita C. Roque was employed as Finance Head up to June 2013. Ria Christina G. Franco assumed the position from July 1, 2013 on probationary status.

The estimated aggregate compensation of the members of the Board of Directors and Executive Officers as a group for the year 2013 is P2,665,000.00

Name and Principal position	*Year*	*Salary*	*Bonus*	*Other Annual Compensation (13th Mo.)*
ELVIRA A. TING President & CEO	2012	P 964,602.74	0.00	P 70,000.00
JAMES B. PALIT-ANG VP – Land management	2012	P 617,630.14	0.00	P 45,000.00
TERESITA C. ROQUE Finance Head	2012	P 426,726.02	0.00	P 35,000.00
ADRIAN M. ABAIGAR Company Lawyer	2012	P 337,380.83	0.00	P 28,000.00
FERDINAND HALILI Operations Manager	2012	P 244,586.00	0.00	P 20,000.00
DIRECTORS(group unnamed)	2012	P 330,000.00	0.00	P 0.00

The estimated aggregate compensation of the members of the Board of Directors and Executive Officers as a group for the year 2012 is P3,118,925.73.

1. Each member of the Board of Directors is given P 10,000.00 per diem for attendance in a special or regular board meeting and P5,000 for attendance in a committee meeting.

2. Mr. Antonio A. Henson is given a retainer's fee in the amount of P50,000.00 per month.

Item 11. Security Ownership of Certain Beneficial Owners and Management

1. Security Ownership of Certain Record and Beneficial Owners:

Class	***Name and Address of Record/Beneficial Owner***	***Citizenship***	***Amount and Nature Record/Beneficial Ownership ("r" or "b")***	***% to Total***
Common	RECOVERY REAL ESTATE CORP. * 35th FLR. ONE CORPORATE CTR JULIA VARGAS COR. MERALCO AVE. PASIG CITY	FILIPINO	P 150,000,000 "r"	10.377%
Common	REXLON REALTY GROUP, INC. ** 22nd FLR. CITIBANK TOWER 8741 PASEO DE ROXAS MAKATI CITY	FILIPINO	P 200,000,000 "r"	13.836%
Common	ROPEMAN INT'L., CORP. *** #7 T. SANTIAGO STREET CANUMAY, VALENZUELA METRO MANILA	FILIPINO	P 178,270,000 "r"	12.332%
Common	THE WELLEX GROUP, INC. **** 35th FLR. ONE CORPORATE CTR JULIA VARGAS COR. MERALCO AVE. PASIG CITY	FILIPINO	P 143,892,990 "r"	9.954%

2. Security Ownership of Management

Class	***Name and Address of Record/Beneficial Owner***	***Citizenship***	***Amount and Nature Record/Beneficial Ownership ("r" or "b")***	***% to Total***
Common	Elvira A. Ting	Filipino Director/President/CEO	500,000	0.035%
Common	James B. Palit-Ang VP – Land Mgt & Sp Proj	Filipino	1,000	0.000%
Common	Dee Hua T. Gatchalian Director	Filipino	2,000	0.000%
Common	Antonio A. Henson Chairman of the Board	Filipino	1,000	0.000%
Common	Arthur M. Lopez Director	Filipino	1,000	0.000%
Common	Renato B. Magadia Director	Filipino	1,000,000	0.069%

Common	Joaquin P. Obieta Director/Corporate Secrtetary	Filipino	1,100	0.000%
Common	Sergio R. Ortiz-Luis, Jr. Independent Director	Filipino	1,000	0.000%
Common	Arthur R. Ponsaran Director/Treasurer	Filipino	1,000	0.000%
Common	Richard L. Ricardo Director	Filipino	1,230,000	0.085%
Common	Miguel B. Varela Independent Director	Filipino	1,000	0.000%

- Beneficial ownership of all directors and officers as a group unnamed = 2,739,100 shares.
- Voting Trust Holders of 5% or more
  There are no voting trust holders of 5% or more of the securities of the registrant.
- Changes in Control
  There has been no change in the control of the registrant since the beginning of its fiscal year.

* Recovery Real Estate Corporation is represented by Ms.Dee Hua T. Gatchalian
** Rexlon Realty Group, Inc. is represented by Ms.Dee Hua T. Gatchalian
*** Ropeman International Corporation is represented by Ms.Dee Hua T. Gatchalian
**** The Wellex Group, Inc. is represented by Ms.Dee Hua T. Gatchalian

Item 12. Certain Relationships and Related Transactions.

The company used to be known as Philippine Cocoa Estates Corporation. The Company then had a total issued and outstanding capital stock of 25,121,603 shares, of which, 25,035,115 were owned by Benguet Management Corporation ("Benguet"). In December 1995, Benguet sold its 25,035,115 shares to the Wellex Group, Inc. ("Wellex"). At present, Wellex holds 143,892,990 shareholdings in the Company.

Item 13. Exhibits and Reports on SEC Form 17-C

Report on SEC Form 17-C was filed by the Company on October 10, 2014 with the following information:

“Please be informed that the annual meeting of the stockholders of PHILIPPINE ESTATES CORPORATION held today September 10, 2014, the following matters were taken up and acted upon by the Board and the Stockholders in the manner indicated:

1. The stockholders elected the members of the Board of Directors to serve for the term 2014-2015. Those elected regular members of the Board were:

    Mr. Antonio A. Henson
    Ms. Elvira A. Ting
    Ms. Dee Hua T. Gatchalian
    Mr. Arthur M. Lopez
    Mr. Renato B. Magadia
    Atty. Arthur R. Ponsaran
    Atty. Joaquin P. Obieta
    Mr. Richard Ricardo
    Mr. James B. Palit-Ang
    Mr. Sergio R. Ortizs-Luis, Jr. (Independent Director)
    Mr. Miguel Varela (Independent Director)

2. The stockholders designated Diaz Murillo Dalupan & Company as the Corporation’s external auditors.

3. The stockholders designated Corporate Counsels, Philippines – Law Offices as the Corporation’s external counsel.

    At the meeting of the Board held immediately ater the Stockholders’ meeting, the newly elected Directors elected the following Corporate Officers:

a) Chairman	- Mr. Antonio A. Henson
b) President	- Ms. Elvira A. Ting
c) Treasurer	- Atty. Arthur R. Ponsaran
d) Corporate Secretary	- Atty. Joaquin P. Obieta
e) Asst. Corporate Secretary	- Atty. Mariel Francisco

AUDIT COMMITTEE

Mr. Antonio A. Henson	(Chairperson)
Ms. Elvira A. Ting	(Member)
Atty. Miguel Valera	(Member)

COMPENSATION COMMITTEE

Ms. Dee Hua T. Gatchalian	(Chairperson)
Mr. Arthur M. Lopez	(Member)
Mr. Sergio Ortiz-Luis, Jr.	(Member)

NOMINATIONS COMMITTEE

Mr. Arthur Ponsaran	(Chairperson)
Mr. Sergio Ortiz-Luis, Jr.	(Member)
Mr. Renato B. Magadia	(Member)

PART IV – CORPORATE GOVERNANCE

Please refer to attached Annual Corporate Governance Report for 2014

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this SEC FORM 17-A for the year 2014 is signed on behalf of the issuer by the undersigned thereunto duly authorized, in the City of Pasig on March 30, 2015.

By:

ELVIRA A. TING President & CEO	**MARIEL L. FRANCISCO** Assistant Corporate Secretary
JAMES B. PALIT-ANG VP-Business Dev't & Sp. Proj.	**RIA CHRISTINA G. FRANCO** Finance Head (Financial/Acctg)

APR 0 8 2015

SUBSCRIBED AND SWORN to before me this 30th day of March, 2015, affiants exhibiting to me their respective competent evidences of identity as follows:

NAMES	**IDENTIFICATION NUMBER**	
Elvira A. Ting	SSS No.	03-5412830-8
James B. Palit-Ang	SSS No.	03-9199512-5
Ria Christina G. Franco	SSS No.	33-2545953-7
Mariel L. Francisco	TIN	224-150-060

DOC. NO. : 196
PAGE NO :. 40
BOOK NO.: 38
SERIES OF 2015.

ATTY RICHARD L. ANOLIN
NOTARY PUBLIC UNTIL DECEMBER 31 2015
COMMISSION NO. [illegible]
FOR THE CITY OF MANILA PHILIPPINES
IBP LIFETIME NO 05179/02 25-[illegible] MLA
PTR NO 3628182 01/05/12 MLA
ROLL NO 33598
MCLE COMPLIANCE NO. IV-[illegible]
RODULFO ANOLIN AND ASSOCIATES LAW OFFICE
2/F [illegible] OF AMNILA BLDG
[illegible] ANTONIO VILLEGAS ST
[illegible] - MANILA TEL 525-06-86
EMAIL ADD [illegible]@yahoo.com
TIN# 116-095-269-000

Philippine Estates Corporation and Subsidiary

Financial Statements
December 31, 2014 and 2013

and

Independent Auditor's Report

PHILIPPINE ESTATES

QUALITY.
OUR DISTINCTION
OUR COMMITMENT

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards (PFRSs). This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of 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 financial statements and submits the same to the stockholders.

Diaz Murillo Dalupan and Company, the independent auditors, appointed by the stockholders has examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or, has expressed its opinion on the fairness of presentation upon completion of such examination.

ANTONIO A HENSON
Chairman

ELVIRA A. TING
President and Chief Executive Officer

ARTHUR R. PONSARAN
Treasurer

Signed this 23rd day of March 2015

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Book No. II
Series of 2015

ATTY. ADRIAN M. ABAIGAR
COMMISSION NO. 117 (2014-2015)
NOTARY PUBLIC FOR PASIG CITY
UNTIL DECEMBER 31, 2015
35TH FLR. ONE CORPORATE CENTER
JULIA VARGAS CORNER MERALCO AVENUE
ORTIGAS CENTER, PASIG CITY
ROLL NO. 49554
PTR NO. 9847149: 1/13/14 PASIG CITY
IBP NO. 956139: 1/13/14 PASIG CITY

35Flr. One Corporate Center
Julia Vargas Avenue corner Meralco Avenue
Ortigas Center, Pasig City 1605
Philippines
Tel No. : +63(02) 637-3112

Diaz Murillo Dalupan
and Company
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors and Stockholders of
PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
35th Floor, One Corporate Center,
Doña Julia Vargas Ave., corner Meralco Avenue,
Ortigas Center, Pasig City

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Philippine Estates Corporation and Subsidiary**, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, 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, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Philippine Estates Corporation and Subsidiary** as at December 31, 2014 and 2013, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

Diaz Murillo Dalupan and Company
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until December 31, 2017
SEC Accreditation No. 0192-FR-1, Category-A, effective until March 24, 2016
BIR Accreditation No. 08-001911-0-2013, effective until April 1, 2016

By:

Rosemary D. De Mesa
Partner
CPA Certificate No. 29084
SEC Accreditation No. 1089-AR-1, Category-A, effective until March 25, 2017
Tax Identification No. 104-576-953
PTR No. 4759242, January 8, 2015, Makati City
BIR Accreditation No. 08-001911-7-2013, effective until April 1, 2016

March 23, 2015

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Financial Position

	As at December 31	
	2014	**2013**
ASSETS		
Current Assets		
Cash and cash equivalents - note 4	**₱ 24,792,084**	₱ 5,043,598
Trade and other receivables - note 5	**84,515,710**	96,193,041
Real estate inventories - note 6	**689,272,361**	687,447,120
Prepayments and other current assets - note 7	**19,306,061**	21,934,003
	817,886,216	810,617,762
Noncurrent Assets		
Noncurrent trade receivables (net) - note 5	**245,290,433**	244,194,289
Advances to related parties (net) - note 21	**321,323,071**	367,864,862
Investment property - note 8	**1,072,016**	1,072,016
Property and equipment (net) - note 9	**49,558,940**	51,796,756
Deferred tax assets (net) - note 23	**13,333,256**	11,046,051
Other noncurrent assets - note 10	**6,510,556**	6,458,589
	637,088,272	682,432,563
TOTAL ASSETS	**₱ 1,454,974,488**	₱ 1,493,050,325
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities - note 11	**₱ 92,197,485**	₱ 107,956,396
Borrowings - note 12	**58,247,625**	54,173,455
Deferred gross profit - note 15	**69,740,797**	57,642,678
Customers' deposits - note 13	**7,667,135**	7,423,772
	227,853,042	227,196,301
Noncurrent Liabilities		
Retention payable and guarantee bonds - note 14	**24,622,820**	33,476,083
Advances from related parties - note 21	**129,490,236**	178,403,261
Deferred tax liabilities - note 23	**20,481,185**	14,982,287
Retirement benefits obligation - note 24	**555,571**	3,143,093
	175,149,812	230,004,724
Equity		
Capital stock - note 16	**1,445,549,830**	1,445,549,830
Remeasurement gain on retirement benefits - note 24	**4,709,267**	1,953,655
Deficit	**(398,287,463)**	(411,654,185)
	1,051,971,634	1,035,849,300
TOTAL LIABILITIES AND EQUITY	**₱ 1,454,974,488**	₱ 1,493,050,325

(The accompanying notes are an integral part of these consolidated financial statements)

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Comprehensive Income

	For the Years Ended December 31		
	2014	**2013**	2012 (As restated - Note 24)
REAL ESTATE SALES - note 17	**₱ 118,707,798**	₱ 189,779,412	₱ 92,986,841
COST OF REAL ESTATE SOLD - note 18	**(55,773,812)**	107,603,022	48,371,417
GROSS PROFIT	**62,933,986**	82,176,390	44,615,424
DEFERRED GROSS PROFIT - note 15	**(30,976,360)**	(26,645,295)	(13,015,872)
REALIZED GROSS PROFIT DURING THE YEAR	**31,957,626**	55,531,095	31,599,552
REALIZED GROSS PROFIT FROM PREVIOUS YEARS SALES	**12,254,517**	18,288,376	48,876,778
TOTAL REALIZED GROSS PROFIT	**44,212,143**	73,819,471	80,476,330
OTHER INCOME (net) - note 19	**31,672,193**	11,345,166	13,590,077
OPERATING EXPENSES - note 20	**(58,629,731)**	(65,560,573)	(57,139,371)
FINANCE COSTS - note 12	**(776,192)**	(11,375,127)	(3,943,523)
INCOME BEFORE TAX	**16,478,413**	8,228,937	32,983,513
PROVISION FOR INCOME TAX - note 23			
Current	**1,080,975**	724,476	2,994,521
Deferred	**2,030,716**	5,034,101	13,587,431
	3,111,691	5,758,577	16,581,952
NET INCOME	**13,366,722**	2,470,360	16,401,561
OTHER COMPREHENSIVE INCOME (LOSS)			
Not subject to reclassification adjustment:			
Remeasurement gain (loss) on retirement benefits (net)	**2,755,612**	(1,663,396)	1,493,794
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱ 16,122,334**	₱ 806,964	₱ 17,895,355
EARNINGS PER SHARE - note 28	**₱ 0.009**	₱ 0.002	₱ 0.011

(The accompanying notes are an integral part of these consolidated financial statements)

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Changes in Equity

	Capital stock (Note 16)	**Remeasurement gain on retirement benefits** (net) (Note 24)	**Deficit**	**Total**
Balance, January 1, 2012	₱ 1,445,549,830	₱ 2,123,257	(₱ 430,526,106)	₱ 1,017,146,981
Total comprehensive income for the year	–	1,493,794	16,401,561	17,895,355
Balance as at December 31, 2012	1,445,549,830	3,617,051	(414,124,545)	1,035,042,336
Total comprehensive income for the year	–	(1,663,396)	2,470,360.30	806,964
Balance as at December 31, 2013	**1,445,549,830**	**1,953,655**	**(411,654,185)**	**1,035,849,300**
Total comprehensive income for the year	**–**	**₱ 2,755,612**	**₱ 13,366,722**	**16,122,334**
Balance as at December 31, 2014	**₱ 1,445,549,830**	**₱ 4,709,267**	**(₱ 398,287,463)**	**₱ 1,051,971,634**

(The accompanying notes are an integral part of these consolidated financial statements)

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Cash Flows

	For the Years Ended December 31		
	2014	2013	2012 (As restated - Note 24)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱ 16,478,413**	₱ 8,228,937	₱ 32,983,513
Adjustments for:			
Finance costs - note 12	**776,192**	11,375,127	3,943,523
Depreciation - note 9	**3,785,727**	3,786,897	3,383,882
Loss on cancelled contracts - note 20	**3,266,898**	2,656,238	1,591,101
Retirement benefits expense - note 24	**1,349,067**	814,409	520,998
Interest income - notes 4, 5 and 21	**(10,075,113)**	(13,764,522)	(13,326,143)
Reversal of impairment loss on advances to related parties - note 21	**(7,434,134)**	-	(1,394,587.00)
Operating income before working capital changes	**8,147,050**	13,097,086	27,702,287
Decrese (increase) in:			
Trade and other receivables	**7,591,513**	(58,119,054)	(14,527,007)
Real estate inventories	**(1,825,241)**	(42,065,543)	(150,718,616)
Prepayments and other current assets	**2,627,942**	(6,616,862)	61,499
Other noncurrent assets	**(51,967)**	1,289,901	(97,032)
Increase (decrease) in:			
Accounts payable and other liabilities	**(15,758,911)**	(15,039,265)	12,686,951
Customers' deposit	**243,363**	(3,010,143)	1,329,578
Deferred gross profit	**12,098,119**	5,091,068	4,144,251
Retention payable and guarantee bonds	**(8,853,263)**	5,157,365	3,390,180
Cash generated from (used in) operations	**4,218,605**	(100,215,447)	(116,027,909)
Interest received	**2,743,346**	1,556,304	3,829,839
Income tax paid	**(1,080,975)**	(724,476)	(2,994,521.00)
Net cash provided by (used in) operating activities	**5,880,976**	(99,383,619)	(115,192,591)
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection of advances to related parties - note 21	**69,686,174**	8,777,506	10,092,525
Advances to related parties - note 21	**(8,655,706)**	(61,833)	(3,246,626)
Additions to property and equipment - note 9	**(1,547,911)**	(646,069)	(1,822,614)
Net cash provided by investing activities	**59,482,557**	8,069,604	5,023,285
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from related parties - note 21	**27,689,758**	111,636,054	119,807,005
Proceeds from borrowings	**15,315,133**	65,000,000	55,000,000
Payment of borrowings	**(11,240,963)**	(45,554,687)	(46,526,058)
Payment of advances from related parties - note 21	**(76,602,783)**	(40,167,269)	(16,554,208)
Interest paid	**(776,192)**	(11,375,127)	(3,943,523)
Net cash provided by (used in) financing activities	**(45,615,047)**	79,538,971	107,783,216
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**19,748,486**	(11,775,044)	(2,386,090)
CASH AND CASH EQUIVALENTS			
At beginning of year	**5,043,598**	16,818,642	19,204,732
At end of year	**₱ 24,792,084**	₱ 5,043,598	₱ 16,818,642

(The accompanying notes are an integral part of these consolidated financial statements)

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements
As at December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012

1. CORPORATE INFORMATION

Philippine Estates Corporation (the 'Parent Company') was incorporated in the Philippines on May 30, 1983 as "Philippine Cocoa Estates Corporation". It was registered with the Securities and Exchange Commission (SEC) with its new corporate name on May 16, 1996 and started its commercial operations in 1996. The Parent Company's shares are listed and traded in the Philippine Stock Exchange (PSE).

The principal activity of the Parent Company is to engage in the business of holding and developing real estate or other properties for industrial, commercial, residential , leisure, or sports purposes, and in pursuance thereof, to acquire by purchase, lease or otherwise, real estate and/or appurtenant properties and/or interest therein. The Parent Company's condominium projects and other developmental activities are located in the cities of Manila, Cebu and Iloilo.

The registered office of the Parent Company, which is also its principal place of business, is at 35th Floor, One Corporate Center, Doña Julia Vargas Ave., corner Meralco Avenue, Ortigas Center, Pasig City.

The Parent Company owns 100% of the shares of stocks issued and outstanding of Mariano Arroyo Development Corporation (MADCorp).

The financial position and results of operations of the Parent Company and its Subsidiary, (herein referred to as the "Group") are consolidated in these financial statements.

The accompanying consolidated financial statements of the Group were approved and authorized for issue by its Board of Directors (BOD) on March 23, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on a historical cost basis, except as otherwise stated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with PFRS. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by the former Standing Interpretations Committee, the Philippine Interpretations Committee (PIC) and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso (₱), the Group's functional currency. All amounts are rounded to the nearest peso except when otherwise indicated.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of previous financial year except for the following new and amended PFRS and Philippine Interpretations which were adopted as at January 1, 2014.

PFRS 10 Consolidated Financial Statements, PFRS 12 Disclosure of Interest in Other Entities and PAS 27 Separate Financial Statements – Investment Entities (Amendments). The amendments to PFRS 10 define an investment entity and sets out an exception for a parent company that is an investment entity to consolidate its subsidiaries. Instead, the standard requires to measure the investment in its subsidiaries at fair value through profit or loss in accordance with PFRS 9, Financial Instruments (If PFRS 9 is not yet adopted, references to PFRS 9 in the amendments shall be read as references to PAS 39, Financial Instruments: Recognition and Measurement) in its consolidated and separate financial statements (PAS 27). The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities. These amendments also introduce new disclosure requirements for investment entities in PFRS 12 and PAS 27. These amendments are effective for annual periods beginning on or after January 1, 2014.

The amendments have no impact on the consolidated financial statements since the Group is not an investment entity.

PAS 32 (Amendment), Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities. These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearinghouse systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are effective for annual periods beginning on or after January 1, 2014.

The amendments did not have a significant impact on the consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

PAS 36 (Amendment), Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets. This amendments clarify that the requirement for the disclosure of the recoverable amount of an asset or cash-generating units is only required in the periods in which the impairment has been recorded or reversed. Amendments are also made to expand and clarify the disclosure requirements when the recoverable amount has been determined on the basis of fair value less costs of disposal and to introduce a requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less costs of disposal is determined using a present value technique. The amendments are effective for annual periods beginning on or after January 1, 2014.

The amendment has no impact on the consolidated financial statements since the Group has determined that tangible assets are recoverable.

PAS 39 (Amendment), Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting, effective January 1, 2014, These amendments allow hedge accounting to continue when derivatives are novated, provided the following criteria are met: (a) the novation is required by laws or regulations; (b) the novation results in a central counterparty becoming the new counterparty to each of the parties to the novated derivative; and (c) the changes in terms of the novated derivative are limited to those necessary to effect the terms of the novated derivative. The amendments are effective for annual periods beginning on or after January 1, 2014.

The interpretation has no impact on the consolidated financial statements since the Group has no derivative instruments.

IFRIC Interpretation 21, Levies. This interpretation addresses the accounting for a liability to pay a levy that is accounted for in accordance with PAS 37 Provisions, Contingent Liabilities and Contingent Assets and those whose timing and amount is certain. This interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. The liability to pay a levy is recognized progressively when the obligating event occurs over a period of time. If the levy is subject to a minimum threshold, recognition of a levy liability occurs only at the point the minimum threshold is reached. The amendments are effective for annual periods beginning on or after January 1, 2014.

The interpretation has no impact on the consolidated financial statements since the Group is not subject to levy as at the end of the reporting period.

New accounting standards, interpretations and amendments to existing standards effective subsequent to January 1, 2014

Standards issued but not yet effective up to the date of issuance of the consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

Annual Improvements to PFRS 2010 – 2012 Cycle

The annual improvements address the following issues:

PFRS 2 (Amendment), Share-based Payment – Definition of vesting condition, focuses on the amendment of the definitions of 'vesting condition' and 'market condition' and added definitions for 'performance condition' and 'service condition' which are previously included in the definition of vesting conditions.

The improvement will have no impact on the consolidated financial statements since the Group has no share-based payment plan.

PFRS 3 (Amendment), Business Combinations – Accounting for contingent consideration in a business combination, clarifies that contingent consideration that is not classified as equity shall be measured at fair value at each reporting date and changes in fair value shall be recognized in profit or loss, irrespective of whether it is within the scope of PFRS 9, Financial Instruments (If PFRS 9 is not yet adopted, references to PFRS 9 in the amendments shall be read as references to PAS 39, Financial Instruments: Recognition and Measurement).

The management is still evaluating the impact of the above improvements on the consolidated financial statements.

PFRS 8 (Amendment), Operating Segments – Aggregation of operating segments and Reconciliation of the total of the reportable segments' assets to the entity's assets, requires disclosure of judgments made by management in applying the aggregation criteria to operating segments which includes (a) a brief description of the operating segments that have been aggregated and (b) the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. These amendments also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly to the chief operating decision maker.

The management is still evaluating the impact of the above improvements on the consolidated financial statements.

PFRS 13 (Amendment), Fair Value Measurement – Short-term receivables and payables
This amendment states that issuing PFRS 13 and amending PFRS 9, Financial Instruments and PAS 39, Financial Instruments: Recognition and Measurement did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.

The management is still evaluating the impact of the above improvements on the consolidated financial statements.

PAS 16 (Amendment), Property, Plant and Equipment – Revaluation method: proportionate restatement of accumulated depreciation, clarifies that when an item of property, plant and equipment is revalued, the carrying amount of asset is adjusted to the revalued amount. At the date of revaluation, the asset is treated in one of the following ways: (a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses, or (b) the accumulated depreciation is eliminated against the gross carrying amount of the asset.

The improvement will have no impact on the consolidated financial statements since the Group has no property and equipment carried at revalued amount.

PAS 24(Amendment), Related Party Disclosures – Key management personnel, clarifies that a management entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

The management is still evaluating the impact of the above improvements on the consolidated financial statements.

PAS 38 (Amendment), Intangible Assets – Revaluation method: Proportionate restatement of accumulated amortization. This amendments clarifies that when an intangible asset is revalued, the carrying amount of asset is adjusted to the revalued amount. At the date of revaluation, the asset is treated in one of the following ways: (a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses, or (b) the accumulated amortization is eliminated against the gross carrying amount of the asset.

The improvement will have no impact on the consolidated financial statements since the Group has no intangible assets carried at revalued amount.

Annual Improvements to PFRSs 2011 – 2013 Cycle

The annual improvements address the following issues:

PFRS 1 (Amendments to the Basis for Conclusions), First-time Adoption of Phillipine Financial Reporting Standards – Meaning of effective PFRSs. The amendments state that a first-time adopter is permitted to use either the PFRS that is currently mandatory or the new PFRS that is not yet mandatory, provided that the new PFRS permits early application. If a first-time adopter chooses to early apply a new PFRS, that new PFRS will be applied throughout all the periods presented in its first PFRS financial statements on a retrospective basis, unless PFRS 1requires otherwise.

The improvement will have no impact on the consolidated financial statements since the Group is not a first-time adopter of PFRSs.

PFRS 3 (Amendments), Business Combinations – Scope exceptions for joint ventures. This amendments clarify 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.

The management is still evaluating the impact of the above improvements on the consolidated financial statements.

PFRS 13 (Amendment), Fair Value Measurement – Portfolio exception, clarifies that the scope of the portfolio exception defined in paragraph 52 of PFRS 13 applies to all contracts within the scope of, and accounted for in accordance with, PAS 39 Financial Instruments: Recognition and Measurement or PFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in PAS 32 Financial Instruments: Presentation.

The management is still evaluating the impact of the above improvements on the consolidated financial statements.

PAS 40 (Amendment), Investment Property. These amendments clarify the interrelationship between PAS 40 and PFRS 3 Business Combinations . The amendment states that judgement is needed in determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. Determining whether a specific transaction meets the definition of a business combination and includes an investment property requires the separate application of both PFRS 3 and PAS 40.

The management is still evaluating the impact of the above improvements on the consolidated financial statements.

PAS 19 (Amendments) Employee Benefits – Defined Benefit Plans: Employee Contributions. The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. If contributions from employees or third parties are linked to service, those contributions reduce the service cost as follows:(a) if the amount of the contributions is dependent on the number of years of service, an entity shall attribute the contributions to periods of service, i.e. either using the plan's contribution formula or on a straight-line basis; or (b) if the amount of the contributions is independent of the number of years of service, the entity is permitted to recognize such contributions as a reduction of the service cost in the period in which the related service is rendered. The amendments are effective for annual periods beginning on or after July 1, 2014.

The management is still evaluating the impact of the above improvements on the consolidated financial statements.

PFRS 11, *Joint Arrangement — Accounting for Acquisitions of Interests in Joint Operations (Amendments)*. The amendments require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in PFRS 3 to: (1) apply all of the business combinations accounting principles in PFRS 3 and other PFRSs, except for those principles that conflict with the guidance in PFRS 11; and, (2) disclose the information required by PFRS 3 and other PFRSs for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in PFRS 3, for those acquisitions occurring from the beginning of the first period in which the amendments apply. Amounts recognized for acquisitions of interests in joint operations occurring in prior periods are not adjusted. The amendments are effective for annual periods beginning on or after January 1, 2016.

The management is still evaluating the impact of the above improvements on the consolidated financial statements.

PFRS 14, *Regulatory Deferral Accounts*. This new standard permits an entity which is a first-time adopter of Philippine Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of PFRS and in subsequent financial statements. Entities which are eligible to apply this standard are not required to do so, and so can chose to apply only the requirements of PFRS 1 when first applying PFRSs. However, an entity that elects to apply this standard in its first PFRS financial statements must continue to apply it in subsequent financial statements. This standard cannot be applied by entities that have already adopted PFRSs. The standard is effective and applicable on first annual financial statements for annual periods beginning on or after January 1, 2016.

The standard will not have an impact on the consolidated financial statements.

PAS 16, *Property, Plant and Equipment — Clarification of Acceptable Methods of Depreciation (Amended)*. These amendments clarify that a depreciation method that is based on revenue generated by an activity that includes the use of an asset is not appropriate. This is because such methods reflects a pattern of generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of consumption of an asset's expected future economic benefits. The amendments are effective for annual periods beginning on or after January 1, 2016.

The amendments will not have impact on the consolidated financial statements as the Group depreciation methods are not based on revenue.

PFRS 9*, Financial Instruments.* The standard requires all recognized financial assets that are within the scope of PAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely for payments of principal and interest on the outstanding balance are generally measured at amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. For financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

The management does not anticipate that the application of PFRS 9 will have a significant impact on the consolidated financial statements as the Group financial assets and financial liabilities pertains only to debt securities that will continue to be measured at amortized cost.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and a subsidiary controlled by the Parent Company as at reporting date. Control is achieved when the Parent Company is exposed, or has rights to variable returns from its involvement with the subsidiaries and has the ability to affect these returns through its power over the subsidiaries.

A subsidiary is consolidated from the date when control is transferred to the Parent Company and ceases to be consolidated from the date when control is transferred out of the Parent Company.

On acquisition, the assets and liabilities and contingent liabilities of subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired, i.e. discount on acquisition, is credited to profit or loss in the period of acquisition.

The consolidated financial statements were prepared using uniform accounting policies for like transactions and other events in similar circumstances. Inter-company balances and transactions, including inter-company profits and unrealized profits and losses, are eliminated. When necessary, adjustments are made to the financial statements of subsidiary to bring the accounting policies used in line with those used by the Group.

Financial Instruments

Initial recognition, measurement and classification of financial instruments

The Group recognizes financial assets and financial liabilities in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments includes transaction costs, except for those financial assets and liabilities at fair value through profit or loss (FVPL) where the transaction costs are charged to expense in the period incurred.

All financial assets and liabilities are classified as loans and receivables and other financial liabilities, respectively. The Group did not hold any other financial instruments as at December 31, 2014 and 2013.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. These financial assets are included in current assets if maturity is within twelve (12) months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2014 and 2013, included under loans and receivables are the Group's cash in bank, trade and other receivables, refundable deposits and advances to related parties (see Notes 4, 5, 10 and 21).

Other Financial Liabilities

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process. Other financial liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer) while other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables include non-trade payables (mainly payable to government agencies) and accrued expenses.

As at December 31, 2014 and 2013, included in other financial liabilities are the Group's accounts payable and other liabilities, borrowings, retention payable and guarantee bonds, and advances from related parties.

Borrowings and Borrowing Cost

(a) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method. Difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(b) Borrowing cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized as expenses in the Group's statement of comprehensive income in the period incurred.

“Day 1” Difference

When the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference amount.

Determination of Fair Value and Fair Value Hierarchy

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

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

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

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

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

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

Fair value measurement disclosures of financial and non-financial assets are presented in Note 30 to the financial statements.

Amortized Cost of Financial Instruments

Amortized cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the contracted parties or a group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of loss is recognized in the consolidated statement of comprehensive income.

If in a subsequent date, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, and the increase or decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of comprehensive. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group.

Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" in the Group statement of comprehensive income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the Group statement of comprehensive income, the impairment loss is reversed through the Group statement of comprehensive income.

Derecognition of Financial Assets and Financial Liabilities

(a) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(b) Financial liabilities

A financial liability is derecognized when the obligation under the liability was discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Group statement of comprehensive income.

Real Estate Inventories

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value. Cost includes land cost, amounts paid to contractors for construction, borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs during the construction period. The cost of real estate inventories as disclosed in the consolidated statement of financial position is determined using the specific identification and cost allocation for non-specific cost.

Net realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs to completion and the estimated costs of sale.

The cost of inventory recognized in the consolidated statement of comprehensive income on disposal is determined with reference to the specific costs incurred on the property sold.

When the net realizable value of the real estate inventories is lower than costs, the Group provides for an allowance for the decline in the value and recognizes the write-down as an expense in the consolidated statement of comprehensive income. The amount of any reversal of write-down of real estate inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of real estate inventories recognized as an expense in the period in which the reversal occurs.

Prepayments

Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account comprises prepaid taxes and licenses, prepaid rentals, prepaid insurance and creditable withholding tax. Prepaid taxes and licenses, rentals and insurance are apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statement of comprehensive income when incurred. Creditable withholding tax is deducted from income tax payable on the same year the revenue was recognized.

Prepayments that are expected to be realized within twelve (12) months after the reporting date are classified as current asset, otherwise, these are classified as other noncurrent asset.

Prepayments are recognized when paid and carried at cost less any utilized portion.

Input Tax

The Group's input tax is stated at cost less provision for impairment, if any. Allowance for unrecoverable input tax, if any, is maintained by the Group at a level considered adequate to provide for potential uncollectible portion of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses.

Interest in Joint Operation

The Group has entered into various jointly controlled operations.

A jointly controlled operation is a joint venture which involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity or a financial structure which is separate from the venturers themselves. Each venturer recognizes in its financial statements: (a) the assets that it controls and the liabilities that it incurs, and (b) the expenses that it incurs and its share of the income that it earns from the sale of inventories by the joint venture. The contractual arrangement determines how the revenue and expenses incurred in common are shared among the venturers.

Property and Equipment

Property and equipment are initially recognized at cost which comprises its purchase price, including taxes and any directly attributable costs of bringing the asset to its working condition and location necessary for it to be capable of operating in the manner intended by management.

Property and equipment are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Expenses that provide incremental future economic benefits to the Group are added to the carrying amount of an item of property and equipment. All other expenses are recognized in the consolidated statements of comprehensive income as incurred.

Depreciation on property and equipment is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives of the property and equipment are as follows:

	In Years
Building and improvements	5 – 50
Transportation equipment	3
Machinery, furniture and fixtures	3

The useful lives and depreciation method are reviewed annually to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and accumulated impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations. Fully depreciated and amortized property and equipment are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged against current operations.

Investment Property

Investment property are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is carried at cost less any impairment loss. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognized when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Impairment of Non-Financial Assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income.

Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Capital stock represents the par value of the shares that are issued and outstanding as at the reporting date.

Retained earnings (deficit) include all current and prior period results of operations as disclosed in the consolidated statements of comprehensive income.

Remeasurement gain on retirement benefits (net) is comprised of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions.

Revenue Recognition

The Group recognizes revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the Group’s activities.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group’s activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The additional specific recognition criteria for each type of revenue are as follows:

Real estate sales

Revenues from transactions covering sales of real estate which include sales of residential houses, condominium units and developed lots are accounted for under the percentage-of-completion method. Percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligation under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary state, and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Gain from sales of virtually completed residential lots and housing units, where sufficient down payment has been received and when collectability of the sales price is reasonably assured, is accounted for under the full accrual method. Otherwise, the installment method is used where gain from sales of the completed projects is initially deferred and classified under 'Deferred gross profit' in the statement of financial position. Deferred gross profit is realized and transferred to the statement of comprehensive income based on the percentage-of-completion of the projects.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are classified as 'Customers' deposits' as shown in the statements of financial position.

Finance income

Interest and other financial income are recognized on time proportion basis that takes into account the effective yield on the asset or effective interest rate.

Miscellaneous Income

Miscellaneous income is recognized when the right to receive cash from services provided is established.

<u>Cost and Expense Recognition</u>

Cost and expenses are recognized in the consolidated statement of comprehensive income when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses in the statements of comprehensive income are presented using the functional method.

Cost of Real Estate Sold

Cost of real estate sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the contractors and technical staff of the Group. The estimated expenditures works the full development of sold real estate property, as determined by the technical staff of the Group, are charged to the 'Cost of Real Estate Sold'.

The Group recognizes the effect of revisions in the total project costs in the year these changes become known.

Operating Expenses

Operating expenses are recognized in the consolidated statements of comprehensive income upon utilization of the service or at the date they are incurred. All finance costs are reported in the consolidated statements of comprehensive income, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset, on an accrual basis.

Cost and expenses in the statements of comprehensive income are presented using the functional method.

Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that that it relates to items recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Retirement Benefits Obligation

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Defined benefit costs comprise service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

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

Leases

Leases wherein the lessor substantially transfers to the Group all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as assets and liabilities in the consolidated statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property, 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 the consolidated statements of comprehensive income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset of 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 lease. Operating lease payments are recognized as expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Group is a party to an operating lease of its branch office spaces as a lessee. Payments paid to the lessor under operating leases (net of any incentives given by the lessor) are charged to the consolidated statement of comprehensive income.

Related Party Relationship and Transactions

Related party relationship exists when (a) a person or a close member of that person's family has control or joint control, has significant influence or is a member of the key management personnel of the reporting entity or a parent of the reporting entity. (b) An entity is related to the Group if, the entity and the Group are members of the same group, one entity is an associate or joint venture of the other entity, both entities are joint ventures of the same third party, one entity is a joint venture of a third entity and the other entity is an associate of the third party, an entity is a post-employment benefit plan for the benefit of employees of the Group, the entity is controlled or joint controlled by a person who has control or joint control over the Group and a person as identified in (a) above has significant influence over the entity is a member of the key management personnel of the entity or of a parent of the entity. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Basic Earnings (Loss) Per Share (EPS)

Basic earnings (loss) per share is calculated by dividing the profit (loss) by the weighted average number of common shares outstanding during the year.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

Events after the Reporting Date

The Group identifies post year-end events as events that occurred after the reporting date but before the date when the consolidated financial statements were authorized for issue. Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, AND ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances at the end of the reporting period. Actual results could differ materially from such estimates.

Estimates and judgments 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.

Significant Accounting Judgments in Applying the Group's 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) Functional Currency

The Group considers the Philippine peso as the currency that most fairly represents the economic effect of the underlying transactions, events and conditions. The Philippine Peso is the currency of the primary economic environment in which the Group operates. It is the currency in which the Group measures its performance and reports its operating results.

(b) Interest in Joint and Real Estate Inventories

The Group has entered into Joint Venture Agreement with related parties for the development of real estate properties, whereby the Group acts as Developer. The following guidance was set by the Group to distinguish investment in joint venture from real estate inventories:

- Interest in joint venture involves the assets and other resources of each venturers. Each venturer uses its own property and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations.
- Real estate inventories comprise properties that are held for sale in the ordinary course of business.

The Group's interest in joint venture represents cost incurred to develop and sell the real estate properties contributed by co-venturers, in the Group's ordinary course of business. Accordingly, the Group accounted its share in the joint venture as real estate inventories.

(c) Operating Lease Commitments

The Group has entered into contract of lease for the branch office space it occupies. The Group has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Group considered, among others, the significance of the lease term as compared with the estimated useful life of the related asset. The Group accordingly accounted for these as operating leases.

(d) Impairment of Non-Financial Assets

Property and equipment, and investment property are periodically reviewed to determine any indications of impairment. Though the management believes that the assumptions used in the estimation of fair values are reasonable and appropriate, significant changes in these assumptions may materially affect the assessment of the recoverable amounts and any resulting impairment loss could have a material adverse effect in the results of operations.

(e) Income Tax

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business. Recognition of deferred income taxes depends on management's assessment of the probability of available future taxable income against which the temporary difference can be applied. The components of deferred income tax are shown in Note 23.

(f) Provisions and Contingencies

Estimate of the probable costs for the resolution of possible claims are being developed in consultation with outside counsel handling the Group's defense in these matters and are based upon analysis of potential results. The Group is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Group's management and legal counsel believe that the eventual settlement of these liabilities under these lawsuits or claims, if any, will not have a material impact on the consolidated financial statements. Accordingly, no provision for probable losses arising from contingencies was recognized in the consolidated financial statements as at December 31, 2014 and 2013.

(g) Investment in a subsidiary

The Parent Company clearly demonstrates control over its subsidiary because it has rights to variable returns from its investment with the subsidiary and has the ability to affect these returns through its power over the subsidiary.

Based on the management's impairment review of the investment in subsidiary, the Parent Company believes that there is no indication that an impairment loss has occurred on its investment in subsidiary as at December 31, 2014 and 2013.

Significant Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(a) Revenue and Cost Recognition

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from sale of real estate inventories recognized based on percentage-of-completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project. Sales of real estate inventories amounted to ₱118,707,798, ₱189,779,412 and ₱92,986,841 in 2014, 2013 and 2012, respectively, while the related cost of real estate sold amounted to ₱55,773,812, ₱107,603,022 and ₱48,371,417 in 2014, 2013 and 2012, respectively (see Notes 17 and 18).

(b) Allowance for Doubtful Accounts and Impairment Losses

Recoverability of specific trade and other receivables, and advances to related parties is evaluated based on the best available facts and circumstances, the length of the Group's relationship with its debtors, the debtors' payment behavior and known market factors. These specific reserves are reevaluated and adjusted as additional information received affects the amount estimated to be uncollectible.

Allowance for doubtful accounts and impairment loss on trade and other receivables, and advances to related parties as at December 31, 2014 and 2013 amounted to ₱46,424,320 and ₱53,858,454 (see Notes 5 and 21).

The Group's trade and other receivables, and advances to related parties as at December 31, 2014 and 2013 amounted to ₱651,129,214 and ₱708,252,192, respectively (see Notes 5 and 21).

(c) Estimating Useful Lives of Assets

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property equipment would increase recorded operating expenses and decrease non-current assets.

The carrying value of property and equipment as at December 31, 2014 and 2013 amounted to ₱49,558,940 and ₱51,796,756, respectively (see Note 9).

(d) Deferred Tax Assets

The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets 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 assets to be utilized. As at December 31, 2014 and 2013, the Group has assessed that they will generate sufficient taxable profit from the utilization of deferred tax assets in succeeding years.

The Group's deferred tax assets, net of valuation allowance, as at December 31, 2014 and 2013 amounted to ₱13,333,256 and ₱11,046,051, respectively (see Note 23).

(e) Retirement Benefits Obligation

The determination of the Group's obligation and cost of pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. The assumptions shown in Note 24 to the financial statements include among others, discount rates and rates of salary increase. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and assumptions 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.

The Group's retirement benefits obligation as at December 31, 2014 and 2013 amounted to ₱555,571 and ₱3,143,093, respectively (see Note 24).

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31 consist of:

	2014	2013
Cash on hand	**₱ 128,000**	₱ 128,000
Cash in bank	**24,664,084**	4,915,598
	₱24,792,084	₱ 5,043,598

Cash in banks generally earns interest at annual rates based on daily bank deposit rates ranging from 0.1% to 0.25% per annum in 2014 and 0.125% to 0.25% per annum in 2013.

Interest income earned from cash in bank amounted to ₱8,360 and ₱10,833 in 2014 and 2013, respectively, and is recognized as part of 'Other Income (net)' in the consolidated statements of comprehensive income (see Note 19).

There is no restriction on the Group's cash and cash equivalents as at December 31, 2014 and 2013.

5. TRADE AND OTHER RECEIVABLES (net)

Trade and other receivables (net) as at December 31 consist of:

	2014	2013
Current		
Installment contract receivables	**₱ 67,603,996**	₱ 82,017,991
Advances to homeowners	**13,994,971**	12,802,061
Advances to employees	**2,983,364**	1,752,282
Other receivables	**511,873**	199,201
	85,094,204	96,771,535
Allowance for doubtful accounts	**(578,494)**	(578,494)
	84,515,710	96,193,041
Noncurrent		
Installment contract receivables from:		
External customers	**190,100,690**	140,461,711
Related parties - note 21	**47,897,275**	96,506,168
Receivable from contractors	**7,292,468**	7,226,410
	245,290,433	244,194,289
	₱ 329,806,143	₱ 340,387,330

Installment contracts receivables are collectible within a period of one (1) to nine (9) years, and are secured by mortgage on the property purchased by the buyer. These receivables bear interest at annual rates ranging from 18% to 21% in 2014 and 2013. Interest income earned amounted to ₱3,012,211, ₱1,498,878 and ₱1,343,859 in 2014, 2013 and 2012, respectively (see Note 19).

The Group partially finances its real estate projects through assignment of its certain installment contract receivables to secure loans availed from a certain local financial institution. Assigned installment contract receivables as at December 31, 2014 and 2013 amounted to ₱45,000,000 and ₱30,000,000, respectively (see Note 12).

Advances to homeowners pertain to advances for the maintenance of residential subdivisions pending establishment of Homeowner's Associations.

Receivable from contractors pertain to amount recoverable from construction projects. Other receivables consist of advances to suppliers and other miscellaneous receivables which are non-interest bearing and are collectible upon demand.

Except for the assigned installment contract receivables with a local financial institution, no other trade and other receivables as at December 31, 2014 and 2013 are held as collateral for its liabilities.

6. REAL ESTATE INVENTORIES

Real estate inventories (net) as at December 31 consist of:

	2014	2013
At cost:		
Raw land inventory	**₱ 421,969,346**	₱ 416,727,246
Projects under development	**77,955,874**	75,658,612
House and lot	**189,347,141**	195,061,262
	₱ 689,272,361	₱ 687,447,120

Raw land inventory consists of parcels of land in the cities of Manila, Cebu and Iloilo.

The cost of projects under development consists of cost of land, site preparation and development and construction cost of real estate inventories.

The Group's real estate inventories consist of:

- Pacific Grand Villas in Cebu
- Pearl of the Orient Tower (formerly Embassy Pointe Tower) in Manila
- Chateaux Geneva and Costa Smeralda (Jaro Estates) in Iloilo
- MetroTech Industrial Park (formerly Plastic City Industrial Park) in Valenzuela
- Pacific Grand Townhomes also in Cebu.

The Group has entered into joint venture agreement with related parties whereby the related parties contribute real estate properties to be developed by the Group. The following projects were undertaken through these joint venture agreements:

a) Pearl of the Orient Tower (formerly The Embassy Point Tower)

In 1996, the Group entered into a joint venture agreement with Pearl of the Orient Realty and Development Corporation, a property developer, for the construction of office-commercial-residential condominiums. The joint venture project consist of The Embassy Pointe Tower (later renamed Pearl of the Orient Tower) located in Roxas Boulevard, Manila.

b) Chateaux Geneva

The Group completed in 2005 its residential subdivision project in Iloilo called Chateaux Geneva. This project is a joint venture with Pacific Rehouse Corporation (PRC), an affiliate, by which they share on the net saleable areas of the joint venture property in accordance with their sharing agreement.

c) Metro Tech Industrial Park (formerly Plastic City Industrial Park)

In 1997, the Group also entered into a joint venture agreement with its related parties, Inland Container Corporation, International Polymer Corporation, Kennex Container Corporation, Pacific Rehouse Corporation, Rexlon Industrial Corporation and Ropeman International Corporation, for the development of a certain real estate property into an industrial estate for a developer's fee of equivalent to forty percent (40%) of the net sales proceeds after deducting all relevant taxes and marketing expenses and administrative expenses, with the remaining sixty percent (60%) to be remitted to the owners.

Real estate inventories with a total cost of ₱13.46 million as at December 31, 2014 and 2013, were used as collateral for borrowings obtained from Luzon Development Bank in 2013 (see Note 12). Aside from the aforementioned information, no other real estate inventories as at December 31, 2014 and 2013 are held as collateral for its liabilities.

7. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as at December 31 consist of:

	2014	2013
Creditable withholding taxes	**₱ 12,187,167**	₱ 11,625,079
Input taxes	**5,913,050**	9,533,457
Prepaid expenses	**1,205,844**	775,467
	₱ 19,306,061	₱ 21,934,003

The creditable withholding taxes arise from the sale, exchange or transfer of real estate inventories.

Prepaid expenses pertain to prepaid insurance, rental, taxes and licenses, and office supplies.

8. INVESTMENT PROPERTY

The Group's investment property pertains to the remaining 91 hectares of land located in Davao which was not covered by the Comprehensive Agrarian Reform Law.

The cost of investment property amounted to ₱1,072,016 as at December 31, 2014 and 2013.

The zonal value which is indicative of the market value of the investment property as at December 31, 2014 and 2013 at P50/sqm is equivalent to ₱45,500,000. Zonal value is the fair market value of real properties located in each zone or area upon consultation with competent appraisers both public and private sector.

9. PROPERTY AND EQUIPMENT (net)

Reconciliation of the Group's property and equipment as at December 31, 2014 is as follows:

Cost	**Building and improvements**	**Transportation equipment**	**Machinery, furniture and fixtures**	**Total**
At beginning of year	**₱ 78,029,188**	**₱ 4,765,240**	**₱ 38,713,892**	**₱ 121,508,320**
Additions	**663,854**	**–**	**884,057**	**1,547,911**
At end of year	**₱ 78,693,042**	**₱ 4,765,240**	**₱ 39,597,949**	**₱ 123,056,231**

Accumulated depreciation	**Building and improvements**	**Transportation equipment**	**Machinery, furniture and fixtures**	**Total**
At beginning of year	**₱ 28,998,563**	**₱3,570,246**	**₱37,142,755**	**₱ 69,711,564**
Depreciation	**2,147,421**	**327,511**	**1,310,795**	**3,785,727**
At end of year	**31,145,984**	**3,897,757**	**38,453,550**	**73,497,291**
Carrying amount as at December 31, 2014	**₱ 47,547,058**	**₱ 867,483**	**₱ 1,144,399**	**₱ 49,558,940**

Reconciliation of the Group's property and equipment as at December 31, 2013 is as follows:

Cost	Building and improvements	Transportation equipment	Machinery, furniture and fixtures	Total
At beginning of year	₱ 78,029,188	₱ 5,970,629	₱ 39,754,098	₱ 123,753,915
Additions	–	–	646,069	646,069
Disposals	–	(393,879)	–	(393,879)
Write off	–	(811,510)	(1,686,275)	(2,497,785)
At end of year	₱ 78,029,188	₱ 4,765,240	₱ 38,713,892	₱ 121,508,320

Accumulated depreciation	Building and improvements	Transportation equipment	Machinery, furniture and fixtures	Total
At beginning of year	₱ 26,818,303	₱ 4,448,965	₱ 37,549,063	₱ 68,816,331
Depreciation	2,180,260	326,670	1,279,967	3,786,897
Disposal	–	(393,879)	–	(393,879)
Write off	–	(811,510)	(1,686,275)	(2,497,785)
At end of year	₱ 28,998,563	₱ 3,570,246	₱ 37,142,755	₱ 69,711,564
Carrying amount as at December 31, 2013	₱ 49,030,625	₱ 1,194,994	₱ 1,571,137	₱ 51,796,756

Fully depreciated property and equipment still in use as at December 31, 2014 and 2013 amounted to ₱10,385,966 and ₱6,484,286, respectively.

Based on the impairment review of the property and equipment, the Group believes that there is no indication that an impairment loss had occurred as at December 31, 2014 and 2013.

10. OTHER NONCURRENT ASSETS

Other noncurrent assets as at December 31 consist of:

	2014	2013
Refundable deposits	**₱ 6,267,093**	₱ 6,215,126
Other assets	**243,463**	243,463
	₱ 6,510,556	₱ 6,458,589

11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities as at December 31 consist of:

	2014	2013
Accounts payable	**₱ 56,002,731**	₱ 65,916,579
Accrued expenses	**10,479,469**	11,579,551
Deferred output VAT and other taxes payable	**17,194,305**	23,162,866
Other payables	**8,520,980**	7,297,400
	₱ 92,197,485	₱ 107,956,396

Deferred output VAT arises from the Group's installment contracts, the collections on which did not reach 25% of the contract price at the time the sale was recognized.

Other payables pertain to the liabilities of the Group to customers who cancelled their sales contract.

12. BORROWINGS

The details of borrowings of the Group are as follows:

	Outstanding balance		
Bank/ Lender	**2014**	2013	Loan type and significant terms
Luzon Development Bank	**₱27,088,362**	₱31,411,005	Notes payable amounting to ₱20 million and ₱15 million in 2013 and ₱50 million in 2012, obtained for working capital requirements. The note carries interest rate of 10% p.a. and payable in 180 days, with interest payable monthly in advance. The loan is secured by real estate inventories with a total cost of ₱13.46 million (see Note 6).
CV Financial Corporation	**31,159,263**	22,762,450	Borrowings from CV Financial Corporation represents selling of installment accounts receivables by virtue of various contracts to sell for a consideration of ₱30,000,000 in 2013 and additional availment of ₱15,000,000 in 2014. Payment is to be done in tranches of at least ₱5 million payable within 12 months.
	₱ 58,247,625	₱ 54,173,455	

Interest expense charged to operations amounted to ₱776,192 and ₱11,375,127 in 2014 and 2013, respectively, and presented as finance costs in the consolidated statements of comprehensive income.

13. CUSTOMERS' DEPOSITS

Customers' deposits represent reservation fees and initial collections received from the customers before the two parties enter into a sales agreement for the sale transaction. These were payments from buyers which had not reached the minimum required percentage. When the level of required percentage is reached by the buyer, sale is recognized and these deposits and down payments will be recognized as revenue and will be applied against the installment contract receivable balance.

As at December 31, 2014 and 2013, outstanding balance of the customers' deposits amounted to ₱7,667,135 and ₱7,423,772, respectively.

14. RETENTION PAYABLE AND GUARANTEE BONDS

Retention payable and guarantee bonds as at December 31 consist of:

	2014	2013
Retention payable	**₱ 15,736,472**	₱ 24,448,605
Guarantee bonds	**8,886,348**	9,027,478
	₱ 24,622,820	₱ 33,476,083

Retention payable pertains to ten percent (10%) of each progress payment retained by the Group until full completion of the contract. The full amount of retention will be released by the Group to the contractors after the full completion and acceptance of satisfactory works by the Group and submission of the original, signed and sealed sets of prints of “As-built” drawings and Guarantee Bond equivalent to 10% of the contract amount.

The guarantee bond equivalent to ten percent (10%) of the contract price covering a period of one year after the final completion of contracted jobs to answer for faulty and/or defective materials or workmanship was also recognized and recorded as retention payable.

15. DEFERRED GROSS PROFIT

This account represents the difference between the contract price and the estimated cost of real estate projects sold which are not yet completed as at financial reporting date and to be realized thereafter based on the percentage of completion of the real estate inventories sold. As at December 31, 2014 and 2013, deferred gross profit amounted to ₱69,740,797 and ₱57,642,678, respectively.

16. CAPITAL STOCK

Details of capital stock as at December 31 are as follows:

Capital stock	Number of share	Par value per share	Total
Authorized	**5,000,000,000**	**₱ 1**	**₱ 5,000,000,000**
Issued and outstanding	**1,445,549,830**	**₱ 1**	**₱ 1,445,549,830**

The Group has one class of common shares which carry no right to fixed income.

Track Record of Registration of Securities

The Group was originally registered as Philippine Cocoa Estates Corporation with the SEC on May 30, 1983 with an authorized capital stock of ₱1 million primarily to engage in all phases of agriculture. On February 29, 1984, the Group increased its authorized capital stock to ₱140 million. The Group was listed with the PSE on November 1, 1984.

On May 8, 1987, the Group with the approval of SEC increased its authorized capital stock to ₱180 million and on October 22, 1987, increased to ₱300 million.

In 1996, The Wellex Group, Inc. (TWGI) gained majority control of the Group and revamped its management. The new management opted for a change in business focus from agriculture to real estate, with the corporate vision of becoming a world-class real estate developer.

To align the Group to this new corporate vision, management applied with the SEC for approval to carry out certain strategic corporate changes. Thus, on May 16, 1996, SEC approved the proposed changes, namely: (a) the change in the primary purpose clause from agriculture to the business of holding and developing real estate; (b) the change in the corporate name to reflect the new business focus; (c) the removal of the Class “A” and Class “B” classification of the Group’s shares; and (d) the change in par value of the shares from ₱10 to ₱1 per share.

Towards achieving its corporate vision, the Group filed an application to increase its authorized capital stock from ₱300 million to ₱5 billion. Out of this increase of ₱4.7 billion, the amount of ₱1,194,333,800 was subscribed and paid up by five corporate investors. The principal part of the subscription was paid up by way of transfers to the Group of 45 parcels of land valued at ₱1,161,833,800, while a smaller portion of the subscription, amounting to ₱32,500,000 was paid through conversion of debt to equity. The increase in authorized capital stock to ₱5 billion was approved by SEC on March 26, 1997.

Number of shares owned by public totaled 760,299,740 shares and 764,060,730 shares or a public ownership of 52.70% and 52.86% as at December 31, 2014 and 2013, respectively.

The historical market value of the Group’s shares follows:

	Market value per share
December 31, 2014	**₱ 0.390**
December 31, 2013	0.365
December 31, 2012	0.650

17. REAL ESTATE SALES

Real estate sales for the years ended December 31 on the various projects are as follows:

	2014	2013	2012
Lot	**₱ 71,817,189**	₱ 89,194,481	₱73,435,249
House and lot	**46,890,609**	33,110,131	19,551,592
Raw land	–	67,474,800	–
	₱ 118,707,798	₱189,779,412	₱92,986,841

18. COST OF REAL ESTATE SOLD

Cost of real estate sold for the years ended December 31 is as follows:

	2014	2013	2012
Lot	**₱ 32,373,948**	₱ 41,930,487	₱39,125,209
House and lot	**23,399,864**	17,892,042	9,246,208
Raw land	–	47,780,493	–
	₱ 55,773,812	₱ 107,603,022	₱48,371,417

19. OTHER INCOME (net)

Details of other income (net) for the years ended December 31 are as follows:

	2014	2013	2012
Finance income from:			
Advances to affiliates – note 21	**₱ 7,054,542**	₱12,254,811	₱11,945,429
Installment contracts receivables – note 5	**3,012,211**	1,498,878	1,343,859
Cash in bank – note 4	**8,360**	10,833	36,855
Income from lawsuit	**13,486,349**	–	–
Reversal of impairment loss on advances to related parties – note 21	**7,434,134**	–	1,394,587
Miscellaneous income	**676,597**	236,882	460,448
	₱ 31,672,193	₱ 14,001,404	₱ 15,181,178

On December 1, 2014, the Group and Kummassie Plantation Co., Inc. ('Kummassie') entered into Compromise Agreement for the determination of the payment for just compensation involving an amount of ₱26.3 million. The Group is a party to a civil case filed by Kummassie against the Landbank of the Philippines for the determination of just compensation for the conflicting claims on the value of agricultural assets on a leased property, filed before the Regional Trial Court (RTC) of Davao City. A decision by the RTC of Davao was reached on December 15, 2014 through a Compromise Agreement, in which the Group will receive 60% of the principal amount and interest. As at December 31, 2014, the Group received an amount of ₱13,486,349.

20. OPERATING EXPENSES

Operating expenses for the years ended December 31 are as follows:

	2014	2013	2012 (As restated)
Salaries and wages	**₱ 16,353,711**	₱ 15,357,751	₱12,792,632
Commissions	**7,058,703**	2,788,456	1,713,990
Taxes and licenses	**6,354,628**	2,553,356	1,349,009
Advertising	**3,928,495**	7,706,887	4,185,818
Depreciation - note 9	**3,785,727**	3,786,897	3,383,882
Loss on cancelled contracts	**3,266,898**	2,656,238	1,591,101
Professional and legal fees	**2,327,909**	3,167,523	1,657,167
Employee benefits	**2,127,586**	8,679,134	6,041,593
Travel and transportation	**1,509,417**	2,058,318	1,721,525
Retirement benefits expense – note 24	**1,349,067**	814,409	520,998
Electricity and water	**1,208,100**	1,194,589	1,234,166
Penalty fee, interests and surcharges	**1,153,673**	8,170,162	9,071,728
Security services	**1,138,424**	969,273	908,407
Telephone and communication	**1,023,452**	1,074,214	1,000,359
Supplies	**905,983**	1,121,367	924,335
Meetings, trainings and seminars	**785,048**	965,956	825,998
Dues and subscription	**706,885**	682,895	610,036
Representation and entertainment	**605,163**	5,712	1,458,496
Repairs and maintenance	**578,298**	426,579	672,812
Rental – note 26	**544,296**	505,878	331,678
Insurance	**191,432**	457,887	129,648
Director fees	**160,000**	200,000	410,000
Janitorial services	**61,633**	25,334	132,556
Bank charges	**27,456**	70,375	239,249
Bad debts	–	–	60,142
Miscellaneous expenses	**1,477,747**	2,777,621	5,763,147
	₱ 58,629,731	₱ 68,216,811	₱ 58,730,472

21. RELATED PARTY TRANSACTIONS

The Group makes advances to and from related parties for working capital requirements and for those related to joint venture agreements and other transactions.

Details of the Group's advances to related parties for the years ended December 31, 2014 and 2013 are as follows:

December 31, 2014	At beginning of Year	Additional advances/ Impairment	Accrual of interest	Collection/ reversal of impairment	At end of year
Common key management					
Plastic City Corp. *(a)*	**₱ 169,666,421**	**₱ 452,703**	**₱ 3,402,383**	**–**	**₱ 173,521,507**
Forum Holdings Corp. *(b)*	**72,512,895**	**–**	**1,422,957**	**(2,612,588)**	**71,323,264**
Kennex Container Corp. *(b)*	**28,526,684**	**–**	**553,916**	**(1,384,790)**	**27,695,810**
Orient Pacific Corp. *(b)*	**30,936,860**	**–**	**436,904**	**–**	**31,373,764**
Heritage Pacific Corp. *(b)*	**18,282,984**	**–**	**365,661**	**–**	**18,648,645**
Metro Alliance Holdings and Equity Corp. *(d)(e)*	**17,577,993**	**–**	**351,560**	**–**	**17,929,553**
Noble Arch Realty and Construction *(c)*	**17,685,025**	**60,221**	**352,966**	**–**	**18,098,212**
Pacific Rehouse Corp. *(b)*	**–**	**–**	**–**	**–**	**–**
Bataan Polytethylene Corp.	**172,729**	**–**	**3,456**	**–**	**176,185**
Weltex Industries Corp. *(e)*	**97,034**	**–**	**–**	**(97,034)**	**–**
Rexlon Industrial Corp. *(e)*	**25,385**	**–**	**–**	**(25,385)**	**–**
The Wellex Group, Inc.	**–**	**8,142,782**	**162,856**	**–**	**8,305,638**
Stockholders					
International Polymer Corp. *(b)(f)*	**65,524,431**	**–**	**1,884**	**(65,429,996)**	**96,319**
Ropeman International Corp. *(e)*	**136,381**	**–**	**–**	**(136,381)**	**–**
	421,144,822	**8,655,706**	**7,054,543**	**(69,686,174)**	**367,168,897**
Allowance for impairment					
Plastic City Corp.	**22,466,500**	**–**	**–**	**–**	**22,466,500**
Forum Holdings Corp.	**9,714,260**	**–**	**–**	**–**	**9,714,260**
International Polymer Corp.	**6,693,685**	**–**	**–**	**(6,597,366)**	**96,319**
Kennex Container Corp.	**3,620,012**	**–**	**–**	**(830,874)**	**2,789,138**
Orient Pacific Corp.	**3,161,455**	**–**	**–**	**–**	**3,161,455**
Heritage Pacific Corp.	**2,769,393**	**–**	**–**	**–**	**2,769,393**
Metro Alliance Holdings and Equity Corp.	**2,384,888**	**–**	**–**	**–**	**2,384,888**
Noble Arch Realty and Construction	**2,310,405**	**–**	**–**	**–**	**2,310,405**
Pacific Rehouse Corp.	**–**	**–**	**–**	**–**	**–**
Bataan Polyethylene Corp.	**153,468**	**–**	**–**	**–**	**153,468**
Rexlon Industrial Corp.	**5,894**	**–**	**–**	**(5,894)**	**–**
	53,279,960	**–**	**–**	**(7,434,134)**	**45,845,826**
	₱ 367,864,862	**₱ 8,655,706**	**₱ 7,054,543**	**(₱ 62,252,040)**	**₱321,323,071**

December 31, 2013	At beginning of Year	Additional advances/ Impairment	Accrual of interest	Collection/ reversal of impairment	At end of year
Common key management					
Plastic City Corp. *(a)*	₱ 164,724,195	₱ –	₱ 4,942,226	₱ –	₱ 169,666,421
Forum Holdings Corp. *(b)*	73,210,157	–	2,196,305	(2,893,567)	72,512,895
Kennex Container Corp. *(b)*	27,695,810	–	830,874	–	28,526,684
Orient Pacific Corp. *(b)*	33,109,883	–	720,544	(2,893,567)	30,936,860
Heritage Pacific Corp. *(b)*	20,559,758	–	616,793	(2,893,567)	18,282,984
Metro Alliance Holdings and Equity Corp. *(d)(e)*	17,066,013	–	511,980	–	17,577,993
Noble Arch Realty and Construction *(c)*	17,110,967	61,833	512,225	–	17,685,025
Bataan Polytethylene Corp.	167,698	–	5,031	–	172,729
Weltex Industries Corp. *(e)*	94,208	–	2,826	–	97,034
Rexlon Industrial Corp. *(e)*	24,646	–	739	–	25,385
Stockholders					
International Polymer Corp. *(b)(f)*	63,709,938	–	1,911,298	(96,805)	65,524,431
Ropeman International Corp. *(e)*	132,411	–	3,970	–	136,381
	417,605,684	61,833	12,254,811	(8,777,506)	421,144,822
Allowance for impairment					
Plastic City Corp.	22,466,500	–	–	–	22,466,500
Forum Holdings Corp.	9,714,260	–	–	–	9,714,260
International Polymer Corp.	6,693,685	–	–	–	6,693,685
Kennex Container Corp.	3,620,012	–	–	–	3,620,012
Orient Pacific Corp.	3,161,455	–	–	–	3,161,455
Heritage Pacific Corp.	2,769,393	–	–	–	2,769,393
Metro Alliance Holdings and Equity Corp.	2,384,888	–	–	–	2,384,888
Noble Arch Realty and Construction	2,310,405	–	–	–	2,310,405
Pacific Rehouse Corp.	–	–	–	–	–
Bataan Polyethylene Corp.	153,468	–	–	–	153,468
Rexlon Industrial Corp.	5,894	–	–	–	5,894
	53,279,960	–	–	–	53,279,960
	₱ 364,325,724	₱ 61,833	₱ 12,254,811	(₱ 8,777,506)	₱ 367,864,862

Details of the Group's advances from related parties for the years ended December 31, 2014 and 2013 are as follows:

December 31, 2014	At beginning of Year	Additional advances from related parties	Settlement/Reversal	At end of year
Common key management				
Concept Moulding Corp.	**₱ 2,300,000**	**₱ 1,530,646**	–	**₱ 3,830,646**
Waterfront Cebu City Hotel	**76,602,783**	–	**(76,602,783)**	–
The Wellex Group, Inc.	**22,964,332**	**4,774,271**	–	**27,738,603**
Pacific Rehouse Corp.	**76,369,616**	**21,384,841**	–	**97,754,457**
Manila Pavilion	**166,530**	–	–	**166,530**
	₱ 178,403,261	**₱ 27,689,758**	**(₱ 76,602,783)**	**₱129,490,236**

December 31, 2013	At beginning of Year	Additional advances from related parties	Settlement/Reversal	At end of year
Common key management				
Concept Moulding Corp.	₱ 2,300,000	₱ –	₱ –	₱ 2,300,000
Waterfront Cebu City Hotel	39,168,686	44,361,294	(7,160,364)	76,369,616
The Wellex Group, Inc.	39,584,217	60,774,532	(23,755,966)	76,602,783
Pacific Rehouse Corp.	25,881,573	6,333,698	(9,250,939)	22,964,332
Manila Pavilion	–	166,530	–	166,530
	₱ 106,934,476	₱ 111,636,054	(₱ 40,167,269)	₱ 178,403,261

a) Plastic City Corporation (PCC)

Advances to PCC represent interest bearing cash advances which bears an interest of 13% per annum. In 2009, PCC committed to pay by way of transfer of eleven (11) properties located at Metrotech Industrial Park with a total area of 21,475 sq.m. valued at P6,450/sq.m. The transfer, however, did not materialize in 2009 because of an impending "Us pendens" case that was resolved with finality only on March 26, 2010. Subject properties were purchased by Plastic City Corporation from the Philippine National Bank (foreclosed properties) which were subject of the abovementioned case filed by Quisumbing et, al. The Supreme Court issued its final decision, in favor of PNB.

On May 2, 2011, PCC and the Group re-entered into a memorandum of agreement wherein PPC will transfer the ownership of the said properties as payment to its outstanding obligation to the Group. As at December 31, 2013 and 2012, the outstanding advances to PCC has not been settled pending transfer of property from PNB to PCC.

b) Forum Holdings Corp. (FPH), International Polymer Corporation (IPC), Kennex Container Corp. (KCC), Orient Pacific Corporation (OPC) , and Heritage Pacific Corporation (HPC)

In 2009, FPH, IPC, KCC, OPC, HPC and PRC executed respective unsecured promissory notes (PN) to cover their respective outstanding advances to the Group with terms ranging from three to five years and bear interest of three percent (3%) per annum, renewable upon agreement of the parties. These PNs were renewed in 2014 with a three-year term and an interest of two percent (2%) per annum. These cash advances are to be settled through cash payments.

c) Noble Arch Realty and Construction Corporation (NARCC)

In 2005, NARCC entered into a Contract to Sell with Union Bank of the Philippines involving eight (8) parcels of land located in Valenzuela City, with an aggregate area of 15,997 square meters.

For the purpose of paying the obligation arising from the abovementioned contract, NARCC sought the assistance of the Group through subsequent interest bearing cash advances.

In 2008, for the purpose of paying off its advances from the Group, NARCC executed a Deed of Assignment, conveying to the Group, all its rights, interest and title under the Contract to Sell between NARCC and Union Bank.

As at December 31, 2014 and 2013, the deed of assignment is pending due to the delay in the transfer of ownership from the bank to the Group (assignee).

Subsequent to December 31, 2014, the properties were transferred to the Group through Deed of Absolute Sale executed by the Group and Union Bank of the Philippines on March 23, 2015.

d) Metro Alliance Holdings and Equity Corporation (MAHEC)

The Group provides unsecured advances to Metro Alliance Holdings and Equity Corporation with principal amount of ₱2,152,577 which bear interest at the rate of 2% per annum. The Group and MAHEC have not yet agreed on the mode of settlement of advances. The PN was renewed in 2014 with a three-year term and an interest of two percent (2%) per annum.

e) Installment contract receivables from TWGI and IPC

In addition to the advances made to related parties, the Group also has installment contracts receivables from related parties due beyond one year as follows (see Note 5):

	2014	2013
The Wellex Group, Inc.	**₱ 37,089,286**	₱ 85,698,179
International Polymer Corporation	**10,807,989**	10,807,989
	₱ 47,897,275	₱ 96,506,168

Though some of the Group's advances to and installment contracts receivables have no significant movements during the year, management is confident that these are collectible in full through cash payment or by way of transfer of properties.

f) Salaries of key management

Key management is defined as those with position of assistant manager and above who are involved in the decision making policy of the Group. The total remuneration of these personnel is as follows:

	2014	2013	2012
Salaries and wages	**₱ 5,277,221**	₱ 5,493,809	₱ 2,708,926
Other benefits	**439,755**	495,392	231,012
	₱ 5,716,976	₱ 5,989,201	₱ 2,939,938

g) Transaction with the retirement fund

The Group has no transactions with its retirement fund for the years ended December 31, 2014 and 2013.

22. MEMORANDUM OF AGREEMENT WITH AVIDA LAND CORP.

On December 17, 2012, the Group and its related parties, Plastic City Cor. (PCC), Inland Container Corp. (ICC), International Polymer Corp. (IPC), MPC Plastic Corp. (MPC), Westland Pacific Properties Corp. (WPPC), and Kennex Container Corp. (KCC) ('the Landowners'), entered into a Memorandum of Agreement (MOA) with Avida Land Corp. (ALC) for the development of 167,959 sq. meters of land located in T. Santiago St., Canumay, Valenzuela City, into residential projects based on a Master Plan determined by ALC.

Under the MOA, the Landowners shall cede, transfer and convey the property including all its rights and interest on the property. The Landowner shall execute the Deed of Conveyance for the entire or certain portions of property and transfer to ALC full vacant physical possession, free and clear of informal settlers, occupants and encumbrances as may be required in accordance with the development schedule of ALC.

In consideration for the conveyance by the Landowners of the property, the parties shall mutually agree on the value for each portion of the property. As at December 31, 2014, the project remains pending due to prerequisites still needed to be settled on the transfer of property to ALC.

23. INCOME TAX

Current and deferred tax

The current and deferred income tax for the years ended December 31, are as follows:

	2014	2013	2012 (As restated)
Current tax:			
Regular corporate income tax (RCIT)	**₱ 1,080,975**	₱ 724,476	₱ 2,994,521
Deferred tax:			
Changes in deferred tax assets	**2,030,716**	5,034,101	13,587,431
	₱ 3,111,691	₱ 5,758,577	₱ 16,581,952

The components of deferred tax assets as at December 31 are as follows:

	2014	2013
Deferred tax assets		
NOLCO	**₱ 9,359,085**	₱ 9,489,431
Retirement benefit expense	**2,184,929**	848,601
MCIT	**1,805,451**	724,476
	₱ 13,349,465	₱ 11,062,508
Valuation allowance	**(16,209)**	(16,457)
	₱ 13,333,256	₱ 11,046,051
Deferred tax liabilities		
Excess of financial realized gross profit over taxable realized gross profit	**₱ 18,462,928**	₱ 14,145,006
Remeasurement gain on retirement benefits	**2,018,257**	837,281
	₱ 20,481,185	₱ 14,982,287

Deferred tax assets and liabilities are determined using the income tax rates in the period the temporary differences are expected to be recovered or settled.

As at December 31, 2014, the Group's NOLCO that can be claimed as deduction from future taxable income follows:

Year of Incurrence	Year of Expiry	2013 Balance	Additions	Expired/Applied	**2014 Balance**
2011	2014	₱ 18,549	₱ –	(₱ 18,549)	₱ –
2012	2015	18,086	–	–	**18,068**
2013	2016	31,594,817	–	(₱ 433,656)	**31,161,161**
2014	2017	–	17,722	–	**17,722**
		₱31,615,035	₱17,722	(₱ 452,205)	**₱31,196,951**

As at December 31, 2014, the Group's MCIT that can be claimed as deduction from future income tax payable follows:

Year of Incurrence	Year of Expiry	2013 Balance	Additions	Expired/Applied	**2014 Balance**
2013	2016	₱ 724,476	₱ –	₱ –	**₱ 724,476**
2014	2017	–	1,080,975	–	**1,080,975**
		₱ 724,476	**₱1,080,975**	**₱ –**	**₱1,805,451**

Reconciliation of Income Tax Expense

The reconciliation of pretax income computed at the regular corporate income tax rate to the income tax expense as shown in the consolidated statements of comprehensive income is as follows:

	2014	2013	2012 (As restated)
Income before tax	**₱16,478,413**	₱ 8,228,937	₱ 32,983,513
Income tax computed at 30%	**₱4,943,524**	₱ 2,468,681	₱ 9,895,054
Tax effect of:			
Non-deductible interest expense	**1,035**	1,341	4,561
Other non-deductible expenses	**394,316**	3,286,333	5,052,167
Interest income subject to final tax	**(2,508)**	(3,250)	(11,056)
Reversal of allowance for impairment loss	**(2,230,240)**	–	(418,376)
Expired NOLCO	**1,595**	4,681	–
Change in deferred tax assets	–	–	2,054,182
Change in valuation allowance	**3,969**	791	5,420
	₱ 3,111,691	₱ 5,758,577	₱ 16,581,952

24. RETIREMENT BENEFITS OBLIGATION

The Group has a funded, noncontributory tax-qualified defined benefits type of pension plan covering substantially all of its employees. The benefits are generally based on defined contribution formula with minimum lump-sum guarantee of 100% of the latest monthly salary per year of credited service.

The Group appointed a trustee bank to be responsible for the general administration of the retirement plan and retirement fund.

Actuarial valuations are made at least every one (1) to two (2) years. The Group's annual contributions to the defined benefits plan consist principally of payments covering the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable. The Group's latest actuarial valuation is as at December 31, 2013.

Adoption of PAS 19, Employee Benefits (Revised)

On January 1, 2013, the Group adopted PAS 19, *Employee Benefits (Revised)*. The revised standard requires all actuarial gains and losses to be recognized in other comprehensive income and unamortized past service cost to be recognized immediately in profit or loss. It introduces the concept of net interest on the net defined benefit liability (asset) which is calculated by multiplying the net defined benefit liability or asset by the discount rate (market yield on government bond) used to measure the employee benefits obligation at reporting period.

The Group obtained an actuarial valuation as at December 31, 2013 to update the retirement benefits cost and amount of contributions in accordance with the revised PAS 19.

Prior to adoption of the revised PAS 19, the Group recognizes actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan asset and recognizes unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the revised standard, the Group recognized all actuarial gains (losses) in other comprehensive income amounting to ₱6,727,524 and ₱2,790,935, gross of tax as at December 31, 2014 and 2013, respectively.

The retirement benefits obligation and prepaid retirement benefits recognized in the statements of financial position as at December 31 are determined as follows:

	2014	2013
Present value of benefit obligations	**₱1,611,003**	₱ 4,185,141
Fair value of plan assets	**1,055,432**	1,042,048
Retirement benefits obligation	**₱ 555,571**	₱ 3,143,093

The movement in the retirement benefit obligation for the years ended December 31, 2014 and 2013 is as follows:

December 31, 2014

	Present value of retirement benefits obligation	**Fair value of plan assets**	**Asset ceiling**	**Net retirement benefits obligation**
December 31, 2013	**₱ 4,185,141**	**(₱ 1,042,048)**	**₱ –**	**₱ 3,143,093**
Retirement expense				
Current service costs	**1,180,640**	**–**	**–**	**1,180,640**
Interest expense (income)	**217,209**	**(48,782)**	**–**	**168,427**
	1,397,849	**(48,782)**	**–**	**1,349,067**
Re-measurements, gross of tax:				
Actuarial loss arising from:				
Deviation of experience from Assumptions	**(3,971,987)**	**–**	**–**	**(3,971,987)**
Loss on plan asset	**–**	**35,398**	**–**	**35,398**
	(3,971,987)	**35,398**	**–**	**(3,936,589)**
As at December 31, 2014	**₱1,611,003**	**(₱ 1,055,432)**	**₱ –**	**₱ 555,571**

December 31, 2013

	Present value of retirement benefits obligation	Fair value of plan assets	Asset ceiling	Net retirement benefits obligation
December 31, 2012	₱ 987,834	(₱ 1,038,400)	₱ 2,970	(₱ 47,596)
Retirement expense				
Current service costs	817,379	–	–	817,379
Interest expense (income)	61,641	(64,796)	–	(3,155)
Interest on the effect of the asset ceiling	–	–	185	185
	879,020	(64,796)	185	814,409
Re-measurements, gross of tax:				
Actuarial loss arising from:				
Changes in financial assumptions	352,326	–		352,326
Deviation of experience from assumptions	1,965,961	–		1,965,961
Loss on plan asset	–	61,148		61,148
Changes in the effect of asset ceiling	–	–	(3,155)	(3,155)
	2,318,287	61,148	(3,155)	2,376,280
As at December 31, 2013	₱ 4,185,141	(₱ 1,042,048)	–	₱ 3,143,093

The total retirement benefits expense recognized is included in operating expenses in 2014 and 2013 (see Note 20).

The fair value and carrying amount of the Group's retirement plan assets as at December 31 consist of:

	2014	2013
Cash	**₱ 308,311**	₱ 158,287
Government bonds and securities	**729,811**	739,541
Net other assets	**17,310**	144,220
	₱ 1,055,432	₱ 1,042,048

The Group's plan assets are managed by a trustee bank, which is authorized to determine how the funds are invested with the objective of obtaining optimal return. The fair value of the plan assets measured using the market-to-market approach.

The principal actuarial assumptions used at December 31 are as follows:

	2014	2013
Discount rate	**5.19%**	5.19%
Salary rate increase	**5%**	5%

The discount rate at December 31, 2014 and 2013 was based on the PDEx (PDST-R2) benchmark market yields on government bonds as of the valuation dates (or latest available) considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

The sensitivity of the defined benefit obligation (DBO) to changes in the weighted principal assumptions is as follows:

	Impact on defined benefit obligations		
	Change in assumptions	Increase in assumptions	Decrease in assumptions
Discount rate	100 bps	Decrease by 8.0%	Increase by 9.1%
Salary increase rate	100 bps	Increase by 8.1%	Decrease by 7.3%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Through its defined benefit retirement plan, the Group is exposed to a number of risks, the most significant of which are as follows:

a) Asset volatility – The plan liabilities are calculated using a discount rate set with reference to government bonds, if plan assets underperformed this yield, this will create a deficit. Most of the assets of the plan are equities, which are expected to outperform government bonds in the long-term while providing volatility and risk in the short-term.

b) Changes in bond yield – A decrease in government bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

The Group does not expect any contributions to post-employment benefit plans for the year ending December 31, 2015.

Expected maturity analysis of undiscounted retirement benefits obligation:

	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Retirement benefits obligation	**₱ –**	**₱ –**	**₱ 138,866**	**₱ 416,705**	**₱ 555,571**

25. BUSINESS SEGMENT INFORMATION

The Group's operating business segment are organized and managed separately according to location of business activities. The Group's management monitors the operating result of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, financing which includes finance cost, impairment of assets and income taxes are managed on a group basis and are not allocated to operating segments.

The Group classifies business segments based on location of its real property projects as in the following geographical areas:

- Metro Manila – industrial part and condominium projects
- Cebu – subdivision development
- Iloilo – subdivision development
- Davao – administrative office

Geographically, management considers the performance in Metro Manila, Cebu, Iloilo and Davao. Deferred tax assets, borrowings and retirement benefits obligation are not allocated to geographic segments.

The segment information is as follows:

December 31, 2014

	Metro Manila	Cebu	Iloilo	Davao	Total
Revenue					
Realized gross profit	**₱ –**	**₱34,944,564**	**₱9,267,579**	**₱ –**	**₱44,212,143**
Other income	**28,136,746**	**3,015,589**	**519,858**	**–**	**31,672,193**
	28,136,746	**37,960,153**	**9,787,437**		**75,884,336**
Expenses					
Depreciation	**3,235,274**	**487,357**	**63,096**	**–**	**3,785,727**
Loss on cancelled contracts	**–**	**2,477,216**	**789,683**	**–**	**3,266,899**
Other expenses	**27,426,550**	**15,382,146**	**6,894,780**	**524,563**	**50,228,039**
	30,661,824	**18,346,719**	**7,747,559**	**524,563**	**57,280,665**
Segment income (loss)	**(2,525,078)**	**19,613,434**	**2,039,878**	**(524,563)**	**18,603,671**
Finance cost	**786,737**	**(10,545)**	**–**	**–**	**776,192**
Retirement benefits expense	**1,349,066**	**–**	**–**	**–**	**1,349,066**
Provision for income tax	**3,111,691**	**–**	**–**	**–**	**3,111,691**
Net income (loss) for the year	**(₱7,772,572)**	**₱19,623,979**	**₱2,039,878**	**(₱524,563)**	**₱13,366,722**
Segment assets	**₱959,103,021**	**₱353,720,965**	**₱117,956,161**	**₱ 551,922**	**1,431,332,069**
Assets attributable to subsidiary	**–**	**–**	**–**	**–**	**10,309,163**
Deferred tax asset	–	–	–	–	**13,333,256**
Total assets	**₱959,103,021**	**₱353,720,965**	**₱117,956,161**	**₱ 551,922**	**1,454,974,488**
Segment liabilities	**₱238,639,724**	**₱74,838,908**	**₱30,289,199**	**₱ 94,789**	**₱ 343,862,620**
Liabilities attributable to subsidiary	**–**	**–**	**–**	**–**	**337,038**
Borrowings	–	–	–	–	**58,247,625**
Retirement benefits obligation	–	–	–	–	**555,571**
Total liabilities	**₱238,639,724**	**₱74,838,908**	**₱30,289,199**	**₱ 94,789**	**₱ 403,002,854**

December 31, 2013

	Metro Manila	Cebu	Iloilo	Davao	Total
Revenue					
Realized gross profit	₱ 19,694,307	₱ 47,322,741	₱ 6,802,423	₱ –	₱ 73,819,471
Other income	12,269,191	1,361,437	370,776	–	14,001,404
	31,963,498	48,684,178	7,173,199	₱ –	87,820,875
Expenses					
Depreciation	3,339,133	407,537	40,228	–	3,786,898
Loss on cancelled contracts	–	1,897,611	758,627	–	2,656,238
Other expenses	32,375,638	16,456,345	12,127,283	–	60,959,266
	35,714,771	18,761,493	12,926,138	–	67,402,402
Segment income (loss)	(3,751,273)	29,922,685	(5,752,939)	₱ –	20,418,473
Finance cost	11,374,892	–	235	–	11,375,127
Retirement benefits expense	814,409	–	–	–	814,409
Provision for income tax	5,758,577				5,758,577
Net income (loss) for the year	(₱ 21,699,151)	₱ 29,922,685	(₱ 5,753,174)	₱ –	₱ 2,470,360
Segment assets	₱899,829,811	₱485,003,256	₱81,575,847	₱5,286,163	₱1,471,695,077
Assets attributable to subsidiary	–	–	–	–	10,309,197
Deferred tax asset	–	–	–	–	11,046,051
Total assets	₱899,829,811	₱485,003,256	₱81,575,847	₱5,286,163	₱1,493,050,325
Segment liabilities	₱ 306,966,715	₱ 68,495,148	₱ 24,008,475	₱ 94,789	₱ 399,565,127
Liabilities attributable to subsidiary	–	–	–	–	319,350
Borrowings	–	–	–	–	54,173,455
Retirement benefits obligation	–	–	–	–	3,143,093
Total liabilities	₱ 306,966,715	₱ 68,495,148	₱ 24,008,475	₱ 94,789	₱ 457,201,025

Although Davao segment does not meet the quantitative thresholds required by PFRS 8 for sreportable segments as at December 31, 2014 and 2013, management has concluded that this segment should be reported, as it is closely monitored for potential growth that would contribute to revenue in the future.

26. LEASE COMMITMENTS

The Group has various non-cancellable lease agreements which are renewable upon mutual agreement with lessors as follows:

Lessor	Lease period
Arjay Realty	August 1, 2014 to August 1, 2017
Eumarc Real Estate	May 1, 2014 to April 30, 2015
Eumarc Real Estate	June 15, 2012 to June 15, 2015

The future annual minimum lease payments are as follows:

	2014	2013
Due within 1 year	**₱ 492,164**	₱ 404,734
Due beyond 1 year but not more than 5 years	**665,475**	84,140
	₱ 1,157,639	₱ 488,874

The lease commitments entered into by the Group represents the lease of office spaces occupied by the branches.

Total rent expense incurred by the Group related to lease of office space amounted to ₱544,296, ₱505,878 and ₱331,678 in 2014, 2013 and 2012, respectively (see Note 20).

27. CONTINGENCIES

a) Claims from expropriated real estate inventories in Chateaux Geneva

In 2006, portions of Chateaux Geneva were involved in an expropriation cased filed by the government versus the Group and PRC for the Iloilo Flood Control Project of the Department of Public Works and Highways (DPWH).

In 2006, the court, ordered DPWH to pay an initial deposit of ₱188,313,599, based on zonal value of ₱1,800 per square meter for the area covered by the initial expropriation petition of DPWH totaling 84,925 square meters of land that was directly traversed by the Floodway plus the provisional value of improvements and/or structures amounting to ₱35,448,599. In December of the same year, the Group received from DPWH the initial amount of ₱127,867,244. Immediately thereafter, on January 2007, the amount of ₱60,446,355 was also directly deposited to the bank as agreed by the parties, for a total of ₱188,313,599.

In 2007, the Group remitted to PRC the amount of ₱107,368,053 as its share in the initial deposit of DPWH. In December 2007, the government filed a second expropriation case involving properties of the Group and PRC adjacent to the lands covered in the first expropriation case. These properties were also affected by the same Iloilo Flood Control Project, which DPWH failed to include in the first expropriation case. For this second expropriation, there was a second (2^{nd}) portion of payment amounting to ₱11,987,520 of which ₱5,405,775 of the said amount was remitted to PRC in January 2008.

The case is under protest by the Group and pending court decision. The Group and PRC claimed just compensation amounting to ₱2,598,661,688 for the total land area that was expropriated, the existing improvements thereon, the affected areas for redesigning and restructuring, the professional and technical services and the necessary provisions for damages.

The expropriation cases for the determination of just compensation are still ongoing as at December 31, 2014.

b) Other lawsuits and claims

The Group is contingently liable for existing lawsuits and claims from third parties, arising from the ordinary course of business. Management believes that the ultimate liability for the abovementioned lawsuits and claims, if any, would not be material in relation to the financial position and operating results of the Group.

28. EARNINGS PER SHARE

The following table presents information necessary to calculate the earnings (loss) per share:

	2014	2013	2012
Net income	**₱13,366,722**	₱ 2,470,360	₱ 16,401,561
Weighted average number of common shares outstanding during the year	**1,445,549,830**	1,445,549,830	1,445,549,830
Earnings per share	**₱ 0.009**	₱ 0.002	₱ 0.011

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board of Directors (BOD) is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

The Group is exposed to a variety of financial risks, which result from both its operating and investing activities. The Group's principal financial instruments consist of cash, trade and other receivables, advances to and from related parties, accounts payable and other liabilities, borrowings, and retention payable and guarantee bonds. The main purpose of these financial instruments is to raise finance for the Group's operations.

Financial risk management by the Group is coordinated with its BOD, in close cooperation with the local management. The Group's policies and guidelines cover credit risk and liquidity risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results and financial position. The Group actively measures, monitors, and manages its financial risk exposure by various functions pursuant to the segregation of duties principles.

The Group forms a framework of guidelines and regulations for the management of financial risks, which result from its operating activities. The most significant financial risks to which the Group is exposed to are described below.

a) Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated statements of financial position (or in the detailed analysis provided in the notes to the consolidated financial statements), as summarized below:

	2014	2013
Cash in bank	**₱ 24,792,084**	₱ 4,915,598
Trade and other receivables	**329,806,143**	340,387,330
Advances to related parties – net	**321,323,071**	367,864,862
Refundable deposits classified as “Other noncurrent assets”	**6,267,093**	6,215,126
	₱682,188,391	₱ 719,382,916

The credit quality of financial assets is discussed below:

Cash

The Group deposits its cash in a commercial and universal bank to minimize credit risk exposure.

Trade and other receivables

Credit risk from installments contract receivables is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes credit review procedures for certain installment payment structures. The Group’s stringent customer requirements and policies in place contribute to lower customer default. Customer payments are facilitated through various collection modes including the use of post dated checks and direct bank deposit arrangements. Exposure to bad debts is not significant and the requirement for remedial procedures is minimal given the profile of buyers.

In addition, the Group has the right to forfeit all payments made by the customer including the real estate properties sold upon default subject to terms of the contract. The Group has the liberty to dispose forfeited real estate properties subject to terms of the contract.

In respect to other receivable, the Group is not exposed to any significant credit, risk concentration in any single counterparty or any group of counterparties having similar characteristics.

Advances to related parties

The Group is pursuing cash collection of the advances to related parties within 2015. In addition, the Group has entered into various arrangements with related parties to secure payment of receivables such as execution of PN on real estate mortgage. In the event the related parties are not in position to pay in cash, collection shall be effected by way of transfer of properties that have been identified and are strategically located in Metro Manila, Cebu, Iloilo and Davao.

The aging and quality of financial assets exposed to credit risk is shown below:

December 31, 2014		Neither	Past due but not impaired				
	Total	Past due nor impaired	1 – 30 days	31 – 60 days	61 – 120 days	Over 121 days	Past due and Impaired
Cash and cash equivalents	**₱ 24,664,084**	**₱24,664,084**	**₱ –**	**₱ –**	**₱ –**	**₱ –**	**₱ –**
Trade and other receivables, gross	**329,806,143**	**245,578,852**	**15,244,339**	**4,218,586**	**11,752,552**	**52,433,320**	**578,494**
Advances to related parties, gross	**367,168,897**	**321,323,071**	**–**	**–**	**–**	**–**	**45,845,826**
Refundable deposits	**6,267,093**	**6,267,093**	**–**	**–**	**–**	**–**	**–**
	₱728,034,217	**₱597,833,100**	**₱15,244,339**	**₱4,218,586**	**₱11,752,552**	**₱52,433,320**	**₱ 46,424,320**

December 31, 2013		Neither	Past due but not impaired				
	Total	Past due nor impaired	1 – 30 days	31 – 60 days	61 – 120 days	Over 121 days	Past due and Impaired
Cash and cash equivalents	₱ 4,915,598	₱ 4,915,598	₱ –	₱ –	₱ –	₱ –	₱ –
Trade and other receivables, gross	340,965,824	244,772,783	2,218,091	6,873,212	9,701,159	76,822,085	578,494
Advances to related parties, gross	421,144,822	367,864,862	–	–	–	–	53,279,960
Refundable deposits	6,215,126	6,215,126	–	–	–	–	–
	₱773,241,370	₱ 623,768,369	₱2,218,091	₱6,873,212	₱9,701,159	₱76,822,085	₱53,858,454

a) Liquidity risk

To cover the Group’s financing requirements, financial readiness is maintained in the form of centrally available liquid fund and committed credit facilities extended by banks in the form of development loans and rediscounting of receivables. As part of the Group’s liquidity program, a regular monitoring of financial ratios is being done. Regular analysis shows that these financial ratios indicate positive liquidity condition.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payment 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.

As at December 31, 2014 and 2013, the Group’s financial liabilities have contractual maturities (with accounts payable and other liabilities excludes deferred output VAT and other taxes payable) which are presented below:

December 31, 2014	Maturing in				
	On Demand	Less than 6 month	6 to 12 Months	1 to 5 Years	Total
Accounts payable and other liabilities	**₱75,003,180**	**₱ –**	**₱ –**	**₱ –**	**₱ 75,003,180**
Borrowings	–	**58,247,625**	–		**58,247,625**
Advances from related parties	–	–	–	**129,490,236**	**129,490,236**
Retention payable and guarantee bonds	–	–	–	**24,622,820**	**24,622,820**
	₱75,003,180	**₱ 58,247,625**	**₱ –**	**₱154,113,056**	**₱287,363,861**

December 31, 2013	Maturing in				
	On Demand	Less than 6 month	6 to 12 Months	1 to 5 Years	Total
Accounts payable and other liabilities	₱84,793,530	₱ –	₱ –	₱ –	₱84,793,530
Borrowings	–	54,173,455	–	–	54,173,455
Advances from related parties	–	–	–	178,403,261	178,403,261
Retention payable and guarantee bonds	–	–	–	33,476,083	33,476,083
	₱84,793,530	₱ 54,173,455	₱ –	₱211,879,344	₱350,846,329

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting dates.

c) Market risk

Market risk is the risk of loss of future earnings or future cash flows arising from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates and other market changes. Market prices comprise three types of risk: Interest rate risk, currency risk, commodity price risk and other price risk such as equity risk. The Group's market risk is manageable within conservative bounds. As at December 31, 2014 and 2013, the Group has not engaged in trading financial instruments and has not maintained financial instruments that are carried at fair value.

Interest rate risk

Interest rate risk is the risk to earnings or capital resulting from adverse movements in the interest rates. The economic perspective of interest rate risk focuses on the value of a bank in the current interest rate environment and the sensitivity of that value to changes in interest rates.

To assure a fair margin of profitability, the Group keeps a reasonable spread between interest rate on contracts receivables and interest rates on borrowings. Fluctuation in interest rates has no material effect on Group's sales since the rates are fixed and predetermined at the inception of the contract.

The Group's policy is to minimize interest rate cash flow risk exposure on long-term financing. Long-term borrowings are therefore usually at fixed rates. At December 31, 2014 and 2013, the Group is exposed to market interest rates through its bank borrowings and cash in bank, trade receivables, and advances to related parties which are subject to fixed interest rates.

The terms and maturity profile of the interest-bearing financial assets and liabilities, together with their corresponding carrying amounts are shown in the following table:

December 31, 2014	**Interest rate**	**Interest terms**	**Within 1 year**	**Within 1 to 7 years**	**Total**
Financial assets					
Cash (excluding cash on hand)	**0.10% to 0.25%**	**Fixed at the date of investment**	**₱ 24,664,084**	**₱ –**	**₱ 24,664,084**
Installment contract receivables, gross	**18%**	**Fixed at the date of sale**	**67,603,996**	**190,100,690**	**257,704,686**
Advances to related parties, gross	**2%**	**Fixed based on PN issued in 2014 (Note 21)**	**–**	**367,168,897**	**367,168,897**
			₱92,232,620	**₱557,269,587**	**₱649,537,667**
Financial liabilities					
Borrowings (excluding non-interest bearing borrowings)	**10%**	**Fixed based on PN issuance**	**₱ 58,247,625**	**₱ –**	**₱ 58,247,625**

December 31, 2013	Interest rate	Interest terms	Within 1 year	Within 1 to 7 years	Total
Financial assets					
Cash (excluding cash on hand)	0.125 % to 0.25%	Fixed at the date of investment	₱ 4,915,598	₱ –	₱ 4,915,598
Installment contract receivables, gross	18%	Fixed at the date of sale	82,017,991	236,967,879	318,985,870
Advances to related parties, gross	3%	Fixed based on PN issued in 2009 (Note 21)	–	417,605,684	417,605,684
			₱86,933,589	₱654,573,563	₱741,507,152
Financial liabilities					
Borrowings (excluding non-interest bearing borrowings)	10%	Fixed based on PN issuance	₱54,173,455	₱ –	₱54,173,455

30. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern; and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group defines capital as share capital and deficit for the purpose of capital management.

The Group regards and monitors as its capital the carrying amount of equity as presented on the face of the consolidated statements of financial position amounting to ₱1,051,971,634 and ₱1,035,849,300 as at December 31, 2014 and 2013, respectively.

The Group's goal in capital management is to maintain a minimum debt-to-equity structure ratio of 1:1 to 1:2 on a monthly basis.

	2014	2013
Total liabilities	**₱ 403,002,854**	₱ 457,201,025
Total equity	**1,051,971,634**	1,035,849,300
	1:2.61	1:2.27

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.

31. CATEGORIES AND FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Assets not carried at fair value

The carrying amounts and fair values of the categories of assets and liabilities presented in the consolidated statement of financial position are shown below:

2014	**Carrying value**	**Fair value**	**Fair value hierarchy**	**Valuation technique**
Noncurrent trade receivables	**₱ 329,806,143**	**₱329,806,143**	**Level 2**	**(a)**
Receivable from contractors	**7,292,468**	**6,192,236**	**Level 2**	**(b)**
Investment property	**1,072,016**	**45,500,000**	**Level 2**	
Advances to related parties	**312,189,564**	**294,183,166**	**Level 2**	**(b)**
	₱ 650,360,191	**₱675,681,545**		
Financial liabilities at amortized cost				
Advances from related parties	**129,490,236**	**122,021,541**	**Level 2**	**(c)**
Retention payable and guarantee bonds	**24,622,820**	**20,907,915**	**Level 2**	**(b)**
	₱154,113,056	**₱142,929,456**		

2013	Carrying value	Fair value	Fair value hierarchy	Valuation technique
Noncurrent trade receivables	₱340,387,330	₱340,387,330	Level 2	(a)
Receivable from contractors	7,226,410	6,017,570	Level 2	(b)
Investment property	1,072,016	45,500,000	Level 2	
Advances to related parties	367,864,862	348,287,689	Level 2	(b)
	₱716,550,618	₱740,192,589		
Financial liabilities at amortized cost				
Advances from related parties	₱178,403,261	₱148,559,814	Level 2	(c)
Retention payable and guarantee bonds	33,476,083	27,876,176	Level 2	(b)
	₱211,879,344	₱176,435,990		

The fair values of cash and cash equivalents, current trade receivables and accounts payable and other liabilities approximate their carrying amounts as at reporting dates due to the short-term nature of transactions.

Fair value estimation

(a) The fair value of installment contract receivable included under trade and other receivables are based on the discounted value of future cash using the discount rates of 18% at December 31, 2014 and 2013, respectively.

(b) The fair value of receivable form contractors, retention payable and guarantee bonds is determined based on discounted value using the applicable rate of 3.325% in 2014 and 3.098% in 2013 for fixed income government securities of 5 years.

(c) The fair value of advances to related parties and advances from related parties is determined based on discounted value using the applicable rate of 2% and 3% in 2014 and 2013, respectively.

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