2014 ANNUAL REPORT

85 years
1930-2015

A. SORIANO CORPORATION

CONCURRENT RESOLUTION OF THE BOARD OF DIRECTORS

The Board of Directors of A. Soriano Corporation by unanimous concurrence, submits herewith the Statement and Annual Report of the Chairman of the Board and President of the Corporation as its own Report to the Stockholders for the year ended December 31, 2014.

CHAIRMAN'S **MESSAGE**


ANDRES SORIANO III

THE ECONOMIC PICTURE

Gross Domestic Product (GDP) grew at a slower pace, from 7.2% in 2013 to 6.1% in 2014. The slowdown was due to the services' sector and government spending. Government expenditure decelerated and public construction fell, reflecting cautious spending by its agencies over alleged misuse of funds. Areas of concern for the year also included the ever present need to tackle poverty, governance, peace and order, disaster preparedness and the need to attract more direct foreign capital investment.

During the year, the Philippines posted a balance of payment deficit of US$2.88 billion, caused by investment money outflows in anticipation of the ending of the U.S. Federal Reserve's easy monetary policy.

On a positive note, the 2014 inflation rate stood at 4.1% reflecting the downward trend of food and oil prices. The stable to depreciating peso against the US dollar during the last few months of 2014 helped grow exports.

2014 FINANCIAL PERFORMANCE

Your Company generated a consolidated net income of ₱2.04 billion, 50% higher than last year's net profit of ₱1.36 billion. This was largely the result of higher consolidated revenues of ₱4.26 billion, representing a 21% increase from the ₱3.53 billion of 2013.

Anscor's financial assets saw gains from the sale of marketable securities amounting to ₱1.67 billion, 52% better than last year's ₱1.10 billion. The sale of these securities occurred mostly in the 4th quarter of the year to fund the purchase of 60% of Phelps Dodge International Philippines, Inc. (PDIPI).

Anscor's financial assets continued to perform well during the year.

Our core investments in traded shares—which include Aboitiz Power Corporation, Aboitiz Equity Ventures, International Container Terminal Services, Inc., iPeople and other marketable equity holdings, contributed dividend income of ₱260.9 million, higher than the ₱238.0 million of 2013. Interest income of ₱96.4 million was slightly better than the previous year.

The decline in the market value of investments carried at fair value through profit and loss was ₱9.5 million. This amount recovered from a loss of ₱102.8 million in 2013 with the improved market prices of equity funds and bonds managed by a third party.

With the slight loss in value of the peso against the US dollar and the euro in 2014, the peso value of Anscor's foreign currency-denominated investments improved. This gain was offset by the Group's dollar-denominated loans, resulting in a consolidated foreign exchange loss of ₱10.0 million against a gain of ₱32.7 million in 2013.

Anscor's operating investments contributed ₱147.1 million in equity earnings, 36% below last year's ₱228.9 million. The favorable performances of PDIPI and Cirrus Medical Staffing, Inc. were offset by a share in the losses of AG&P and Seven Seas Resorts and Leisure, Inc.

On November 20, 2014, your Company declared cash dividends of ₱0.25 per share to stockholders of record as of December 5, 2014, which were paid on January 7, 2015.

On December 22, 2014, your Company acquired, for ₱3.0 billion, General Cable's 60% stake in PDIPI, increasing Anscor's ownership to 100%. As a result of this acquisition, existing accounting standards required us to revalue Anscor's original 40% holding in PDIPI, which led to a step up gain of ₱700 million. We took this opportunity to provide valuation allowances to some of our investments for conservatism.

As of December 31, 2014, your Company's book value per share stood at ₱11.94 versus ₱10.82 in 2013.

ANSCOR GROUP OPERATIONS

PHELPS DODGE INTERNATIONAL PHILIPPINES, INC. (PDIPI)

Sales and net income hit all-time highs in another good year for PDIPI. Revenues rose across all business sectors: commercial, industrial, manufacturing and energy with PDIPI's net sales revenue reaching ₱6.6 billion, a 14% increase over 2013 levels. Net income grew 23% to ₱535.5 million.

New product lines continue to drive the company's growth. Access to high-quality high-voltage lines, and a reputation for reliable engineering services, enabled PDIPI to secure several large and important orders. The company's ability to offer a variety of standard and new product lines and new business solutions has made Phelps Dodge become a leader in the country's wire-and-cable industry.

Supported by a network of capable dealers, Phelps Dodge expanded its customer base. Continuous market research and sharing of information made the partnership between PDIPI and its dealers highly effective.

The improved net income, despite lower average copper prices during the year, was the result of continual operating improvements and productivity gains.

Moving forward, PDIPI will strengthen its delivery of customer requirements with its current mix of products, business solutions and services. Its continuing access to leading technology, new product offerings and research through a new technical agreement with General Cable should strengthen the Company's ability to carry out its growth plans.

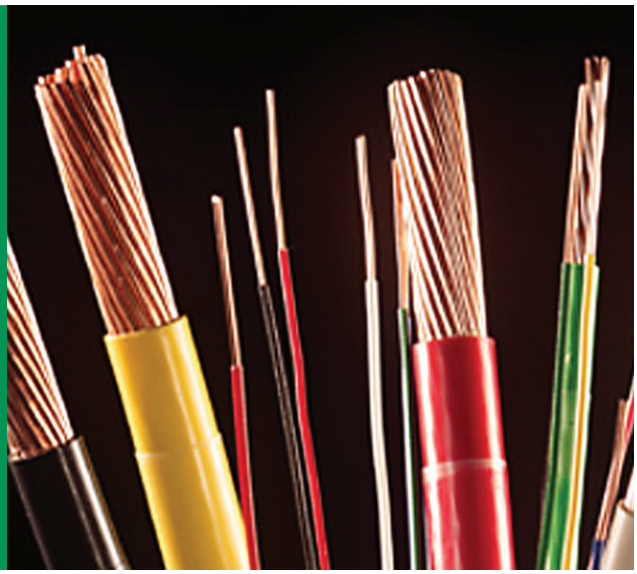
SEVEN SEAS RESORTS AND LEISURE INC. (Owner of Amanpulo Resort)

With the memory of the catastrophic typhoon *Yolanda* receding, Amanpulo is starting to attract foreign tourists again. The Resort reported an 8% increase in revenue, from ₱445.3 million in 2013 to ₱480.1 million in 2014. Occupancy rates reached 34.4% with average room rates rising from US$1,057 to US$1,168. Room revenue also benefited from the depreciation of the peso by an average of 10.5%.

The combined share of villa revenue and fees from villa operations increased 19.9% due to better villa occupancy and villa rates. The second batch of the Resort's renovated casitas was completed in the last semester of 2014. The Resort was closed in the month of June for major renovation and replacement of the roofs of all casitas, the beach club and the main clubhouse.

Gross operating profit amounted to ₱57.0 million, at par with that of last year, tempered by higher depreciation and management fees. Last year's net loss of ₱16.4 million increased to ₱32.3 million in 2014. Management fees to Aman rose to ₱36.5 million in 2014 from ₱19.6 million in 2013.

PDIPI will continue to strengthen servicing customer requirements with its current mix of products, business solutions and services.



Seven Seas completed paving the runway and the construction of seawall on the eastern side of the island; plugging the east reef hole; and expanding the laundry and housekeeping stations. The company also extended and completely renovated the kitchen of the beach club. We are pleased with the informal and formal feedback from both repeat and first time guests on the casita renovation and the redesigned interiors.

During the year, the builders turned over to Amanpulo, two of the five villas under construction for private owners. Completion of the remaining three villas will be in the first quarter of 2015. The two remaining available villas were sold with a completion date by middle of 2016.

This will bring our total room inventory to 103, comprised of the original 40 casitas and 63 rooms of the 16 villas.

Amanpulo's capital investments continue to focus on improving the guest experience and efficiencies, lowering cost and shifting to more environmentally-friendly technologies. The Resort's electric golf carts run on solar power. Studies on reef protection and regeneration are among on-going environmental initiatives.

Amanpulo received several tourism awards in 2014, among them that of being the 'Leading Resort in the Philippines' from the World Travel Awards. The Resort was also nominated for the "World's Leading Private Island Resort" and "Asia's Leading Villa Resort".

CIRRUS MEDICAL STAFFING, INC.

Demand for temporary health-care staff in the United States strengthened throughout 2014, driven by an increase in hospital admissions as the Affordable Health Act begun to take effect. The increase in patient volumes helped drive strong demand in most areas of healthcare staffing.

For 2014, the company reported ₱1.2 billion in consolidated revenue, a 6% increase over that of 2013. Sales growth was underpinned by growth in Travel Nursing, Cirrus' largest segment, and the International and Direct-Hire divisions.

Regulatory changes in Medicare reimbursement, and the continued consolidation of rehabilitation facilities and agencies, resulted in the continued decline in Travel Therapy.

Consolidated operating income was ₱51.9 million, compared to an operating loss of ₱13.6 million in 2013. Improved profitability was driven by a 10% increase in gross margin and a reduction in overhead expenses.

2015 has started well and Cirrus expects that the increased demand and the productivity improvement that have been in place will continue to bear fruit.

AG&P INTERNATIONAL HOLDINGS LTD.

AG&P revenues grew by 75% to US$214.34 million in 2014, as the Bechtel Gladstone LNG project was completed and the Ichthys LNG project gathered momentum.

Despite higher revenues, AG&P's 2014 gross profit of US$46.4 million was 3% below that of 2013 and operating expenses were higher by 18%, as the company added staff to prepare for future growth. In addition, AG&P terminated the incubation of Energy City, a domestic LNG project, which resulted in the write down of US$7.0 million. The company also secured modularization work for the Yamal LNG project, which commenced in late 2014.

The focus for 2015 will be on progressing the Ichthys project to completion, finishing the first modules for Yamal LNG Project, achieving greater operational efficiencies and building a healthy sales pipeline.

ENDERUN COLLEGES, INC.

For its fiscal year June 1, 2013 to May 31, 2014 Enderun Colleges posted a consolidated net income of ₱64.2 million on revenues of ₱456.6 million. The company also tracks its financial performance by reporting its adjusted EBITDA (operating income plus depreciation expenses and non-cash rental accruals). Enderun's adjusted EBITDA for fiscal year 2013-2014 was ₱120.4 million, 26% higher than that of the previous year.

As of May 31, 2014, the company's cash position stood at ₱91.8 million and the College is debt-free. During the year, it paid cash dividends of ₱59.94 million of which ₱12.45 million accrued to Anscor.

Enderun's student population has grown to over 1,100 full-time college and certificate students, spread almost evenly across the school's three main degree offerings in Hospitality Management, Business Administration and Entrepreneurship.

There is a steady growth in Enderun's continuing education unit, Enderun Extension. Its revenues rose 10.9% year-on-year to ₱64.5 million. The school's Food & Beverage unit has also grown significantly: its revenues rising 41.5% to ₱77.4 million from ₱54.7 million in 2013.

Enderun continues to bolster its reputation in the market for higher education, particularly in hospitality and business management. Enderun has established itself as the top-quality institution in hotel administration and the culinary arts, as evidenced by its expanding student population and its growing base of industry partners.

The College's career-focus business program and hands-on entrepreneurship program are attracting top faculty members, and a growing population of highly-motivated students.

The College recently established a hotel management and consultancy arm, Enderun Hospitality Management (EHM). Through EHM, the company now manages five hotel properties and provides consultancy services to two other hotels in the Philippines.

PROPLE LIMITED

Consolidated full-year revenues for Prople Limited grew three times from ₱168.0 million in 2013 to ₱538.0 million in 2014. This was a direct result of Prople's acquisition on November 26, 2013 of 100% of the non-audit business of US-based Kellogg and Andelson Accountancy Corporation (K&A).

Founded in 1939, K&A is an established US accounting firm, providing tax, general accounting and consulting services to thousands of small-to-medium-sized companies in California and the Midwest.

Prople's profit performance improved with consolidated operational EBITDA reaching ₱64.8 million and net income of ₱15.9 million, excluding the one-time closing costs associated with the acquisition.

Following its acquisition of K&A, Prople now employs 373 people serving over 5,500 clients from operations located in six cities worldwide. Moving forward, its K&A partnership gives Prople heavier weight, reach and capability, and positions it to capture market opportunities in the high-growth business segments of finance and accounting, human resources and information services globally. Cross-selling and the shift of some of the US-based work to Manila assures Prople of continued growth in 2015.

KSA REALTY CORPORATION

In 2012 and 2013, KSA Realty Corporation experienced strong performances in its leasing operations with rising occupancy rates and rental yields.

While Management remained positive that the building would be able to maintain its momentum, 2014 started with quite a challenge. The terms of almost a quarter of the building's leasable spaces were due to expire and competing office supply continued to rise in the Makati Central Business District and Fort Global City.

KSA successfully renewed more than 90% of expiring leases and most of its remaining vacant spaces were taken on by new and existing tenants. The building's occupancy rate remained at 98% and average rental yield increased by 8% to ₱921 per sq.m. at the end of 2014.

To confirm the confidence that the tenants have shown by renewing their tenancy and to remain current with the competition, KSA took on an upgrading project with a budget of ₱400.0 million. This endeavor will update the common areas of this 15-year old building, upgrade its facilities and maintain its reputation as one of the premiere office buildings in the metropolis.

2014 was a good year for KSA with a gross rental income reaching over ₱900.0 million. Net income rose to a high of ₱690.0 million. These results permitted the declaration of cash dividends of ₱800.0 million, of which ₱91.4 million accrued to Anscor.

Predictive Edge Technologies, LLC

Predictive Edge Technologies is an early stage technology company. Currently, the company has eight patents pending or awarded.

Its subsidiary, Behavior Matrix LLC, is a world class emotional and behaviour analytics platform that gives companies and organizations a unique way to understand their respective audiences. Through the use of advanced mathematics, analytical algorithms and big data harvesting, Behaviour Matrix provides clients with insights to guide their business intelligence and marketing strategies.

In 2014, Behavior Matrix achieved a year-over-year growth in sales of over 200% with sales of $1,953,705 up from $641,500 in the prior year.

CORPORATE SOCIAL RESPONSIBILITY

The Andres Soriano Foundation (ASF) continues to undertake community-development programs in the isolated and disadvantaged areas of North-eastern Palawan, also offers various forms of aid and comfort to cancer patients and victims of natural disasters, sustained by its many partners and donors.

Small Island Sustainable Development Program

The Foundation's Coastal Resource Management Project supports 12 marine sanctuaries.

The Foundation's yearly Health Caravan provided 2,533 medical services to 2,125 patients, and supported 385 malnourished children.

Its community-based Tuberculosis Directly Observed Treatment Short Course project began full operation in 2014. These health initiatives were supported by the SHARE Foundation of Portugal, a long time donor.

Teach minds.
Touch hearts.
Transform lives.

A birthing clinic in Cocoro Island, Municipality of Magsaysay, was built in partnership with the Zuellig Family Foundation.

ASF built ten pre-school classrooms for public elementary schools, in addition to six rehabilitated Day Care Centers. It is supervising three pre-school centers on islands without public schools this school term.

An ASF full academic scholar from Manamoc Island graduated in April 2014 with a degree in Accountancy. Fourteen technical-vocational scholars completed the six-month course and started their on-the-job training.

A two-classroom school building was constructed in Concepcion to replace school buildings damaged by Typhoon Yolanda.

In partnership with Solar Energy Foundation, ASF received 250 units of solar lamps and four units of solar suitcases for health stations and birthing clinics.

ASF's livelihood programs helped victims of Typhoon Yolanda set up 69 micro-enterprises on Quiniluban Island. A partnership with Amanpulo by the Manamoc Livelihood Association generated ₱4.5 million in the sale of local products, 11% better than last year's performance, benefitting more than 300 families.

Cancer Care Program

In ASF's specialized oncology-nursing course, 22 registered and full-time duty nurses sent by six hospitals in the Western Visayas are officially enrolled in the course's pilot implementation.

In partnership with the Philippine General Hospital Cancer Institute, the Foundation continues to provide maintenance chemotherapy medicines for 45 indigent breast-cancer patients.

Disaster Relief and Rehabilitation Activities

For Typhoon Yolanda relief and rehabilitation efforts, ASF received nearly ₱10.0 million in cash and in-kind donations. More than 3,090 relief packs were distributed to Barangays Algeciras, Concepcion and Manamoc.

ASF provided more than 200 GI sheets donated by its trustee to residents with partially-damaged houses and school buildings in these barangays. In addition, the Foundation built 300 core shelter units for indigent families whose houses were totally-damaged. All units were completed and turned over in November 2014.

OUTLOOK AND STRATEGY

In 2014, taking our most promising opportunities, we raised our stake in Phelps Dodge International Philippines, Inc.

Through Prople, our business-solutions provider, we also acquired K&A, a US-based accounting firm, to help expand our BPO-services business.

Growing our businesses is vital to Anscor's long-term success. We keep a tight watch on our existing portfolio of businesses and new opportunities as they emerge.

In 2014, we were able to increase revenue, manage expenses, and improve business margins and profitability of most of our operating units.

Our country's most valuable asset is its well educated and industrious people. Filipinos and the Filipino Family values are themselves the strongest drivers of the economy.

Given that the majority of Anscor's businesses compete in technical knowledge-process outsourcing and service-oriented industries, we believe that, we are well placed to take advantage of emerging trends. The improved outlook for both the Philippine and the global economy are encouraging signs.

We are well placed to take advantage of emerging trends and the improved outlook for both the Philippine and the global economy.

It is in this environment that your Company reflects on 2014 with thanks and looks forward to 2015 with the fundamentals in place to be able to grow as a holding company, and for each company in the Group to expand.

ACKNOWLEDGMENT

On behalf of your Board of Directors, our most sincere appreciation to you, our shareholders, for your continued support and to our customers for their patronage.

Our achievements would not have been possible without the dedication and loyal support of all our employees and partners. On behalf of the Board and myself, Thank You.

FINANCIAL HIGHLIGHTS

(In Million Pesos Except for Ratios and Per Share data)

CONSOLIDATED FOR THE YEAR	2014	2013	2012
REVENUES	**4,258.4**	3,525.1	3,716.5
Services	**1,966.1**	1,812.1	1,918.8
Gain on sale of available for sale (AFS) investments and investments in associates	**1,718.0**	1,101.9	1,169.3
Dividend income	**260.9**	238.0	232.0
Equity in net earnings of associates	**147.1**	228.9	155.3
Interest income	**96.4**	95.6	93.5
Management fee	**78.3**	58.9	55.8
Gain (loss) on increase (decrease) in market values of fair value through profit or loss (FVPL) investments	**(9.5)**	(102.8)	67.2
Gain on sale of villa lots	**–**	82.0	–
Other income	**0.9**	10.5	21.0
NET INCOME*	**2,041.1**	1,358.0	1,467.9
EARNINGS PER SHARE**	**1.63**	1.08	1.07

CONSOLIDATED AT YEAR-END	2014	2013	2012
Total Assets	**21,319.5**	17,326.5	13,949.9
Equity Attributable to Equity Holdings of the Parent	**14,835.2**	13,637.9	12,211.7
Investment Portfolio	**14,559.6**	14,721.3	11,551.6
Current Ratio	**1.27**	1.96	1.79
Debt to Equity Ratio	**0.41**	0.24	0.11
Book Value Per Share***	**11.94**	10.82	9.71

* *Attributable to equity holdings of the parent.*

** *Based on weighted average number of shares of 1,254.0 million in 2014, 1,261.0 million in 2013 and 1,374.3 million in 2012.*

*** *Based on outstanding shares of 1,242.1 million, 1,261.0 million and 1,258.2 million as of December 31, 2014, 2013 and 2012, respectively.*

ANSCOR GROUP
KEY FINANCIAL DATA

(In Million Pesos)

	2014	2013
PHELPS DODGE PHILIPPINES ENERGY PRODUCTS CORPORATION (NOTE 1)		
Revenues	6,552	5,726
Net Income	536	432
Total Assets	3,327	2,824
Equity	2,905	2,307
CIRRUS MEDICAL STAFFING, INC. AND SUBSIDIARIES		
Revenues	1,251	1,208
Net Income (Loss)	32	(9)
Total Assets	883	853
Equity	759	731
SEVEN SEAS RESORTS AND LEISURE, INC.		
Revenues	480	445
Net Loss	(32)	(16)
Total Assets	1,655	1,372
Equity	766	800
REVENUES – OTHER AFFILIATES		
KSA Realty Corporation	900	827
Prople Limited	538	168
Enderun Colleges, Inc.	457	406
Island Aviation, Inc.	168	161
Cirrus Global, Inc. (consolidated; formerly IQMAN)	39	27

Available figures as of March 4, 2015.
Note 1: Inclusive of PD Energy International Corporation's financial information.

FIVE-YEAR **REVIEW**

Consolidated Financial Information

(In Million Pesos Except Per Share Data)

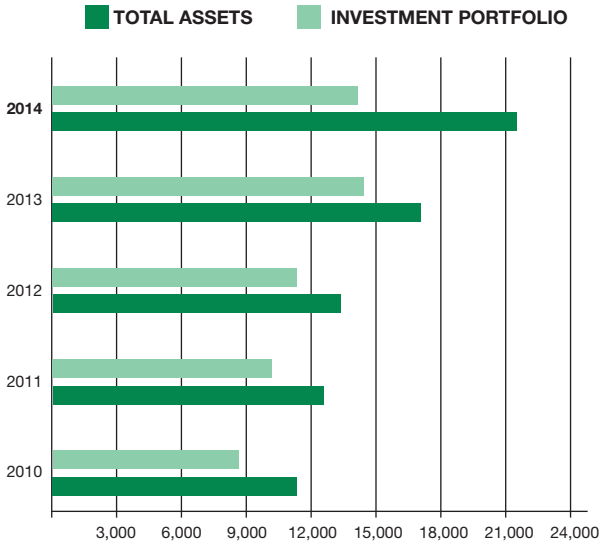
YEAR	NET INCOME	EQUITY ATTRIBUTABLE TO EQUITY HOLDINGS OF THE PARENT	WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	EARNINGS PER *SHARE	BOOK VALUE PER **SHARE
2014	**2,041.1**	**14,835.2**	**1,254.0**	**1.63**	**11.94**
2013	1,358.0	13,637.9	1,261.0	1.08	10.82
2012	1,467.9	12,211.7	1,374.3	1.07	9.71
2011	993.4	11,293.3	1,350.7	0.74	8.69
2010	1,975.4	10,776.1	1,351.6	1.46	8.28

YEAR	GROSS REVENUE	TOTAL ASSETS	INVESTMENT PORTPOLIO
2014	**4,258.4**	**21,319.5**	**14,559.6**
2013	3,525.1	17,326.5	14,721.3
2012	3,716.5	13,949.9	11,551.6
2011	2,807.8	12,550.1	10,519.4
2010	3,501.9	11,430.3	8,742.5

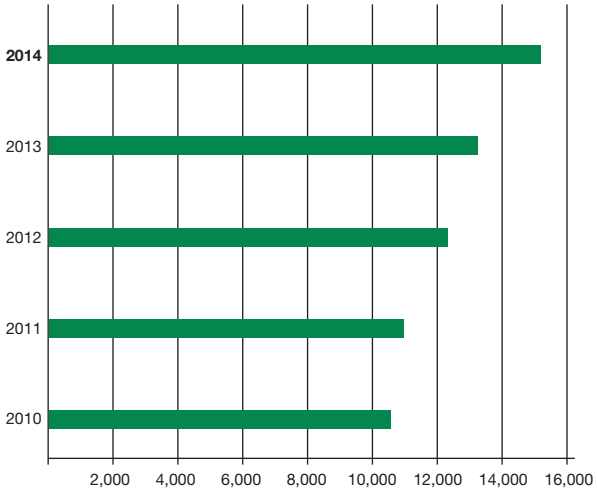
* *Ratio of net income to weighted average number of shares outstanding during the year.*
** *Ratio of equity attributable to equity holdings of the parent to outstanding number of shares as of end-December.*

(In Million Pesos)

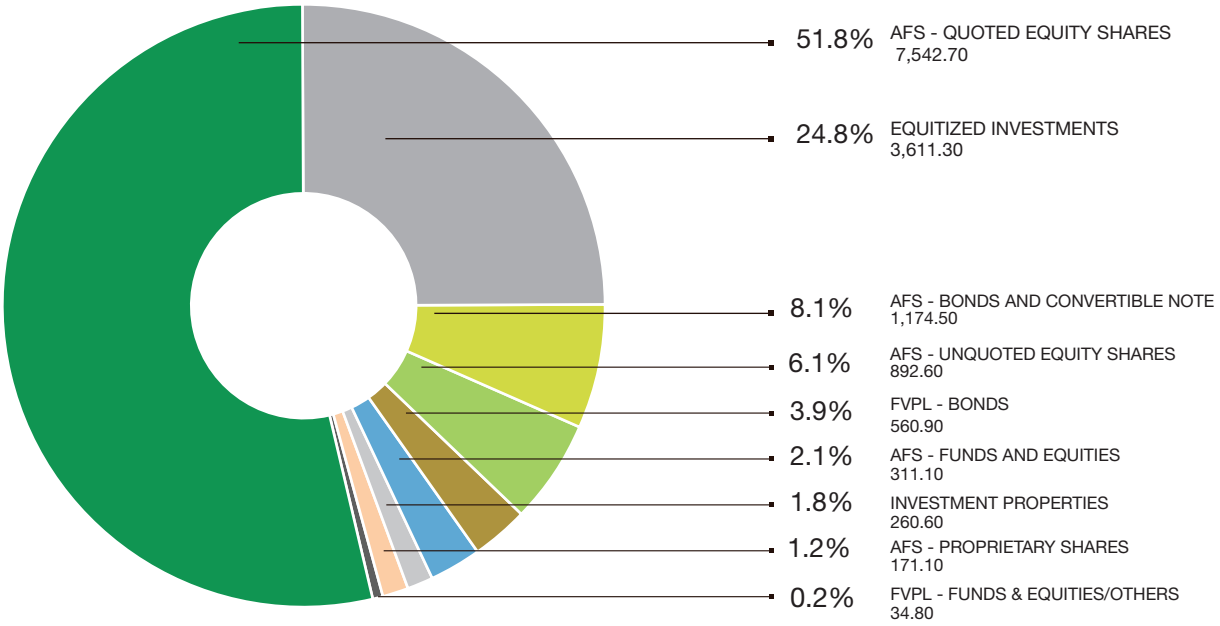
CONSOLIDATED TOTAL ASSETS & INVESTMENT PORTFOLIO



EQUITY ATTRIBUTABLE TO EQUITY HOLDINGS OF THE PARENT



CONSOLIDATED INVESTMENT PORTFOLIO DETAILS DECEMBER 31, 2014



STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The management of A. Soriano Corporation is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2014, 2013 and 2012, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders for the years ended December 31, 2014, 2013 and 2012, has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

ANDRES SORIANO III
Chairman & Chief
Executive Officer/President

ERNEST K. CUYEGKENG
Executive Vice President &
Chief Financial Officer

Signed this 25th day of February 2015

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY, METRO MANILA) S.S.

SUBSCRIBED AND SWORN to before me this 25th day of February 2015 affiants exhibited to me the following:

NAME	PASSPORT NO.	DATE & PLACE OF ISSUE
Andres Soriano III	506368805	Jan. 14 2015 to Jan. 13, 2025/U.S.
Ernest K. Cuyegkeng	EB4390925	Jan. 31, 2015 to Jan. 30, 2020/Manila

Doc. No. 141;
Page No. 30;
Book No. VI;
Series of 2015.

MA. CHRISTINE FEL P. DE VERA
Appointment No. M-521
Notary Public for Makati City
Under December 31, 2015
Penthouse, Liberty Center,
104 H.V. Dela Costa Street, Makati City
Roll of Attorneys No. 62659
PTR No. 4754659/Makati City/01-06-2015
IBP No. 479423/Laguna/01-05-2015

SGV
Building a better working world

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

The Stockholders and the Board of Directors
A. Soriano Corporation

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

SYCIP GORRES VELAYO & CO.

Julie Christine O. Mateo
Partner
CPA Certificate No. 93542
SEC Accreditation No. 0780-AR-1 (Group A),
February 2, 2012, valid until March 31, 2015
Tax Identification No. 198-819-116
BIR Accreditation No. 08-001998-68-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4751308, January 5, 2015, Makati City

February 18, 2015

Consolidated Balance Sheets

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 7)	₱ **1,401,033,659**	₱ 743,892,509
Fair value through profit or loss (FVPL) investments (Note 8)	**595,681,712**	479,879,789
Receivables (Notes 6 and 9)	**1,692,829,023**	439,038,918
Inventories (Notes 6 and 10)	**900,214,435**	82,690,608
Available-for-sale (AFS) investments - current (Note 11)	**24,691,343**	48,949,783
Prepayments	**78,043,758**	41,644,515
Other current assets (Note 29)	**85,110,374**	85,115,844
Total Current Assets	**4,777,604,304**	1,921,211,966
Noncurrent Assets		
AFS investments - net of current portion (Note 11)	**10,067,299,976**	10,299,579,269
Investments and advances (Note 12)	**1,541,990,755**	3,078,289,972
Goodwill (Note 6)	**2,069,329,539**	612,333,405
Property and equipment (Notes 6, 13 and 18)	**2,345,505,386**	1,031,160,231
Investment properties (Notes 6, 14 and 29)	**260,569,744**	206,769,100
Retirement plan asset (Notes 6 and 23)	**65,533,724**	53,846,435
Other noncurrent assets (Notes 6, 15 and 29)	**191,624,130**	123,326,239
Total Noncurrent Assets	**16,541,853,254**	15,405,304,651
TOTAL ASSETS	₱ **21,319,457,558**	₱ 17,326,516,617
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Note 16)	₱ **1,529,461,840**	₱ 125,095,466
Accounts payable and accrued expenses (Notes 6, 17 and 29)	**1,014,496,149**	400,910,183
Dividends payable (Note 19)	**519,664,033**	264,014,626
Customer's deposits for property development (Note 12)	**381,844,350**	156,858,000
Income tax payable	**66,199,040**	2,055,860
Current portion of long-term debt (Notes 6 and 18)	**237,502,643**	31,337,632
Total Current Liabilities	**3,749,168,055**	980,271,767

(Forward)

Consolidated Balance Sheets

	December 31	
	2014	2013
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 6 and 18)	₱ **1,934,135,533**	₱ 2,109,426,619
Deferred revenues (Note 29)	**29,715,303**	28,448,316
Deferred income tax liabilities - net (Notes 6 and 24)	**282,941,998**	108,876,698
Retirement benefits payable (Notes 6 and 23)	**9,054,911**	10,965,263
Other noncurrent liabilities (Notes 6, 15 and 29)	**105,002,529**	80,623,353
Total Noncurrent Liabilities	**2,360,850,274**	2,338,340,249
Total Liabilities	**6,110,018,329**	3,318,612,016
Equity Attributable to Equity Holdings of the Parent (Note 19)		
Capital stock - ₱1 par value	**2,500,000,000**	2,500,000,000
Additional paid-in capital	**1,605,613,566**	1,605,613,566
Equity reserve on acquisition of noncontrolling interest (Note 3)	**(26,356,543)**	(26,356,543)
Cumulative translation adjustment	**10,702,438**	(20,417,578)
Unrealized valuation gains on AFS investments (Note 11)	**3,238,819,432**	3,675,941,998
Remeasurement on retirement benefits (Note 23)	**40,843,333**	35,720,041
Retained earnings:		
Appropriated (Note 19)	**4,600,000,000**	3,000,000,000
Unappropriated (Note 19)	**5,029,204,349**	4,898,587,228
Cost of shares held by a subsidiary (1,257,900,646 shares, 1,238,997,391 shares and 1,241,797,039 shares in 2014, 2013 and 2012, respectively) (Note 19)	**(2,163,648,770)**	(2,031,222,641)
	14,835,177,805	13,637,866,071
Noncontrolling Interests (Note 3)	**374,261,424**	370,038,530
Total Equity	**15,209,439,229**	14,007,904,601
TOTAL LIABILITIES AND EQUITY	₱ **21,319,457,558**	₱ 17,326,516,617

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

	Years Ended December 31		
	2014	2013	2012
REVENUES			
Services (Note 29)	₱ **1,966,139,955**	₱ 1,812,136,972	₱ 1,918,796,648
Dividend income (Note 11)	**260,862,079**	237,966,271	231,958,775
Equity in net earnings of associates (Note 12)	**147,141,103**	228,945,588	155,327,752
Interest income (Notes 7, 8, 11 and 22)	**96,438,999**	95,592,251	93,512,782
Management fee (Notes 9, 26 and 29)	**78,344,162**	58,926,242	55,776,625
Sale of villa lots (Note 14)	**–**	82,033,482	–
Others	**881,793**	10,468,291	21,049,349
	2,549,808,091	2,526,069,097	2,476,421,931
INVESTMENT GAINS (LOSSES)			
Gain on sale of:			
AFS investments (Note 11)	**1,661,985,514**	1,101,883,509	1,169,315,456
Investment in associates (Note 12)	**56,059,176**	–	–
Property and equipment and investment property (Notes 13 and 14)	**–**	–	3,510,150
Gain (loss) on increase (decrease) in market values of FVPL investments (Note 8)	**(9,487,014)**	(102,835,133)	67,242,449
	1,708,557,676	999,048,376	1,240,068,055
TOTAL	**4,258,365,767**	3,525,117,473	3,716,489,986
Costs of services rendered (Note 20)	**(1,361,515,068)**	(1,330,261,339)	(1,288,064,254)
Cost of villa lots sold (Note 14)	**–**	(19,860,844)	–
Operating expenses (Note 20)	**(864,121,022)**	(761,493,193)	(721,118,746)
Interest expense (Note 22)	**(61,361,043)**	(34,877,538)	(18,246,049)
Foreign exchange gain (loss) - net	**(9,962,427)**	32,696,008	(78,729,221)
Other income (charges) - net (Notes 22 and 29)	**102,695,296**	(48,424,613)	(85,702,775)
	(2,194,264,264)	(2,162,221,519)	(2,191,861,045)
INCOME BEFORE INCOME TAX	**2,064,101,503**	1,362,895,954	1,524,628,941
PROVISION FOR INCOME TAX (Note 24)	**29,359,944**	16,113,987	34,986,166
NET INCOME	₱ **2,034,741,559**	₱ 1,346,781,967	₱ 1,489,642,775
Attributable to:			
Equity holdings of the Parent	₱ **2,041,141,959**	₱ 1,358,036,019	₱ 1,467,919,427
Noncontrolling interests	**(6,400,400)**	(11,254,052)	21,723,348
	₱ **2,034,741,559**	₱ 1,346,781,967	₱ 1,489,642,775
Earnings Per Share			
Basic/diluted, for net income attributable to equity holdings of the Parent (Note 25)	₱ **1.63**	₱ 1.08	₱ 1.07

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2014	2013	2012
NET INCOME	₱ **2,034,741,559**	₱ 1,346,781,967	₱ 1,489,642,775
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Unrealized valuation gains on AFS investments (Note 11)	**2,819,454,360**	1,468,825,443	2,171,495,685
Income tax effect	**(15,918,015)**	(18,177,103)	(29,799,220)
	2,803,536,345	1,450,648,340	2,141,696,465
Realized gains on sale of AFS investments, net of impairment losses, recognized in the consolidated statements of income (Note 11)	**(3,264,572,647)**	(1,237,321,771)	(1,182,576,855)
Income tax effect	**23,913,736**	3,815,782	3,694,349
	(3,240,658,911)	(1,233,505,989)	(1,178,882,506)
	(437,122,566)	217,142,351	962,813,959
Cumulative translation adjustment	**31,120,016**	135,752,012	(85,537,035)
	(406,002,550)	352,894,363	877,276,924
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (Note 23)	**6,403,863**	15,440,233	35,549,095
Income tax effect	**(1,921,158)**	(4,747,470)	(10,765,305)
	4,482,705	10,692,763	24,783,790
OTHER COMPREHENSIVE INCOME (LOSS)	**(401,519,845)**	363,587,126	902,060,714
TOTAL COMPREHENSIVE INCOME	₱ **1,633,221,714**	₱ 1,710,369,093	₱ 2,391,703,489
Attributable to:			
Equity holdings of the Parent	₱ **1,640,262,701**	₱ 1,721,447,737	₱ 2,369,849,415
Noncontrolling interests	**(7,040,987)**	(11,078,644)	21,854,074
	₱ **1,633,221,714**	₱ 1,710,369,093	₱ 2,391,703,489

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

	Equity Attributable to Equity Holdings of the Parent (Note 19)					
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Noncontrolling Interest (Note 3)	Cumulative Translation Adjustment	Unrealized Valuation Gains (Losses) on AFS Investments (Note 11)	Cumulative Actuarial Gains (Note 23)
BALANCES AT AT DECEMBER 31, 2011	₱ 2,500,000,000	₱ 1,574,103,911	(₱ 26,356,543)	(₱ 70,632,555)	₱ 2,495,985,688	₱ 549,622
Total comprehensive income (loss) for the year	–	–	–	(85,537,035)	962,813,959	24,653,064
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱1,231.7 million (Note 19)	–	–	–	–	–	–
Shares repurchased during the year (Note 19)	–	–	–	–	–	–
Movement in noncontrolling interests (Notes 3 and 6)	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2012	2,500,000,000	1,574,103,911	(26,356,543)	(156,169,590)	3,458,799,647	25,202,686
Total comprehensive income (loss) for the year	–	–	–	135,752,012	217,142,351	10,517,355
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱309.8 million (Note 19)	–	–	–	–	–	–
Shares repurchased during the year (Note 19)	–	–	–	–	–	–
Treasury shares reissued during the year	–	31,509,655	–	–	–	–
Movement in noncontrolling interests (Notes 3 and 6)	–	–	–	–	–	–
Additional investment in a subsidiary (Note 12)	–	–	–	–	–	–
Appropriation during the year (Note 19)	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2013	2,500,000,000	1,605,613,566	(26,356,543)	(20,417,578)	3,675,941,998	35,720,041
Total comprehensive income (loss) for the year	–	–	–	31,120,016	(437,122,566)	5,123,292
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱314.5 million (Note 19)	–	–	–	–	–	–
Shares repurchased during the year (Note 19)	–	–	–	–	–	–
Movement in noncontrolling interests (Notes 3 and 6)	–	–	–	–	–	–
Appropriation of retained earnings (Note 19)	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2014	**₱ 2,500,000,000**	**₱ 1,605,613,566**	**(₱ 26,356,543)**	**₱ 10,702,438**	**₱3,238,819,432**	**₱40,843,333**

Consolidated Statements of Changes in Equity

	Equity Attributable to Equity Holdings of the Parent (Note 19)						
		Retained Earnings					
	Subtotal*	Appropriated	Unappropriated	Cost of Shares Held by a Subsidiary	Total	Noncontrolling Interests	Grand Total
BALANCES AT DECEMBER 31, 2011	₱6,473,650,123	₱2,100,000,000	₱ 4,556,260,395	(₱1,836,655,862)	₱11,293,254,656	₱320,691,429	₱11,613,946,085
Total comprehensive income (loss) for the year	901,929,988	–	1,467,919,427	–	2,369,849,415	21,854,074	2,391,703,489
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱1,231.7 million (Note 19)	–	–	(1,268,302,961)	–	(1,268,302,961)	–	(1,268,302,961)
Shares repurchased during the year (Note 19)	–	–	–	(183,068,737)	(183,068,737)	–	(183,068,737)
Movement in noncontrolling interests (Notes 3 and 6)	–	–	–	–	–	(516,333)	(516,333)
BALANCES AT DECEMBER 31, 2012	7,375,580,111	2,100,000,000	4,755,876,861	(2,019,724,599)	12,211,732,373	342,029,170	12,553,761,543
Total comprehensive income (loss) for the year	363,411,718	–	1,358,036,019	–	1,721,447,737	(11,078,644)	1,710,369,093
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱309.8 million (Note 19)	–	–	(315,325,652)	–	(315,325,652)	–	(315,325,652)
Shares repurchased during the year	–	–	–	(21,419,406)	(21,419,406)	–	(21,419,406)
Treasury shares reissued during the year	31,509,655	–	–	9,921,364	41,431,019	–	41,431,019
Movement in noncontrolling interests (Notes 3 and 6)	–	–	–	–	–	(1,939,021)	(1,939,021)
Additional investment in a subsidiary (Note 12)	–	–	–	–	–	41,027,025	41,027,025
Appropriation during the year (Note 19)	–	900,000,000	(900,000,000)	–	–	–	–
BALANCES AT DECEMBER 31, 2013	7,770,501,484	3,000,000,000	4,898,587,228	(2,031,222,641)	13,637,866,071	370,038,530	14,007,904,601
Total comprehensive income (loss) for the year	(400,879,258)	–	2,041,141,959	–	1,640,262,701	(7,040,987)	1,633,221,714
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱314.5 million (Note 19)	–	–	(310,524,838)	–	(310,524,838)	–	(310,524,838)
Shares repurchased during the year (Note 19)	–	–	–	(132,426,129)	(132,426,129)	–	(132,426,129)
Movement in noncontrolling interests (Notes 3 and 6)	–	–	–	–	–	11,263,881	11,263,881
Appropriation during the year (Note 19)	–	1,600,000,000	(1,600,000,000)	–	–	–	–
BALANCES AT DECEMBER 31, 2014	**₱7,369,622,226**	**₱4,600,000,000**	**₱ 5,029,204,349**	**₱ 2,163,648,770**	**₱14,835,177,805**	**₱374,261,424**	**₱15,209,439,229**

* *Sum of equity details in page 20.*

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱ **2,064,101,503**	₱ 1,362,895,954	₱ 1,524,628,941
Adjustments for:			
Loss (gain) on sale of:			
AFS investments (Note 11)	**(1,661,985,514)**	(1,101,883,509)	(1,169,315,456)
Investment in associates	**(56,059,176)**	–	–
Property and equipment (Note 13)	**28,151**	–	(3,510,150)
Gain on remeasurement of previously held interest (Note 22)	**(699,011,094)**	–	–
Valuation allowances - net (Note 22)	**683,780,320**	73,678,356	70,521,700
Dividend income (Note 11)	**(260,862,079)**	(237,966,271)	(231,958,775)
Equity in net earnings of associates (Note 12)	**(147,141,103)**	(228,945,588)	(155,327,752)
Depreciation and amortization (Note 13)	**132,907,136**	127,561,862	117,903,279
Interest income (Note 22)	**(96,438,999)**	(95,592,251)	(93,512,782)
Interest expense (Note 22)	**61,361,043**	34,877,538	18,246,049
Unrealized foreign exchange losses - net	**32,420,744**	106,014,593	46,324,451
Retirement benefit costs (Note 23)	**11,722,183**	11,474,829	15,384,331
Loss (gain) on decrease (increase) in market values of FVPL investments (Note 8)	**9,487,014**	102,835,133	(67,242,449)
Operating income before working capital changes	**74,310,129**	154,950,646	72,141,387
Decrease (increase) in:			
FVPL investments	**(124,275,601)**	(54,078,824)	399,344,115
Receivables	**(17,241,769)**	(97,790,402)	(28,626,949)
Inventories	**(39,327,133)**	4,186,191	(5,173,511)
Prepayments and other current assets	**(39,349,178)**	(42,734,568)	12,778,054
Increase (decrease) in:			
Accounts payable and accrued expenses	**282,359,937**	32,152,326	21,326,851
Customer's deposit for property development	**224,986,350**	156,858,000	–
Deferred revenues	**1,266,987**	(1,226,729)	(50,467,544)
Net cash provided by operations	**362,729,722**	152,316,640	421,322,403
Dividends received	**356,062,079**	307,566,271	276,758,775
Interest received	**98,046,778**	97,227,033	96,986,204
Interest paid	**(61,361,043)**	(34,877,538)	(18,246,049)
Retirement benefit contribution (Note 23)	**(13,923,949)**	(15,695,633)	(42,909,632)
Income taxes paid	**(12,094,161)**	(23,226,651)	(24,564,933)
Net cash flows from operating activities	**729,459,426**	483,310,122	709,346,768

(Forward)

Consolidated Statements of Cash Flows

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
AFS investments (Note 11)	₱ **5,650,606,104**	₱ 5,181,601,386	₱ 5,973,486,059
Investment in associates	**56,059,176**	–	–
Property and equipment (Note 13)	**–**	–	8,503,759
Additions to:			
AFS investments (Note 11)	**(4,435,277,618)**	(5,131,238,087)	(5,269,523,768)
Property and equipment (Note 13)	**(196,878,710)**	(283,486,670)	(90,791,210)
Acquisition of subsidiaries, net of cash acquired (Note 6)	**(2,369,366,713)**	–	–
Advances to affiliates (Note 12)	**5,914,823**	(1,886,405)	–
Acquisition of an associate (Note 12)	**–**	(1,737,200,000)	–
Net cash flows from (used in) investing activities	**(1,288,942,938)**	(1,972,209,776)	621,674,840
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable (Note 16)	**1,529,461,840**	176,133,976	432,787,492
Payments of:			
Notes payable (Note 16)	**(78,139,466)**	(389,625,547)	(187,395,000)
Long-term debt (Note 18)	**(30,419,980)**	(24,254,167)	(26,574,114)
Dividends (Note 19)	**(54,875,431)**	(420,473,090)	(1,045,784,954)
Company shares purchased by a subsidiary (Note 19)	**(132,426,129)**	(21,419,406)	(183,068,737)
Increase (decrease) in noncontrolling interests	**504,714**	39,263,412	(542,303)
Proceeds from long-term debt (Note 18)	**–**	1,973,976,357	30,000,000
Proceeds from sale of treasury stock (Note 19)	**–**	41,431,019	–
Net cash flows from (used) in financing activities	**1,234,105,548**	1,375,032,554	(980,577,616)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**674,622,036**	(113,867,100)	350,443,992
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(17,480,886)**	(12,793,005)	(22,318,060)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**743,892,509**	870,552,614	542,426,682
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	₱ **1,401,033,659**	₱ 743,892,509	₱ 870,552,614

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Corporate Information

A. Soriano Corporation (Anscor or the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on February 13, 1930 to, among others, act as agent or representative of corporations, partnerships or individuals whether residing here or abroad; to buy, retain, possess shares of stock, franchises, patents of any person or entity and to issue shares of stock, bonds or other obligations for the payment of articles or properties acquired by the Company; and to buy or acquire all or part of the property, assets, business and clientele of any person, corporation or partnership, managing the properties or businesses so purchased or acquired and exercising all the powers necessary and convenient for the management and development of the said properties or businesses. On July 17, 1979, the SEC approved the Company's amended articles of incorporation extending the term of its existence for another fifty years up to February 12, 2030. The Company is a corporation incorporated and domiciled in the Philippines whose shares are publicly traded. The registered office address of the Company is at 7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue Extension, Makati City, Philippines.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 were authorized for issue by the Board of Directors (BOD) on February 18, 2015.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for securities at fair value through profit or loss (FVPL) and available-for-sale (AFS) investments that have been measured at fair value. The consolidated financial statements are presented in Philippine pesos (Peso), which is the Group's functional and presentation currency. Amounts are presented to the nearest Peso unless otherwise stated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on IFRIC Interpretation which were adopted as of January 1, 2014.

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements)*
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments have no significant impact on the Group's consolidated financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group since the Group has no novation of derivatives.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement,* on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The application of these amendments has no material impact on the disclosure in the Group's consolidated financial statements.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21.This interpretation has no impact on the Group as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements to PFRSs (2010-2012 cycle)

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

Annual Improvements to PFRSs (2011-2013 cycle)

In the 2011 – 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards–First-time Adoption of PFRS.* The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Group as it is not a first time PFRS adopter.

New Accounting Standards, Interpretations and Amendments to
Existing Standards Effective Subsequent to December 31, 2014

The Group will adopt the standards, amendments and interpretations enumerated below when these become effective. The Group continues to assess the impact of the following new and amended accounting standards and interpretations. Except as otherwise indicated, the Group does not expect the adoption of these new changes in PFRS to have a significant impact on the consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

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

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

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

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

Effective January 1, 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group since it has no defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)

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

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - a performance condition must contain a service condition
  - a performance target must be met while the counterparty is rendering service
  - a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - a performance condition may be a market or non-market condition
  - if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments,* if early adopted). The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment,* and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)

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

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016

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

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

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

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

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

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

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

Annual Improvements to PFRSs (2012-2014 cycle)

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

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - regional market issue regarding discount rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

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

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

  The Group is currently assessing the impact of this standard.

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

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

- IFRS 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

3. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and the following wholly-owned and majority-owned subsidiaries as at December 31:

	Nature of Business	Percentage of Ownership 2014	2013	2012
A. Soriano Air Corporation (Note 29)	Services/Rental	**100**	100	100
Pamalican Island Holdings, Inc. (PIHI)	Holding	**62**	62	62
Island Aviation, Inc. (IAI, Notes 18 and 29)	Air Transport	**62**	62	62
Anscor Consolidated Corporation (Anscorcon)	Holding	**100**	100	100
Anscor International, Inc. (AI, Note 12)	Holding	**100**	100	100
IQ Healthcare Investments (IQHIL) Limited (IQHIL, Note 12)	Manpower Services	**100**	100	100
Cirrus Medical Staffing, Inc. (Cirrus, Notes 6 and 12)	Manpower Services	**94**	94	94
Cirrus Holdings USA, LLC (Cirrus LLC, Note 6)	Manpower Services	**94**	94	94
Cirrus Allied, LLC (Cirrus Allied, Note 6)	Manpower Services	**94**	94	94
NurseTogether, LLC (NT) (Note 6)	Online Community Management	**94**	94	94
Anscor Property Holdings, Inc. (APHI, Note 14)	Real Estate Holding	**100**	100	100
Akapulko Holdings, Inc. (Akapulko)	Real Estate Holding	**100**	100	100
Goldenhall Holdings, Inc.	Real Estate Holding	**100**	100	100
Lakeroad Holdings, Inc.	Real Estate Holding	**100**	100	100
Mainroad Holdings, Inc.	Real Estate Holding	**100**	100	100
Makatwiran Holdings, Inc. (Makatwiran)	Real Estate Holding	**100**	100	100
Makisig Holdings, Inc. (Makisig)	Real Estate Holding	**100**	100	100
Malikhain Holdings, Inc. (Malikhain)	Real Estate Holding	**100**	100	100
Mountainridge Holdings, Inc.	Real Estate Holding	**100**	100	100
Rollingview Holdings, Inc.	Real Estate Holding	**100**	100	100
Summerside Holdings, Inc.	Real Estate Holding	**100**	100	100
Timbercrest Holdings, Inc.	Real Estate Holding	**100**	100	100
Phelps Dodge International Philippines, Inc. (PDIPI, Notes 6, 12 and 29)	Holding	**100**	–	–
Minuet Realty Corporation (Minuet)	Landholding	**100**	–	–
Phelps Dodge Philippines Energy Products Corporation (PDP Energy, Notes 6, 12 and 29)	Wire Manufacturing	**100**	–	–
PD Energy International Corporation (PDEIC)	Wire Manufacturing	**100**	–	–
Sutton Place Holdings, Inc. (Sutton)	Holding	**100**	100	100
Cirrus Global, Inc. (CGI, Note 29)	Manpower Services	**93**	93	93
IQ Healthcare Professional Connection, LLC (IQHPC, Notes 15 and 29)	Manpower Services	**93**	93	93
AFC Agribusiness Corporation (ACC) (Note 12)	Real Estate Holding	**81**	–	–
Seven Seas Resorts and Leisure, Inc. (SSRLI, Note 12)	Villa Project Development	**62**	62	62
Pamalican Resort, Inc. (PRI, Note 12)	Resort Operations	**62**	62	62

Except for AI, IQHIL, Cirrus and its subsidiaries and IQHPC, the above companies are all based in the Philippines. The principal business location of AI and IQHIL is in the British Virgin Islands (BVI), while Cirrus and its subsidiaries and IQHPC are based in the United States of America (USA).

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

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins from the date of acquisition, being the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests represent a portion of profit or loss and net assets of subsidiaries not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of comprehensive income and within the equity section in the consolidated balance sheet and consolidated statement of changes in equity, separately from Company's equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

In 2008, Sutton acquired an additional 32% interest in CGI, increasing its ownership to 93%. The excess of the consideration over the book value of the interest acquired was taken to "Equity Reserve on Acquisition of Noncontrolling Interest" in the consolidated balance sheet.

Investments in Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements and are initially recognized at cost. On acquisition of investment in an associate, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill. Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in associates. At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If these is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred. The reporting dates of the associates of the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The Group determines at the end of each reporting period whether there is any evidence that the investments in associates are impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investments and their recoverable amount.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in consolidated profit or loss.

The following are the Group's associates:

	Nature of Business	Percentage of Ownership 2014	2013	2012
Vicinetum Holdings, Inc. (VHI, Note 12)	Holding	**32**	32	32
AGP International Holdings Ltd. (AGPI, Note 12)***	Holding	**27**	27	–
NewCo., Inc. (Newco, Note 12)*	Real Estate	**–**	45	45
AFC Agribusiness Corporation	Real Estate	**–**	45	45
Anscor-Casto Travel Corporation*	Travel Agency	**–**	44	44
Phelps Dodge International Philippines, Inc. (PDIPI, Notes 12 and 29)**	Holding	**–**	40	40
Minuet Realty Corporation (Minuet)	Landholding	**–**	60	60
Phelps Dodge Philippines Energy Products Corporation (PDP Energy, Notes 12 and 29)**	Wire Manufacturing	**–**	40	40
PD Energy International Corporation (PDEIC)	Wire Manufacturing	**–**	40	40

* *Sold in 2014 (see Note 12)*
** *Became subsidiaries as of December 31, 2014 (see Note 6)*
*** *Its associate is engaged in modular steel fabrication.*

In 2013, Minuet was excluded in the consolidated financial statements as special voting requirements adopted by its shareholders manifested that the Company's 60% holdings in Minuet is not sufficient to carry major business decisions. With the acquisition of PDIPI as discussed in Note 6, Minuet became a wholly-owned subsidiary of the Company and is included in the consolidated financial statements as of December 31, 2014.

On June 28, 2013, AI converted its Convertible Bridge Notes from AGPI to Series B voting preferred shares. On June 29, 2013, AI signed a definitive agreement with AGPI for the subscription to series C voting preferred shares. The subscription increases its holdings to 27%, making AGPI an associate of the Group.

Except for AGPI, the above companies are all based in the Philippines. The principal business location of AGPI is in the British Virgin Islands.

Business Combinations and Goodwill

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

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

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

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit or a group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the consolidated statement of income.

Asset Acquisitions

If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.

Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in Peso based on the exchange rate recorded at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing exchange rate at the end of reporting period. All differences are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the closing exchange rates at the date when the fair value was determined. Foreign exchange gains and losses relating to AFS equity instruments are presented under other comprehensive income.

Financial statements of consolidated foreign subsidiaries which are considered foreign entities are translated into the presentation currency of the Group (Peso) at the closing exchange rate at end of reporting period and their statements of income are translated using the monthly weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity (under cumulative translation adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated statement of income.

Fair Value Measurement

The Group measures financial assets (such as FVPL and AFS investments) at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost and of investment properties are disclosed.

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

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

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

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

For assets and liabilities that are recognized in the 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.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted AFS financial assets, and for non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

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.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet 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 marketplace are recognized on the trade date. Derivatives are recognized on trade date basis.

Initial recognition of financial instruments

All financial assets are initially recognized at fair value. Except for securities at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Classification of financial instruments

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As of December 31, 2014 and 2013, the Group has the following categories of financial assets and financial liabilities:

(a) Financial assets and financial liabilities at FVPL

This category includes financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL. Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets or financial liabilities classified in this category may be designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Derivatives recorded at FVPL

The Group enters into derivative contracts such as currency forwards. These derivative financial instruments are initially recorded at fair value and are subsequently remeasured at fair value at each reporting date. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. There are no outstanding freestanding derivative contracts as of December 31, 2014 and 2013.

The Group has certain derivatives that are embedded in host financial contracts, such as structured notes and debt investments and conversion. These embedded derivatives include calls and puts in debt investments and interest rate and conversion options among others.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not recognized at FVPL.

Embedded derivatives are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Changes in fair value are recorded in "Gain (loss) on increase (decrease) in market values of FVPL investments". Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded as such according to the terms of the contract, or when the right of payment has been established.

As of December 31, 2014 and 2013, the Group has designated as FVPL all investments in bonds that have callable and other features, managed/hedged funds, and derivatives amounting to ₱595.7 million and ₱479.9 million, respectively. No financial liability at FVPL is outstanding as of December 31, 2014 and 2013.

(b) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not in an active market. They are not entered into with the intention of immediate or short-term resale. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized as "Recoveries (valuation allowances) - net" account under "Other income (charges) - net" in the consolidated statement of income.

Included under loans and receivables are cash in banks, short-term investments, trade receivables, receivables from villa owners, notes receivable, interest receivable, advances to officers and employees and other receivables.

(c) AFS investments

AFS investments are those which are designated as such or do not qualify to be classified as FVPL, HTM or loans and receivables. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers, investments in managed funds and other debt instruments.

After initial measurement, AFS investments are subsequently measured at fair value. However, AFS instruments in unquoted equity shares whose fair values cannot be reliably measured are carried at cost, less any impairment loss. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the consolidated statement of income. The unrealized gains and losses arising from the fair valuation of AFS investments and the impact of restatement on foreign currency-denominated AFS equity securities are reported as part of other comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized under other comprehensive income is transferred to profit or loss as "Gain on sale of AFS investments". Where the Group holds more than one investment in the same security, cost of the disposed investment is determined on a weighted average cost basis. Interest earned on holding AFS investments are reported as interest income using the effective interest rate. Dividends earned on holding AFS investments are recognized as such in the consolidated statement of income when the right of payment has been established.

The Group classifies bonds held as AFS investments as current assets when the investments are expected to mature within twelve months after the reporting period.

As of December 31, 2014 and 2013, the Group's AFS investments include investment in equity securities and bond and convertible notes.

(d) Other financial liabilities

All loans and borrowings are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

Borrowings are classified as current liabilities unless these are expected to be settled within 12 months after the reporting date or the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

As of December 31, 2014 and 2013, included in other financial liabilities are the Group's notes payable, accounts payable and accrued expenses, long-term debt and dividends payable.

As of December 31, 2014 and 2013, there were no financial instruments classified as HTM.

Derecognition of Financial Assets and Financial Liabilities

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 or removed from the consolidated balance sheet where:

- the contractual rights to receive cash flows from the asset have expired; or
- 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 a 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 the 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 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.

Financial liabilities

A financial liability is removed from the consolidated balance sheet when the obligation under the liability is discharged or 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 will result into the removal of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of Financial Assets

The Group assesses at each end of reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

For individually significant financial assets, if there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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 for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income. Interest income, if any, continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to "Recoveries (valuation allowances) - net" account under "Other income (charges) - net" in the consolidated statement of income.

AFS investments

In case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income. The losses arising from impairment of such investments are recognized as "Recoveries (valuation allowances) - net" account under "Other income (charges) - net" in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized in the consolidated statement of comprehensive income.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. 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 consolidated statement of income. If, in the 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 consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Day 1 Difference

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

Offsetting Financial Instruments

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

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates, and other sales taxes or duties.

The following specific recognition criteria must be met before revenue or cost is recognized:

Sale of goods

Sale of goods, including villa lots, is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Revenue on villa development project

Revenue on Villa Development Project of a subsidiary is recognized under the completed contract method. Under this method, revenue is recognized only when the villa clusters have been constructed, turned over to, and accepted by the buyer.

Rendering of services

Management fees, air transport services, and other aviation-related activities are recognized when the services have been performed.

Revenue on nurse placements is recognized upon the nurses' arrival and employment in the U.S. hospitals.

All deposits on contracts with U.S. hospitals are recorded under "Deferred revenues" until the contracted nurses' arrival and employment in the U.S. hospitals.

Revenue from temporary staffing is recognized when services are rendered.

Revenue on permanent placements is recognized when the candidate starts with the contracting facility. The Company does not, in the ordinary course of business, give refunds. If a candidate leaves a permanent placement within a relatively short period of time, it is customary for the Company to provide a replacement at no additional cost to the hospital.

Revenue from contractual services consists of jobs filled by subcontractors. The Company contracts with other staffing companies to provide the travelers to fill the jobs for the Company. These staffing companies are called subcontractors. Subcontractors are paid based on agreed terms at a percentage of the invoice.

Revenue from rooms is recognized based on actual occupancy. Other ancillary services are recognized when the related services are rendered and/or facilities/amenities are used.

Interest
Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest rate method.

Dividends
Dividend income is recognized when the shareholders' right to receive the payment is established.

Rental
Rental income is accounted for on a straight-line basis over the lease term.

Costs and Expenses
Costs and expenses are recognized in profit or loss when there is a decrease in future economic benefit related to a decrease in an asset, or an increase of a liability, that can be measured reliably. Costs and expenses include the cost of administering the business, and are expensed as incurred.

Construction costs
Construction costs are recognized by reference to the stage of completion of the construction activity as of reporting date. Since the Group subcontracted the work to third parties, the construction costs equal the construction revenue.

Cost of goods sold
The cost of goods sold is recognized as expense when the related goods are sold using the average costing method.

The cost of real estate sold includes the acquisition cost of the land and total development costs upon completion. Cost of lots sold is determined based on average method while cost of villa is accounted for using specific identification.

Costs of services rendered
All direct nurse costs incurred in deployment of nurses are deferred and included in "Other noncurrent assets" in the consolidated balance sheets, until the nurses' arrival and employment in the U.S. hospitals. Upon the nurses' arrival and employment in the U.S. hospitals, deferred costs are reversed to "Costs of services rendered".

Cost and expenses related to room services are charged to operations when incurred.

Selling, general and administrative expenses
All selling and general and administrative expenses are expensed as incurred.

Other Comprehensive Income
Other comprehensive income comprises of items of income and expense that are not recognized in consolidated profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group pertains to gains and losses on remeasuring AFS investments, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities. In computing for the earnings available for dividend declaration and earnings per share, other comprehensive income is not considered.

Cash and Cash Equivalents
Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Restricted cash funds are recorded as other noncurrent assets unless the restriction is expected to be released at least 12 months after the reporting period.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Cost of aircraft spare parts and supplies is determined at purchase price using the first-in, first-out method while NRV is the estimated current replacement cost of such spare parts and supplies.

Cost of food and beverage inventories and operating supplies is determined using the moving average method. NRV of food and beverage inventories is the estimated selling price in the ordinary course of business, less the estimated cost of preparation and the estimated cost necessary to make the sale. NRV of operating supplies is the estimated current replacement cost.

Residential units held for sale include those costs incurred for the development and improvement of the properties. Its NRV is based on the available net selling price of similar residential units sold during the year.

Finished goods and work in process is determined at standard cost adjusted to actual cost, which includes direct materials, direct labor and applicable allocation of fixed and variable costs, determined using weighted average method. Raw materials, other materials, reels inventory and spare parts and supplies are determined at purchase price using weighted average method.

Prepayments
Prepayments include advance payments of various goods and services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or, within 12 months from the reporting date.

They are initially measured at the amount paid in advance by the Group for the purchase of goods and services and are subsequently decreased by the amount of expense incurred.

Property and Equipment
Depreciable properties, including buildings and improvements, leasehold improvements, machinery and other equipment, flight and ground equipment, furniture, fixtures and office equipment, and transportation equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Property and equipment are written-off when either these are disposed of or when these are permanently withdrawn from use and there is no more future economic benefit expected from its use or disposal.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed on a straight-line method over the following estimated useful lives of the properties, except for aircraft engine which is computed based on flying hours.

Category	Number of Years
Buildings and improvements	10 - 30
Land improvements	25
Leasehold improvements*	5 - 20
Flight, ground, machinery and other equipment	5 - 25
Furniture, fixtures and office equipment	3 - 5
Transportation equipment	3 - 5

** or lease term, whichever is shorter*

The useful lives, depreciation and amortization method, and residual values are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the use of property and equipment.

Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

Property Development in Progress

Property development in progress includes the acquisition costs of raw lots and development costs incurred.

Property development in progress is carried at the lower of cost incurred and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Investment Properties

Investment properties are initially measured at cost, including transaction costs. 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. Subsequent to initial recognition, the Group's investment properties are stated at cost, less accumulated depreciation and any accumulated impairment losses. Land is subsequently carried at cost less any impairment in value.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties but not to exceed:

Category	Number of Years
Land improvements	25
Buildings	20 - 30
Condominium units	20

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

Investment properties are written-off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Impairment of Nonfinancial Assets

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets (namely, property and equipment and investment properties) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income.

Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill as of December 31 of each year.

Customer's Deposit for Property Development

Customer's deposit for property development is recorded at cost. The deposit is an advance payment by a villa buyer which is required to start and complete the villa development. Upon sale, the deposit will be applied against the total selling price of the villa.

Other Noncurrent Assets and Other Noncurrent Liabilities

Other noncurrent assets represent restricted cash funds for future acquisition of specific property and equipment and for future villa operating requirements. A corresponding liability is recognized for these funds under other noncurrent liabilities.

Capital Stock

Capital stock represents the total par value of the shares issued.

Additional Paid-in Capital

Additional paid-in capital pertains to the amount paid in excess of the par value of the shares issued.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declared.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders, after adjustments for any unrealized items, which are considered not available for dividend declaration.

Appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration.

Cost of Shares Held by a Subsidiary

The Company's shares which are acquired and held by a subsidiary (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's shares. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

Leases

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

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

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

The Group as Lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

The Group as Lessor

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

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Pension Benefits

The Group has a non-contributory defined benefit retirement plan.

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 the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- 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 other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and 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. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. 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 an interest expense.

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Income Taxes

Current income tax

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

Deferred income tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred income tax liabilities are not provided on taxable temporary differences associated with investments in domestic subsidiaries. With respect to investments in foreign subsidiaries, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.

Current income tax and deferred income tax relating to items recognized directly in equity are also recognized in equity and not in the consolidated statement of income.

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

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as of December 31, 2014, 2013 and 2012.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Company and subsidiaries. Dividends for the year that are approved after the end of reporting period are dealt with as an event after the end of reporting period.

Events After the Reporting Period

Post year-end events that provide additional information about the Group's position at the end of reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 5.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, 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.

Judgments

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

Determination of functional currency

The Company's functional currency was determined to be the Peso. It is the currency of the primary economic environment in which the Company operates.

Classification of financial instruments

The Group classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheets (see Note 28).

Operating lease commitments - the Group as Lessee

The Group has entered into leases of office and commercial spaces. The Group has determined that all significant risks and rewards of ownership of these spaces remain with the lessors.

Operating lease commitments - the Group as Lessor

The Group has entered into a commercial property lease on its investment property. The Group has determined that it retains all the significant risks and rewards of ownership of this property and so accounts for it as an operating lease.

Financial assets not in an active market

The Group classifies financial assets by evaluating, among others, whether the asset is or not in an active market. Included in the evaluation on whether a financial asset is in an active market is the determination on whether prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's-length basis.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation and uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment losses on loans and receivables

The Group reviews its loans and receivables at each reporting date to assess whether an impairment loss should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

For the advances to related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. For the receivables, the Group evaluates specific accounts where the Group has information that certain customers or third parties are unable to meet their financial obligations. Facts, such as the Group's length of relationship with the customers or other parties and their current credit status, are considered to ascertain the amount of reserves that will be recognized. These reserves are re-evaluated and adjusted as additional information is received. Allowance for doubtful accounts as of December 31, 2014 and 2013 amounted to ₱606.3 million and ₱625.3 million, respectively. Receivables and advances, net of valuation allowance, amounted to ₱1,692.8 million and ₱443.5 million as of December 31, 2014 and 2013, respectively (see Notes 9 and 12).

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for terms with similar terms and risk characteristics; or,
- other valuation models.

However, if the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed, the Company measures the investment at cost.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Group performs periodic reassessment by reference to prices from observable current market transactions in the same instrument or from other available observable market data (see Note 28).

Unquoted equity investments amounted to ₱892.6 million and ₱969.3 million as of December 31, 2014 and 2013, respectively (see Note 11).

Impairment of AFS equity investments

The Group recognizes impairment losses on AFS equity investments when there has been a significant or prolonged decline in the fair value of such investments below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. In determining whether the decline in value is significant, the Group considers historical volatility of share price (i.e., the higher the historical volatility, the greater the decline in fair value before it is likely to be regarded as significant) and the period of time over which the share price has been depressed (i.e., a sudden decline is less significant than a sustained fall of the same magnitude over a longer period).

In 2014, impairment loss was recognized totaling ₱161.4 million on its equity instruments (nil in 2013). AFS equity investments amounted to ₱8,917.5 million and ₱9,504.7 million as of December 31, 2014 and 2013, respectively (see Note 11).

Impairment of AFS debt investments

For AFS debt investments, the Company assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Company assesses whether the market prices of these bonds indicate objective evidence of impairment. In 2014, impairment loss was recognized totaling ₱98.5 million. No impairment was noted in 2013. The carrying value of AFS debt investments amounted to ₱1,174.5 million and ₱843.9 million as of December 31, 2014 and 2013, respectively (see Note 11).

Estimation of allowance for inventory and impairment losses

The Group estimates the allowance for inventory obsolescence and impairment losses related to inventories based on specifically identified inventory items. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for inventory and impairment losses would increase recorded expenses and decrease current assets.

As of December 31, 2014 and 2013, allowance for inventory losses and obsolescence amounted to ₱60.8 million and ₱5.7 million, respectively. The carrying amount of the inventories amounted to ₱900.2 million and ₱82.7 million as of December 31, 2014 and 2013, respectively (see Note 10).

Estimation of useful lives of the Group's property and equipment

The Group estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

As of December 31, 2014 and 2013, the carrying value of property and equipment amounted to ₱2,345.5 million and ₱1,031.2 million, respectively (see Note 13).

Investments carried at equity method

Investments carried at equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group's impairment test on investments carried at equity is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years as well as the terminal value at the end of five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

In 2014, an impairment loss which amounted to ₱440.4 million was recognized due to losses incurred by the investee and the revenue and earnings trend are relatively lower as compared with budget. As of December 31, 2014 and 2013, allowance for decline in value of investments amounted to ₱462.5 million and ₱27.3 million, respectively. The carrying amounts of the investments amounted to ₱1,542.0 million and ₱3,073.8 million as of December 31, 2014 and 2013, respectively (see Note 12).

Impairment of non-financial assets

(a) Property and equipment and investment properties

The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

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

As of December 31, 2014 and 2013, the carrying value of property and equipment and investment properties amounted to ₱2,606.1 million and ₱1,237.9 million, respectively (see Notes 13 and 14).

There is no impairment loss on property and equipment and investment properties as of and for each of the three years in the period ended December 31, 2014 (see Notes 13 and 14).

(b) Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value-in-use" of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Considering the U.S. crisis and the unemployment rate, the Group recognized an impairment provision of ₱100.0 million since December 31, 2009 on its investment in Cirrus.

As of December 31, 2014 and 2013, the carrying value of goodwill excluding provisional goodwill of ₱1,452.5 million, amounted to ₱612.3 million (see Note 6).

Recognition of deferred income tax assets

The Group reviews the carrying amounts of the deferred income tax assets at each end of reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets. As of December 31, 2014 and 2013, the Group recognized deferred income tax assets amounting to ₱64.8 million and ₱13.6 million, respectively (see Note 24).

Determination of pension and other retirement benefits

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Retirement plan asset as of December 31, 2014 and 2013 amounted to ₱65.5 million and ₱53.8 million, respectively. Retirement benefits payable as of December 31, 2014 and 2013 amounted to ₱9.1 million and ₱11.0 million, respectively. Further details are provided in Note 23.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country. Further details about the assumptions used are provided in Note 23.

Provisions and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provision and disclosure of contingencies are discussed in the preceding notes and in Note 30.

Determination of absence of significant influence over Enderun

The Company determined that it has no significant influence over Enderun. Management assessed that it does not exercise significant influence over the financial and operating policy decisions of the investee. Accordingly, Enderun is considered an AFS investment (see Note 11).

Determining whether an acquisition represents a business combination or an asset purchase

Determining whether the acquisition meets the definition of a business combination requires judgment to be applied on a case by case basis. The Company acquired AAC, a subsidiary. At the time of acquisition, the Company considers whether the acquisition represents an acquisition represents an acquisition of a business or an asset acquisition. At acquisition date, the subsidiary owns a parcel of land which is idle and as such, the acquisition is accounted for as an asset acquisition (see Note 12).

Purchase price allocation in business combinations and goodwill

The Company accounts for the acquired businesses using the acquisition method which require extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill in the consolidated statement of financial position or gain on bargain purchase in profit or loss. Thus, the numerous judgments made in estimating the fair value to be assigned to the acquiree's assets and liabilities can materially affect the Company's financial position and performance.

The Company's acquisitions of certain subsidiaries have resulted in recognition of goodwill. In 2014, the acquisition of PDIPI and its subsidiary, PDP Energy, has resulted in recognition of goodwill which amounted to ₱1,452.5 million based on provisional purchase price allocation (see Note 6). The total carrying value of goodwill amounted to ₱2,069.3 million and ₱612.3 million as of December 31, 2014 and 2013, respectively.

5. Segment Information

The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered. Prior to 2008, the Group has no geographical segments (except for IQHPC's operations) as majority of the companies within the Group were incorporated and are operating within the Philippines. The Group has no inter-segment sales and transfers. The amounts disclosed were determined consistent with the measurement basis under PFRS.

Holding company segment pertains to the operations of the Company.

Nurse/Physical Therapist (PT) staffing companies segment pertains to the subsidiaries providing healthcare and allied services operating in the United States.

Resort operations segment pertains to the Company's subsidiary providing hotel and resort accommodation, relaxation and entertainment, among others (see Note 3).

Amounts for the investments in associates comprise the Group's equity in net earnings of the associates.

Other operations include wire manufacturing, air transportation, hangarage, real estate holding and management, and recruitment services.

The following tables present the financial information of the business segments as of and for the years ended December 31, 2014, 2013 and 2012 (in thousands).

	Before Eliminations							
	US	Philippines						
	Nurse/PT Staffing Co. (Note 6)	Holding Co. (Parent)	Resort Operations (Note 6)	*Other Operations	Investments in Associates	Total	Eliminations	Consolidated
As of and for the year ended December 31, 2014								
Revenues, excluding interest income	₱ 1,250,017	₱ 760,785	₱ 494,071	₱ 545,505	₱ –	₱ 3,050,378	(₱ 597,009)	₱ 2,453,369
Interest income	9,349	80,214	3,353	3,523	–	96,439	–	96,439
Investment gains	–	1,708,776	–	(218)	–	1,708,558	–	1,708,558
Interest expense	1,981	53,840	1,912	3,628	–	61,361	–	61,361
Income tax expense	19,511	(3,777)	6,754	6,872	–	29,360	–	29,360
Net income (loss)	30,352	1,602,622	(27,280)	326,979	147,141	2,079,814	(45,072)	2,034,742
Total assets	3,631,986	18,534,609	1,646,336	4,019,918	–	27,832,849	(6,513,391)	21,319,458
Investments and advances	2,012,400	7,743,783	–	35,827	–	9,792,010	(8,250,019)	1,541,991
Property and equipment	4,275	32,974	860,177	616,574	–	1,514,000	831,505	2,345,505
Total liabilities	3,452,932	4,356,736	881,577	764,866	–	9,456,111	(3,346,093)	6,110,018
Depreciation and amortization	7,101	2,235	92,390	31,181	–	132,907	–	132,907
Impairment loss	2,599	700,348	352	5,034	–	708,333	–	708,333
Cash flows from (used in):								
Operating activities	42,297	568,772	218,641	18,432	–	848,142	(118,683)	729,459
Investing activities	(1,269)	(2,041,432)	(151,145)	(38,976)	–	(2,232,822)	943,879	(1,288,943)
Financing activities	40,425	1,445,125	5,106	(12,397)	–	1,478,259	(244,153)	1,234,106

** Included in "Other Operations" are the balance sheet accounts pertaining to wire manufacturing business. Details in thousand pesos follow:*
Total assets - ₱3,326,645
Property and equipment - ₱543,922
Total liabilities - ₱421,764

	Before Eliminations							
		Philippines						
	US Nurse/PT Staffing Co. (Note 6)	Holding Co. (Parent)	Resort Operations (Note 6)	Other Operations	Investments in Associates	Total	Eliminations	Consolidated
As of and for the year ended December 31, 2013								
Revenues, excluding interest income	₱ 1,201,024	₱ 696,067	₱ 527,783	₱ 533,183	₱ –	₱ 2,958,057	(₱ 527,580)	₱ 2,430,477
Interest income	227	88,867	3,737	2,761	–	95,592	–	95,592
Investment gains	–	1,000,607	–	(1,559)	–	999,048	–	999,048
Interest expense	1,448	27,422	1,744	4,264	–	34,878	–	34,878
Income tax expense	(4,514)	(4,553)	20,192	4,989	–	16,114	–	16,114
Net income (loss)	6,909	1,534,524	(21,302)	307,254	228,946	2,056,331	(709,549)	1,346,782
Total assets	3,505,636	16,049,801	1,376,518	962,796	–	21,894,751	(4,568,234)	17,326,517
Investments and advances	1,997,775	5,146,562	51,850	23,477	–	7,219,664	(4,141,374)	3,078,290
Property and equipment	6,854	39,628	791,162	69,611	–	907,255	123,905	1,031,160
Total liabilities	3,358,962	2,416,691	582,645	219,370	–	6,577,668	(3,259,056)	3,318,612
Depreciation and amortization	7,001	5,684	87,003	27,874	–	127,562	–	127,562
Other non-cash expenses	–	71,357	–	2,321	–	73,678	–	73,678
Cash flows from (used in):								
Operating activities	34,278	463,909	194,594	551,565	–	1,244,346	(761,036)	483,310
Investing activities	(16,346)	(1,712,414)	(222,407)	54,390	–	(1,896,777)	(75,433)	(1,972,210)
Financing activities	(2,884)	974,853	(104,542)	49,327	–	916,754	458,278	1,375,032

	Before Eliminations							
		Philippines						
	US Nurse/PT Staffing Co. (Note 6)	Holding Co. (Parent)	Resort Operations (Note 6)	Other Operations	Investments in Associates	Total	Eliminations	Consolidated
As of and for the year ended December 31, 2012								
Revenues, excluding interest income	₱ 1,145,739	₱1,381,293	₱ 545,195	₱ 610,414	₱ –	₱ 3,682,641	(₱ 1,299,732)	₱ 2,382,909
Interest income	–	86,708	3,726	3,079	–	93,513	–	93,513
Investment gains	–	1,239,370	–	698	–	1,240,068	–	1,240,068
Interest expense	1,386	8,058	3,449	5,353	–	18,246	–	18,246
Income tax expense	7,379	3,664	16,000	7,943	–	34,986	–	34,986
Net income (loss)	(7,219)	2,360,578	50,141	208,445	155,328	2,767,273	(1,277,630)	1,489,643
Total assets	1,322,602	13,273,011	1,231,103	296,452	–	16,123,168	(2,173,263)	13,949,905
Investments and advances	–	3,093,516	–	–	–	3,093,516	(2,174,233)	919,283
Property and equipment	6,002	36,294	614,062	94,399	–	750,757	123,906	874,663
Total liabilities	1,193,600	793,912	524,018	41,465	–	2,552,995	(1,156,851)	1,396,144
Depreciation and amortization	3,487	5,660	72,697	36,059	–	117,903	–	117,903
Other non-cash expenses	–	65,287	–	5,235	–	70,522	–	70,522
Cash flows from (used in):								
Operating activities	(37,578)	1,683,830	98,417	14,100	–	1,758,769	(1,049,422)	709,347
Investing activities	(10,392)	673,331	(74,859)	(13,769)	–	574,311	47,364	621,675
Financing activities	40,717	(2,027,482)	32,620	(4,319)	–	(1,958,464)	977,886	(980,578)

6. Business Combination

a. Step-acquisition

On December 19, 2014, the Company acquired 60% shares and voting interest in PDIPI, and its subsidiary, PDP Energy (collectively referred to as "PDP Group"). As a result, the Company's equity interest in PDP Group increased from 40% to 100%, obtaining control of PDP Group. The primary reason for the additional investment is that the Company believes in the continuing success of PDP Group and in its ability to give an attractive rate of return.

The previous carrying values and provisional fair values of identifiable assets and liabilities of PDP Group at the date of acquisition were (in millions):

	Previous Carrying Values	Provisional Fair Values Recognized on Acquisition
Cash and cash equivalents	₱ 661.0	₱ 661.0
Receivables	1,241.5	1,241.5
Inventories	778.2	778.2
Property, plant and equipment	543.9	1,251.5
Other assets	102.7	102.7
Total assets	3,327.3	4,034.9
Accounts payable and accrued expenses	(358.5)	(358.5)
Other payables	(63.9)	(63.9)
Deferred income tax liability	–	(212.3)
Total identifiable net assets acquired	2,904.9	3,400.2
Provisional goodwill arising from the acquisition		1,452.5
Total consideration		₱ 4,852.7
Cash paid (presented as investing activities)		₱ 2,995.7
Fair value of previously held interest		1,857.0
Total consideration		₱ 4,852.7

The fair values of trade receivables amounted to ₱1,241.5 million. The gross amount of trade receivables is ₱1,307.5 million, of which ₱66.0 million is expected to be uncollectible.

The deferred tax liability mainly comprises the tax effect of the excess of fair value over cost of property, plant and equipment.

The provisional goodwill which amounted to ₱1,452.5 million comprises the trademark, which is not separately recognized. Goodwill is allocated entirely to the PDP Energy, the cash generating unit. None of the provisional goodwill recognized is expected to be deductible for income tax purposes.

There are no specific values assigned to the customer and staff base. These are not separate and quantifiable and therefore, do not meet the criteria for recognition as an intangible asset under PAS 38, *Intangible Assets.*

Acquisition-related costs of ₱6.5 million have been charged to operations in 2014.

Since the change in ownership occurred towards the end of the year, for purposes of consolidation, the Company treated PDP Group as a consolidated subsidiary at the end of the year. As such, no revenue nor profit of PDP Group is included in the consolidated statement of comprehensive income in 2014. Had PDP Group been consolidated from January 1, 2014, the consolidated statement of income would show an increase in pro-forma revenue of ₱6,552.4 million and increase in net income of ₱535.5 million in 2014.

The Company recognized a gain of ₱699.0 million as a result of measuring at fair value its 40% equity interest in PDP Group held before the business combination. The gain is included in "Other income (charges) - net" account in the 2014 consolidated statement of income (see Note 22).

b. Goodwill represents the excess of acquisition cost of the following subsidiaries over the Parent's share in the fair value of their net assets. The carrying amount of goodwill allocated to each cash-generating unit (subsidiaries) follows (in millions):

		2014		2013
PDP (see Note 6a)	₱	**1,452.5**	₱	–
Cirrus		**517.5**		513.0
SSRLI		**99.3**		99.3
	₱	**2,069.3**	₱	612.3

The goodwill allocated to Cirrus of ₱577.9 million, before exchange differences amounting to ₱45.4 million and ₱40.9 million as of December 31, 2014 and 2013, respectively, and valuation allowance amounting to ₱105.8 million as of December 31, 2014 and 2013, comprises the value of the acquired companies' customer and staff base and existing market share in the healthcare staffing industry. There are no specific values assigned to the customer and staff base. These are not separate and quantifiable and therefore, do not meet the criteria for recognition as an intangible asset under PAS 38, *Intangible Assets.* The goodwill from Cirrus increased by ₱4.5 million and ₱46.6 million in 2014 and 2013, respectively, due to foreign exchange differences.

c. Impairment Testing of Goodwill

i. Cirrus

The recoverable amount of the investments in Cirrus has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The key assumptions used to determine the recoverable amount as of December 31, 2014 and 2013 are discussed below:

Discount rate
Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rate applied to cash flow projections is 12% in 2014 and 2013.

Terminal value
Management has used the most recent healthcare staffing transaction price earnings multiple in determining the terminal value.

Growth rate
Cirrus assumed a growth rate of 9% to 10% in 2014 and 2013. Management has used the average industry growth rate for the forecast.

Sensitivity to changes in assumptions
A reduction to 7% in the revenue growth rate in 2014, assuming all other assumptions remain constant, would result in further impairment. In 2013, no reasonably possible change in any of the key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

As to other key assumptions, management believes that no reasonably possible change in these key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

ii. SSRLI

The recoverable amount of the investments in SSRLI has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The key assumptions used to determine the recoverable amount as of December 31, 2014 and 2013 are discussed below:

Discount rate
Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rate applied to cash flow projections is 10% in 2014 and 2013.

Growth rate
Growth rate assumptions for the five year cash flow projections in 2014 and 2013 are supported by the different initiatives of SSRLI. The Company used 5% growth rate in revenue in its cash flow projection in both years.

Terminal value
Cash flows beyond the five-year period in 2014 and 2013 are based on earnings before interest and taxes, depreciation and amortization multiples of entities deemed similar to SSRLI.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

7. Cash and Cash Equivalents

	2014	2013
Cash on hand and with banks	₱ **1,341,444,528**	₱ 516,432,925
Short-term investments	**59,589,131**	227,459,584
	₱ **1,401,033,659**	₱ 743,892,509

Cash with banks earn interest at the respective bank deposit rates ranging from 0.25% to 1.25% and 0.13% to 0.35% in 2014 and 2013, respectively (see Note 22). Short-term investments with interest rates ranging from 0.30% to 2.00% in 2014 and 2013 are made for varying periods of up to three months depending on the immediate cash requirements of the Group.

8. Fair Value Through Profit or Loss (FVPL) Investments

		2014		2013
Bonds	₱	**560,889,748**	₱	410,431,087
Funds and equities		**8,621,964**		53,378,702
Others		**26,170,000**		16,070,000
	₱	**595,681,712**	₱	479,879,789

This account consists of investments that are designated as FVPL and held-for-trading investments. Designated FVPL investments consist of foreign currency-denominated fixed income securities with embedded derivatives (e.g. call and put options) that significantly modify the security's cash flow. These investments are classified under bonds and others. Held-for-trading investments include foreign currency-denominated mutual/hedge funds, and equity investments that are managed together on a fair value basis. These investments are classified under funds and equities.

FVPL investments in bonds represent foreign currency-denominated bond securities with variable and fixed interest rates. The FVPL coupon interest rate per annum ranges from 5.25% to 13.13% in 2014, 4.88% to 13.13% in 2013 and 2.50% to 11.50% in 2012.

Net gains (losses) on increase (decrease) in market value of FVPL investments as of December 31 are as follows (in millions):

	Unrealized valuation gains (losses) in market values as of December 31				Gain (loss) on increase (decrease) in market value of FVPL Investments
		2014		2013	in 2014
Bonds	(₱	**22.7)**	(₱	16.3)	(₱ **6.4)**
Funds and equities		**0.3**		(2.3)	**2.6**
Others		**1.2**		1.1	**0.1**
Total		**(21.2)**		(17.5)	**(3.7)**
Add realized loss on sale of FVPL investments					**(5.8)**
Net loss on decrease in market value of FVPL investments					(₱ **9.5)**

	Unrealized valuation gains (losses) in market values as of December 31				Gain (loss) on increase (decrease) in market value of FVPL Investments
		2013		2012	in 2013
Bonds	(₱	16.3)	₱	19.4	(₱ 35.7)
Funds and equities		(2.3)		2.6	(4.9)
Others		1.1		0.2	0.9
Total		(17.5)		22.2	(39.7)
Add realized loss on sale of FVPL investments					(63.1)
Net loss on decrease in market value of FVPL investments					(₱ 102.8)

	Unrealized valuation gains (losses) in market values as of December 31		Gain (loss) on increase (decrease) in market value of FVPL Investments in 2012
	2012	2011	
Bonds	₱ 19.4	(₱ 20.8)	₱ 40.2
Funds and equities	2.6	(5.1)	7.7
Others	0.2	1.4	(1.2)
Total	22.2	(24.5)	46.7
Add realized gain on sale of FVPL investments			20.5
Net gain on increase in market value of FVPL investments			₱ 67.2

In 2014, 2013 and 2012, the Group entered into non-deliverable currency forward contracts to manage foreign currency risk. These contracts were all settled during the year and resulted to a realized gain of ₱0.9 million in 2014, realized loss of ₱80.1 million in 2013 and realized gain of ₱22.9 million in 2012. There were no outstanding forward transaction as of December 31, 2014 and 2013.

9. Receivables

	2014	2013
Trade (Note 26)	₱ 1,548,437,227	₱ 294,275,140
Notes receivable	40,000,000	60,803,463
Interest receivable	19,585,300	23,878,602
Tax credits/refunds	68,174,021	50,032,391
Advances to employees	10,170,075	5,061,723
Receivables from villa owners	10,872,107	5,744,725
Advances to suppliers	290,733	16,560,398
Others	36,826,515	18,644,194
	1,734,355,978	475,000,636
Less allowance for doubtful accounts	41,526,955	35,961,718
	₱ 1,692,829,023	₱ 439,038,918

Trade receivables are non-interest bearing and are normally settled on 30 days' term.

In 2013, the Company has notes receivables from Maybank ATR Kim Eng which amounted to ₱40.0 million as of December 31, 2014 and 2013 for the latter's working capital requirements. The loan is unsecured, interest-bearing and currently due demandable.

Notes receivable from Tayabas Geothermal Power Corp. (Tayabas Power) amounting to ₱20.8 million noninterest-bearing and is guaranteed in full by SKI Construction Group, Inc., parent company of Tayabas Power and any obligation of guarantor not paid when due will bear interest of 12% per annum. In January 2011, these were collected.

Interest receivable pertains to accrued interest income from cash and cash equivalents, FVPL and AFS investments in debt instruments.

Advances to suppliers include total cost of fuel tanks and pipelines to be recovered from a supplier over the supply contract period agreed upon by the parties.

Other receivables represent accruals of revenue from client hospitals of a subsidiary.

Movement in the allowance for doubtful trade and other receivable accounts are as follows:

			2014
	Trade	**Others**	**Total**
At January 1	₱ **34,128,560**	₱ **1,833,158**	₱ **35,961,718**
Provision for the year (Note 22)	**6,174,132**	**–**	**6,174,132**
Writeoff	**(608,895)**	**–**	**(608,895)**
At December 31	₱ **39,693,797**	₱ **1,833,158**	₱ **41,526,955**

			2013
	Trade	Others	Total
At January 1	₱ 31,722,447	₱ 1,833,158	₱ 33,555,605
Provision for the year (Note 22)	5,018,782	–	5,018,782
Recoveries (Note 22)	(2,612,669)	–	(2,612,669)
At December 31	₱ 34,128,560	₱ 1,833,158	₱ 35,961,718

10. Inventories

	2014	2013
At cost:		
Food and beverage	₱ **13,019,981**	₱ 15,866,037
Spare parts and supplies	**6,141,835**	–
Reels inventory	**4,458,476**	–
Materials in transit	**759,453**	–
Aircraft parts in transit	**–**	849,822
Others	**12,371,119**	–
	36,750,864	16,715,859
At net realizable value:		
Finished goods - net of allowance for inventory obsolescence of ₱13.5 million in 2014	**361,740,556**	–
Raw materials - net of allowance for monthly obsolescence of ₱7.6 million in 2014	**195,131,872**	–
Operating supplies - net of allowance for inventory obsolescence of ₱36.0 million in 2014 and ₱3.4 million in 2013	**125,317,916**	41,207,864
Work in process - net of allowance for inventory obsolescence of ₱7.1 million in 2014	**109,840,108**	–
Construction-related materials - net of allowance for inventory obsolescence of ₱1.2 million in 2014 and ₱0.9 million in 2013	**51,209,276**	3,552,531
Aircraft spare parts and supplies - net of allowance for inventory losses of ₱2.2 million in 2014 and ₱1.1 million in 2013	**20,223,843**	20,930,265
Residential units held for sale - net of allowance for impairment losses of ₱0.3 million in 2014 and 2013	**–**	284,089
	863,463,571	65,974,749
	₱ **900,214,435**	₱ 82,690,608

Provision for inventory losses recognized in 2014 and 2013 amounted to ₱1.5 million and ₱0.5 million, respectively (see Note 22).

Aircraft parts in transit are purchased from suppliers abroad under Freight on Board Shipping Point. These items are in the custody of either the Bureau of Customs or freight forwarder as of December 31, 2014 and 2013.

Operating supplies pertain to inventory items used in providing services such as printing, cleaning and office and guest supplies.

Construction-related materials are excess materials and supplies from Phase 2 Villa Development Project (the Project). These are held for use in other construction projects and villa operations.

11. Available for Sale (AFS) Investments

	2014	2013
Quoted equity shares	₱ 7,542,719,341	₱ 7,915,173,765
Bonds and convertible note	1,174,457,942	843,878,978
Unquoted equity shares	892,643,443	969,301,199
Funds and equities	311,119,241	442,936,860
Proprietary shares	171,051,352	177,238,250
	10,091,991,319	10,348,529,052
Less current portion of AFS bonds	24,691,343	48,949,783
	₱ 10,067,299,976	₱ 10,299,579,269

Quoted equity shares consist of marketable equity securities that are listed and traded on the Philippine Stock Exchange (PSE). The fair market values of these listed shares are based on their quoted market prices as of December 31, 2014 and 2013 which are assessed to be the exit prices.

AFS investments in bonds represent foreign currency-denominated bond securities with variable and fixed coupon interest rate per annum ranging from 4.22% to 9.88% in 2014, 3.88% to 9.75% in 2013 and 3.38% to 13.13% in 2012. Maturity dates range from March 15, 2014 to January 13, 2037 in 2014, January 18, 2013 to October 24, 2037 in 2013.

In 2014, 2013 and 2012, gain on sale of AFS investments amounted to ₱1,662.0 million, ₱1,101.9 million and ₱1,169.3 million, respectively.

The Group's AFS unquoted equity investments, bonds, and convertible note include the following:

a. Prople, Inc. and Prople Limited

In December 2007, the Company entered into a subscription agreement with Prople, Inc. (Prople; formerly Gralce Holdings, Inc.) for the acquisition of 6,665 shares of stock of the latter (equivalent to 20% of the outstanding shares).

Prople is a domestic corporation that owns Prople BPO, Inc. (formerly, Summersault, Inc.), Prople KPO, Inc. and Prople Content, Inc., jointly called the Prople Group. The Prople Group is into business process outsourcing, specializing in finance and accounting, human resource administration and industry-focused transaction processing services.

In 2011, the Company made additional investment in Prople amounting to ₱4.4 million. The additional investment enabled the Company to maintain its 20% equity share in Prople. As of December 31, 2012, the total cost of the investment in Prople amounted to ₱42.2 million. Investment in Prople is accounted for as AFS investments because management believes that the Company does not have the ability to exercise significant influence on Prople. Furthermore, the Company does not have any involvement in the operations of Prople. The investment is measured at cost less impairment rather than at fair value as the shares of stock of Prople are not publicly-traded, such that there is no reliable basis of fair value.

In 2013, the Company sold all its investment in Prople to Prople Limited, a corporation incorporated and existing under the laws of Hong Kong, for ₱24.7 million. In 2013, Prople Limited acquired 100% of the non-audit business of U.S.-based Kellogg and Andelson Accountancy Corporation (K&A). Founded in 1939, K&A is a well-established accounting firm that provides tax, general accounting and consulting services to thousands of small-to-medium sized company in California and the Midwest.

In November 2013, AI invested $4.0 million (₱175.9 million) convertible notes in Prople Limited. These notes are convertible at the option of the holder into common shares of Prople Limited. The interest is 5% for the first 3 years and if not converted on the 3rd anniversary of closing date (i.e., November 18, 2016, the conversion date), the interest will be the prevailing five year US Dollar Republic of the Philippine (ROP) plus 400 basis points or 7%, whichever is higher for the next two years.

b. Enderun College, Inc. (Enderun)

In 2008, the Company entered into a subscription agreement for the acquisition of 16,216,217 shares of stock equivalent to 20% equity stake in Enderun, a college that offers a full range of bachelor's degree and non-degree courses in the fields of hotel administration, culinary arts and business administration. The total cost of the investment in Enderun amounting to ₱286.2 million approximates its fair value as of December 31, 2013. Investment in Enderun is classified as AFS investments because the Company does not exercise significant influence and its holding in Enderun is not sufficient to carry major business decisions (see Note 4).

The carrying value of the investment in Enderun amounted to ₱286.2 million as of December 31, 2014 and 2013.

c. Alphion Corporation (Alphion)

In March 2009, AI invested US$900,000 (₱43.7 million) for 387,297 Series E Preference shares of Alphion convertible into 645,485 shares of common stock. Alphion is a fiber optic network company based in New Jersey, with sales, marketing, procurement and R&D offices in India. Alphion develops, manufactures and markets high-speed fiber optic access and switching systems that enable "triple play" services, or voice, video, and data transmission in a single line. In 2011, AI invested US$1.0 million (₱42.6 million) for 713,158 Series G preference shares convertible into the same number of common stock and 140,817 Series G warrants convertible into the same number of common stock. As of December 31, 2014 and 2013, the total investment in Alphion amounted to ₱78.0 million which is fully provided with allowance.

d. Predictive Edge Technologies, LLC (Predictive)

In October 2011, AI entered into a subscription agreement with Predictive Edge Media Holdings, LLC (PEMH) for the acquisition of 1,000,000 Series A preferred units at US$3 per unit, which constitute 10% of the total Series A preferred units outstanding. In the first quarter of 2012, the Company's holdings in PEMH, first acquired in October 2011, were exchanged for an interest in Predictive Edge Technologies, LLC ("Predictive"), PEMH's parent company. Predictive is a US-based early-staged technology company, which provides products and services that make practical and effective use of its patented behavioral science, based on psychological principles and state-of-the art mathematics, that allow it to measure and quantify emotions associated with digital content.

As of December 31, 2014 and 2013, the net carrying value of AI's investment in Predictive amounted to ₱22.0 million and ₱116.0 million, respectively. In 2014, AI provided impairment loss of ₱140.0 million.

e. Leopard Cambodia Investments (BVI) Ltd. (Leopard)

In 2012, AI purchased 525 shares of Leopard. Leopard is a limited company established in the British Virgin Islands (BVI). The objective is to achieve capital appreciation through investments primarily in businesses with significant operations in Cambodia and in real estate located in Cambodia.

f. KSA Realty Corporation (KSA)

The Group has a 11% stake in KSA, the owner of The Enterprise Center, an office building. The Group received cash dividends from KSA amounting to ₱91.4 million in 2014, ₱40.0 million in 2013 and ₱28.6 million in 2012.

The Company recognized ₱28.3 million and ₱382 million gain on fair value adjustment in its investment in KSA in 2014 and 2013, respectively. As of December 31, 2014 and 2013, the Company's investment in KSA amounted to ₱417.2 million and ₱388.9 million, respectively.

g. ATR KIM ENG Capital

On October 21, 2013, the Company entered into a Memorandum of Agreement with Maybank ATR KimEng Capital Partners, Inc. and other parties to incorporate an entity that shall serve as the holding company of the parties for their investments in a stand-alone trust company. In 2013, the Company invested ₱18.75 million in 15,000,000 common shares and ₱18.75 million in 18,750,000 cumulative, non-voting, redeemable and non-convertible preferred shares of the new entity. These investments give the Company a total of 12.5% interest in the new entity. As of December 31, 2014 and 2013, the cost of the Company's investment amounted to ₱37.5 million.

h. SKI Construction Group, Inc. (SKI)

On January 10, 2014, the Company entered into a loan and investment agreement with SKI, Red Core Investment Corp. (Red Core), Tayabas Power, Tiaong Geothermal Power, Inc. (Tiaong Power), and San Juan Geothermal Power, Inc. (San Juan Power) to jointly survey and explore the geothermal energy potential in the areas defined by the Tayabas, Tiaong and San Juan Geothermal Reneweable Energy Service Contract (GRESC). Under this agreement, the Company committed to fund $4 million (₱172 million) through zero-coupon notes for exploration phase of the three sites. In 2014, total amount drawn down amounted to ₱116.4 million.

The Company may choose to convert each Note into common shares of the three operating companies: Tayabas Power, Tiaong Power and San Juan Power to achieve 9.1% stake in each of these entities. If the Company will not convert the note with in the agreed time frame, these notes will be changed into a medium term note with a coupon to be repaid as soon as possible.

Below is the rollforward of the unrealized valuation gains (losses) on AFS investments recognized in equity:

	2014	2013
Beginning balance	₱ 3,675,941,998	₱ 3,458,799,647
Gain recognized directly in equity - net of tax	2,802,948,358	1,450,648,340
Amount removed from equity and recognized in profit and loss - net of tax	(3,240,070,924)	(1,233,505,989)
Ending balance	₱ 3,238,819,432	₱ 3,675,941,998

In 2014, 2013 and 2012, the Group recognized impairment losses on its quoted and unquoted AFS debt and equity investments amounting to ₱260.3 million, ₱71.2 milion and ₱156.1 million, respectively (see Note 22).

12. Investments and Advances

	2014	2013
Investments at equity - net	₱ 1,541,990,755	₱ 3,073,832,835
Advances - net of allowance for doubtful accounts of ₱564.8 million in 2014 and ₱589.3 million in 2013 (Note 26)	–	4,457,137
	₱ 1,541,990,755	₱ 3,078,289,972

Investments at equity consist of:

	2014	2013
Acquisition cost:		
Common shares	₱ 186,538,207	₱ 314,905,622
Preferred shares	1,997,775,000	1,997,775,000
Total	2,184,313,207	2,312,680,622
Accumulated equity in net earnings:		
Balances at beginning of year	788,411,955	629,066,367
Equity in net earnings for the year	147,141,103	228,945,588
Dividends received	(95,200,000)	(69,600,000)
Step acquisition of an associate (Note 6)	(1,034,819,534)	–
Balances at end of year	(194,466,476)	788,411,955
Valuation allowance (Note 22)	(462,480,976)	(27,259,742)
Effect of foreign exchange differences	14,625,000	–
	₱ 1,541,990,755	₱ 3,073,832,835

The significant transactions involving the Group's investments in associates for 2014 and 2013 follow:

PDIPI and Subsidiaries

a. PDP Energy established PDEIC, a PEZA-registered company engaged in manufacturing wires, mainly for export.

b. Cash dividends received by the Company amounted to ₱95.2 million at ₱40.3 per share in 2014, ₱69.6 million at ₱29.5 per share in 2013 and ₱44.8 million at ₱19.0 per share in 2012.

As discussed in Note 6, PDP Group became subsidiaries of the Company towards the end of the 2014. Prior to that, PDP Group is accounted for as an associate. The summarized financial information of the significant associates (PDP Energy and PDEIC) follows (in millions):

	As of December 31, 2013
Balance Sheets:	
Current assets	₱ 2,175
Noncurrent assets	627
Current liabilities	443
Equity	2,359
Proportion of the Group's ownership interest in	40%
carrying amount of the investment	944

	2014	2013
Statements of Comprehensive Income:		
Net sales	₱ 6,552	₱ 5,587
Gross profit	1,123	955
Income from continuing operations, before tax	728	596
Net income	536	434
Other comprehensive income	–	–
Total comprehensive income	536	434
Proportion of the Group's ownership interest	40%	40%
Group's share in the total comprehensive income	214	174

The associate has no contingent liabilities or capital commitments as of December 31, 2013.

AGP International Holdings Ltd. (AGPI)

In December 2011, AI entered into a subscription agreement with AGPI for US$5.0 million Convertible Bridge Notes (the "Notes"), with interest rate of 9% compounded annually. The principal, together with the accrued interest, is payable on the one year anniversary of the issuance of each Note. The Notes are convertible at the option of the holder into: (a) Series B preferred shares at the per share price paid to buy out existing Series A preferred shares (US$0.345/share or the "conversion price"); or (b) the equity security issued by AGPI in its next round of equity financing at the per share price paid in such next round of financing.

AGPI is a British Virgin Islands business company formed in 2010 in connection with the acquisition of equity of Atlantic, Gulf and Pacific Company of Manila, Incorporated (AG&P). AGPI, through its subsidiary and associates, is focused on providing modular engineering and construction and general engineering design services, including, fabrication, assembly and manpower services, particularly in the oil, gas, petrochemical, power generation and mining industries.

On June 28, 2013, AI converted the US$5.0 million Convertible Bridge Notes to 16.4 million series B, voting preferred shares. On June 29, 2013, AI signed a definitive agreement with AGPI for the subscription to 83.9 million series C, voting preferred shares in AGPI. Series B and Series C preferred shares are convertible, at the option of the holder into Class A common shares. The subscription increases AI's holdings to 26.86% giving the Group significant influence over AGPI.

The principal place of business of AGPI is Vantepool Plaza, 2nd Floor, Wickhams Cay 1, Road Town, Tortola British Virgin Island.

The total cost of the investment in AGPI amounted to ₱2.0 billion and is presented under investment in associate as of December 31, 2013 (see Note 11). In 2014, the Group recognized an allowance for probable losses on the investment which amounted to ₱440.4 million. As of December 31, 2014 and 2013, the carrying value of the investment amounted to ₱1,542.0 million and ₱1,566.0 million, respectively.

Significant details of the balance sheet as of December 31, 2014 and 2013 and statement of comprehensive income for the year ended December 31, 2014 and for the six months-period July 1 to December 31, 2013 of AGPI are enumerated below as of December 31 (in millions):

	2014	2013
Balance Sheets:		
Current assets	₱ 2,727.8	₱ 716.0
Noncurrent assets	9,581.2	6,841.0
Current liabilities	6,831.8	2,730.0
Noncurrent liabilities	3,240.3	2,273.0
Equity	2,236.9	2,554.0
Proportion of the Group's ownership interest	27%	27%
Group's share in the net assets	599.5	684.5
Excess of cost over book value	1,368.3	1,368.3
Valuation allowance	(440.4)	-
Foreign exchange difference	14.6	-
Carrying amount of the investment	1,542.0	2,052.8

	2014	2013
Statements of Comprehensive Income:		
Revenue	₱ 9,589.4	₱ 3,358.05
Income (loss) from continuing operations, before tax	(171.2)	285.9
Net income (loss)	(250.4)	206.3
Other comprehensive income (loss)	–	–
Total comprehensive income	(250.4)	206.3
Proportion of the Groups ownership interest	27%	27%
Group's share in the total comprehensive income	(67.1)	55.3

The associate has no contingent liabilities or capital commitments as of December 31, 2014 and 2013.

Anscor-Casto Travel Corporation

In 2014, the Company sold its 44% interest in Anscor-Casto Travel Corporation for ₱9.5 million which resulted in a gain for the same amount since the carrying value of the investment is nil.

Newco

In 2014, the Company sold its 45% interest in Newco for ₱46.6 million which resulted in a gain for the same amount since the carrying value of the investment is nil.

AAC

In July 2014, the company acquired 81% interest in AAC, a real estate entity incorporated in the Philippines, for ₱43 million. AAC's asset significantly consists of a parcel of land which is idle and not used in business. As such, the Company accounted for this transaction as an asset purchase.

SSRLI and PRI

a. On January 9, 2007, SSRLI and the Philippine Economic Zone Authority (PEZA) signed a Registration Agreement declaring SSRLI as an Ecozone Developer/Operator, entitling SSRLI to establish, develop and construct the villas and to operate the Ecozone. SSRLI is entitled to four-year income tax holiday and tax-free importation on PEZA-covered registered activities under the Registration Agreement.

   On December 18, 2009, SSRLI's resort operations have been registered with PEZA to engage in the renovation and expansion of Amanpulo Resort at the Pamalican Island Tourism Ecozone. SSRLI's resort operations are entitled to 5% gross income tax on revenues generated from foreign clients and regular income tax on non-foreign clients under the Registration Agreement.

b. On February 18, 2011, the BOD of the Company approved the Company's acquisition of additional shares from the minority shareholders of SSRLI. The acquisition increased the ownership of the Company from 46.79% to 62.30% of the total outstanding common and preferred shares of SSRLI. Total acquisition price for the additional shares is $5.89 million (₱255.9 million) cash consideration plus the fair value of the 46.79% investment amounting to ₱302.7 million. Goodwill recognized from the acquisition amounted to ₱99.3 million.

c. On July 1, 2011, PRI took over the resort operations of SSRLI. On the same date, PEZA approved PRI's application for registration as an Ecozone Tourism Enterprise. SSRLI also transferred in the name of PRI all resort-operation-related contracts entered into with related parties and third parties, including its long-term loans with a bank (see Note 18).

d. On October 3, 2012, PRI entered into an operating lease agreement with SSRLI covering all rights and interests in resort-related assets, which include land, land improvements and buildings for period of 20 years beginning July 1, 2011.

   As of December 31, 2013, all contracts with related parties that are related to resort operations were transferred to PRI except for the foreshore lease contract with the Department of Environment and Natural Resources (DENR) which is non-transferrable.

   On February 20, 2013, the BOD and stockholders authorized the increase in PRI's authorized capital stock from ₱1.0 million, divided into 10,000 common shares with par value of ₱100 per share, to ₱200.0 million, divided into 1,500,000 preferred shares and 500,000 common shares, both with par value of ₱100 per share. On August 28, 2013, SEC approved the increase in the authorized capital stock. On the same date, SSRLI has subscribed to 850,000 preferred shares.

   On October 10, 2013, SSRLI subscribed to additional 150,000 preferred shares of PRI at an issue price of ₱666.67 and assigned its outstanding receivable amounting to ₱100 million as payment for such subscription. The excess of the assigned receivables of ₱85.0 million over the par value of shares subscribed of ₱15.0 million was recorded as additional paid in capital.

In December 2013, the remaining 53,366,400 Class A preferred shares and 35,577,600 Class B preferred shares of SSRLI were subscribed at ₱1.22 per share for a total amount of ₱108.8 million by its existing stockholders via conversion of the SSRLI's shareholders' advances into preferred stock equity based on their proportionate shareholdings in SSRLI. The excess of the consideration received over par value amounting to ₱19.9 million was recorded as additional paid in capital.

e. On November 8, 2013, the Amanpulo Resort sustained property damages brought by Typhoon Yolanda. Because of these damages, its operations was temporarily suspended and resumed only on December 15, 2013. In 2013, the Company applied for insurance claims for property damages, business interruption and cost of debris clearing.

In August and September 2014 the Company received from its insurance a total amount of ₱46.23 million for business interruption (see Note 22).

f. SSRLI entered into a memorandum of agreement with the buyers of villa who made a total deposit of ₱381.8 million and ₱156.9 million as of December 31, 2014 and 2013, respectively. This is presented as "Customer's deposits for property development" in the consolidated balance sheets.

Material Partly-Owned Subsidiaries (SSRLI and PRI)

Set out below are the summarized financial information of entities that has non-controlling interest that is material to the Group. The amounts disclosed are based on those included in the consolidated financial statements before intercompany eliminations.

Significant details of the balance sheets and statements of comprehensive income of SSRLI and PRI are enumerated below as of December 31 (in millions):

		2014		2013
Balance Sheets:				
Current assets	₱	**699.0**	₱	437.9
Noncurrent assets		**956.1**		934.1
Current liabilities		**734.7**		387.9
Noncurrent liabilities		**154.8**		184.4
Equity		**765.7**		799.7
Attributable to NCI		**288.7**		301.5

		2014		2013
Statements of Comprehensive Income (loss):				
Revenue	₱	**480.1**	₱	445.3
Income (loss) from continuing operations, before tax		**(26.4)**		3.6
Net loss		**(32.3)**		(16.4)
Other comprehensive income (loss)		**(1.7)**		0.4
Total comprehensive loss		**(34.0)**		(16.1)
Allocated loss to NCI during the year		**(12.8)**		(6.06)

		2014		2013
Statements of Cash Flows				
Cash flows from operations	₱	**243.6**	₱	186.8
Cash flows used in investing activities		**(151.2)**		(214.6)
Cash flows from (used in) financing activities		**(19.8)**		104.5
Dividends paid to NCI		**-**		-

13. Property and Equipment

	2014					
	Land, Buildings and Improvements	Flight, Ground, Machinery and Other Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
January 1	₱ 1,224,349,307	₱ 426,330,273	₱ 255,713,613	₱ 133,815,042	₱ 109,584,012	₱ 2,149,792,247
Additions	194,950	24,429,466	43,796,227	701,961	127,756,106	196,878,710
Reclassification	236,085,101	–	–	–	(236,085,101)	–
Retirement/ disposals	(88,406,044)	(18,863,294)	(12,622,177)	–	–	(119,891,515)
Foreign exchange adjustment	19,301	–	126,360	–	–	145,661
Property and equipment of acquired subsidiary (Note 6)	915,277,296	275,597,088	8,331,163	12,629,566	39,686,642	1,251,521,755
December 31	2,287,519,911	707,493,533	295,345,186	147,146,569	40,941,659	3,478,446,858
Accumulated Depreciation and Amortization						
January 1	532,699,503	289,337,826	204,208,266	92,386,421	–	1,118,632,016
Depreciation and amortization	63,915,074	19,251,807	39,468,468	10,271,787	–	132,907,136
Retirement/ disposals	(88,406,046)	(18,863,294)	(12,594,024)	–	–	(119,863,364)
Foreign exchange adjustment	(66,773)	–	1,332,465	(8)	–	1,265,684
December 31	508,141,758	289,726,339	232,415,175	102,658,200	–	1,132,941,472
Net Book Value	₱ 1,779,378,153	₱ 417,767,194	₱ 62,930,011	₱ 44,488,369	₱ 40,941,659	₱ 2,345,505,386

	2013					
	Land, Buildings and Improvements	Flight, Ground Machinery and Other Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
January 1	₱ 1,122,766,217	₱ 419,540,634	₱ 210,936,205	₱ 131,486,780	₱ 48,800,216	₱ 1,933,530,052
Additions	135,067,901	6,789,639	43,543,011	11,840,729	86,245,390	283,486,670
Reclassification	25,461,594	–	–	–	(25,461,594)	–
Retirement/ disposals	(59,096,850)	–	–	(9,512,467)	–	(68,609,317)
Foreign exchange adjustment	150,445	–	1,234,397	–	–	1,384,842
December 31	1,224,349,307	426,330,273	255,713,613	133,815,042	109,584,012	2,149,792,247
Accumulated Depreciation and Amortization						
January 1	534,425,214	260,319,775	171,334,586	92,787,881	–	1,058,867,456
Depreciation and amortization	56,560,316	29,018,051	32,872,492	9,111,003	–	127,561,862
Retirement/ disposals	(59,079,961)	–	–	(9,512,463)	–	(68,592,424)
Foreign exchange adjustment	793,934	–	1,188	–	–	795,122
December 31	532,699,503	289,337,826	204,208,266	92,386,421	–	1,118,632,016
Net Book Value	₱ 691,649,804	₱ 136,992,447	₱ 51,505,347	₱ 41,428,621	₱ 109,584,012	₱ 1,031,160,231

As of December 31, 2014 and 2013, land with improvements and structures thereon with appraised value of ₱2,218.5 million were used as collateral for the loan obtained in 2005 by a subsidiary (see Note 18). The carrying value of the related property amounted to ₱442.1 million and ₱584.7 million as of December 31, 2014 and 2013, respectively.

Depreciation charged to operations amounted to ₱132.9 million, ₱127.6 million and ₱117.9 million in 2014, 2013 and 2012, respectively.

14. Investment Properties

	2014	2013
January 1	₱ 206,769,100	₱ 216,432,223
Additions	53,800,644	–
Reclassifications	–	(6,377,579)
Disposals	–	(3,285,544)
December 31	₱ 260,569,744	₱ 206,769,100

The Group's investment properties include 144 hectares of land in Palawan, 875 hectares of land in Cebu, and 97.4 hectares in Guimaras. Based on the valuation performed by independent appraisers as of November and December 2013 and January 2014, the aggregate fair market values of these properties amounted to ₱471.3 million. The fair value was determined using the sales comparison approach which considers the sale of similar or substitute properties, related market data and the assets' highest and best use. The fair value of the investment properties is categorized as Level 3 which used adjusted inputs for valuation that are unobservable as of the date of valuation.

The inputs used were offer prices of similar land. Significant increases or decreases in offer price would result in higher or lower fair value of the asset.

The appraisers determined that the highest and best use of these properties are for residential, agricultural, commercial and recreational utility. For strategic reasons, the properties are not being used in this manner. These properties are currently held by the Group for capital appreciation.

The Group has no restrictions on the realizability of the investment properties and no contractual obligation to either purchase, construct or develop investment properties.

Portion of APHI's land in Palawan amounting to ₱3.5 million was seized by the Philippine Government under the Comprehensive Agrarian Reform Program or Republic Act 6657, and thus was reclassified to noncurrent assets.

In 2014, 2013 and 2012, the Group derived no income from these investment properties. The aggregate direct expenses pertaining to real property taxes amounted to ₱0.3 million in 2014, 2013 and 2012.

15. Other Noncurrent Assets and Other Noncurrent Liabilities

Other noncurrent assets as of December 31 include:

		2014		2013
Property development in progress	₱	**98,778,684**	₱	43,730,447
Fund for villa operations and capital expenditures		**45,321,429**		45,513,171
Deferred nurse cost		**13,089,154**		11,172,599
Refundable deposits		**9,828,903**		3,860,489
Deposit to supplier		**8,414,815**		12,911,989
Others		**16,191,145**		6,137,544
	₱	**191,624,130**	₱	123,326,239

Fund for villa operations and capital expenditures is a restricted cash fund of PRI held as a source of future maintenance requirements and association dues and for future replacement of power generating units and desalination plant. Interest income on this fund shall accrue to the villa owners. A liability related to the fund was recognized and is presented as "Other noncurrent liabilities" in the consolidated balance sheets (see Note 29).

Property development in progress pertains to the development costs incurred on Phase 3 and Phase 4 projects started in 2009 by SSRLI.

Other noncurrent liabilities also include ₱25.6 million and ₱23.4 million fund for future infrastructure and utility development of villas as of December 31, 2014 and 2013, respectively, which is an allocated charge to the villa owners. The fund is intended to be used for putting up new infrastructure or utilities such as power generating units, roads, potable water, and sewer and irrigation lines, electrical and auxiliary lines essential for a villa to be operable. The fund also includes the villa's share in the future expansion of the existing back-of-house facilities (power generation, potable water production, sewage treatment plant, etc.) of PRI so that the resort's utilities' capacity can accommodate the additional demand that arises from the proposed new villa.

16. Notes Payable

Notes payable represent unsecured (unless otherwise stated), short-term, interest-bearing liabilities of the following companies in the Group to various local banks:

		2014		2013
Bank loans availed by:				
Anscor	₱	**1,500,000,000**	₱	–
Cirrus		**29,461,840**		67,381,966
IAI		**–**		57,713,500
	₱	**1,529,461,840**	₱	125,095,466

a. On December 15, 2014, Anscor obtained an unsecured, short-term loan which amounted to ₱1.5 billion from a local bank to finance the acquisition of PDP Group. The loan carried interest rate of 3.5% with a term of 6 months (see Note 18).

b. Cirrus has obtained a loan with Branch Banking and Trust Company, a foreign bank domiciled in the United States of America, with interest payable monthly at LIBOR plus 2.5%. Cirrus has to abide by certain loan covenants on eligible accounts receivable and minimum net income requirements. Loans payable outstanding as of December 31, 2014 and 2013 amounted to $0.7 million (₱29.5 million) and $1.5 million (₱67.4 million), respectively. As of December 31, 2014 and 2013, Cirrus has an available credit line which amounted to $1.8 million (₱82.3 million) and $1.0 million (₱43.6 million), respectively. As of December 31, 2014 and 2013, Cirrus is in compliance with the debt covenants.

c. IAI availed of a short-term loan from a local bank which amounted to $1.0 million (₱43.8 million) in 2010 and bears an annual interest rate of 3-month LIBOR + 2% per annum. In June 2011, IAI availed of an additional $0.5 million (₱21.9 million) loan. The note has a maturity of 90 days, with option to extend for another 90 days and was subsequently extended in March, June, September and December 2011. IAI paid US$0.2 million (₱8.2 million) in December 2012. In June 2013, IAI paid $0.2 million (₱8.5 million). In December 2013, IAI availed an additional $0.2 million (₱8.8 million) loan. The maturity of the remaining US$1.3 million (₱57.7 million) was extended and is payable in March 2014.

   In March 2014, IAI paid $250 thousand ((₱11.16 million) of the above loan and converted the remaining $1.05 million (₱46.96 million) short-term loan to long-term loan (see Note 18).

d. In 2013, the Company availed of loans from a local bank totaling to ₱100.0 million with terms of 14 to 30 days with 4.0% interest rate in 2013 and terms of 18 to 200 days subject to 4.0%-4.4% interest rate for 2012. As of December 31, 2013, the loan was fully paid. The Company's unavailed loan credit line from banks amounted to ₱500.0 million in 2014 and ₱800.0 million in 2013.

Total interest expense recognized in the consolidated statements of income amounted to ₱17.7 million in 2014 and ₱11.5 million in 2013 and 2012 (see Note 22).

17. Accounts Payable and Accrued Expenses

	2014	2013
Trade payables	₱ 506,644,800	₱ 132,208,923
Accrued expenses	249,480,035	146,913,058
Payable to contractors	86,540,285	48,501,411
Refundable deposits	78,164,538	53,885,779
Payable to villa owners	41,161,813	1,039,721
Payable to government agencies	24,160,340	8,664,605
Advances from customers	22,483,320	1,724,119
Other payables (Note 6)	5,861,018	7,972,567
	₱ 1,014,496,149	₱ 400,910,183

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Accrued expenses include unpaid operating costs of the Group.

Refundable deposits pertain to the advance payments made by resorts' guests.

Payable to contractors are amount due to suppliers for ongoing construction projects.

18. Long-term Debt

Long-term debt pertains to the following:

	2014	2013
Long-term debt availed by:		
Anscor	₱ 2,012,400,000	₱ 1,997,775,000
PRI	112,282,176	142,989,251
IAI	46,956,000	–
	2,171,638,176	2,140,764,251
Less current portion	237,502,643	31,337,632
	₱ 1,934,135,533	₱ 2,109,426,619

a. On June 24, 2013, the Company obtained a loan from a local bank amounting US$45.0 million or ₱1,997.8 million to finance the additional investments in shares of stock of AG&P (see Note 12). The loan is payable quarterly in seven (7) years, inclusive of a 2-year grace period and bears interest equal to outstanding three month LIBOR rate plus 2.0% spread per annum. The loan is secured by pledge to the Company's investments in listed shares with market value amounting to ₱4,121.9 million and ₱4,680.9 million as of December 31, 2014 and 2013, respectively (see Note 11). This loan provides for certain affirmative and negative covenants, such as the use of the proceeds of the loan, maintenance at all times of the required collateral value of no less than 200% of the outstanding loan balance, not allow the Company's debt-to-equity ratio to exceed 1.75:1 and the Company's current ratio to fall below 1.25:1, among others. The loan agreement further provides that in the event that these ratios are violated specifically by reason of any additional indebtedness with maturity exceeding one year, the Company shall notify the bank in writing of such indebtedness.

   To finance the acquisition of PDP Group, the Company secured a short-term loan with a local bank as discussed in Note 16. As a result, the Company's current ratio declined but such decline is not considered a breach of covenant. As of December 31, 2014 and 2013, the Company is in compliance with the debt covenant.

b. Loans payable of PRI amounting to US$2.0 million (₱108.0 million) and US$1.0 million (₱53.0 million) were obtained from local banks on November 29, 2005 and December 22, 2011. The $2.0 million loan, which was transferred from SSRLI through an execution of Deed of Assumption of Loan and Mortgage dated June 2, 2011, is subject to Mortgage Trust Indenture (MTI), covering the assets of SSRLI which were also transferred to PRI pursuant to the Deed of Transfer dated December 7, 2011 but reverted to SSRLI upon rescission of the Deed of Transfer on October 3, 2012. The mortgage participating certificates or "MTC" issued to creditor bank represents 12% of the appraised value of the properties that were used as collateral, with carrying value of ₱442.1 million and ₱584.7 million as of December 31, 2014 and 2013, respectively (see Note 13). Both loans have a floating interest rate per quarter equivalent to the average quarterly LIBOR plus 2% spread. The US$2.0 million loan has a maximum term of seven years, including three years grace period while the US$1.0 million loan has a maximum term of five years. Both loans are payable in 17 equal quarterly installments starting October 2012 to 2016. Current portion of loans payable is recognized amounting to ₱31.57 million and ₱31.3 million as of December 31, 2014 and 2013, respectively.

   On October 3, 2012, PRI obtained a loan from its stockholder amounting to ₱30.0 million. The loan has a grace period of five years and is payable in seven equal annual installments commencing in the year 2018 up to 2024. In lieu of the interest, PRI waives the landing and take-off charges on the said stockholder's use of PRI's runway in Amanpulo. In 2013, PRI obtained an additional loan from the stockholder amounting to ₱19.0 million with the same terms from the previous loan.

c. In 2014, IAI converted the short-term loan amounting to $1.05 million (₱46.56 million) to long-term loan (see Note 16). The term of the loan is six (6) years, inclusive of one (1) year grace period on principal payments. The loan is payable in 20 equal quarterly installments on principal repayment date commencing at the end of the first quarter of the grace period.

   The loan is subject to Mortgage Trust Indenture or "MTI" dated November 29, 2005 between SSRLI and the MTI trustee (AB Capital and Investment Corporation), covering the assets of SSRLI.

   The interest rate shall be equivalent to the base interest rate plus margin. The interest shall be payable quarterly in arrears computed based on the outstanding balance of the loan.

Total interest expense recognized in the consolidated statements of income amounted to ₱43.4 million, ₱23.1 million and ₱3.4 million in 2014, 2013 and 2012, respectively (see Note 22).

19. Equity

Equity holdings of the Parent

Capital stock consists of the following common shares:

	Number of Shares	Amount
Authorized	3,464,310,958	₱ 3,464,310,958
Issued	2,500,000,000	2,500,000,000

Outstanding shares, net of shares held by a subsidiary, as of December 31, 2014 and 2013 totaled 1,242,099,354 and 1,261,002,609, respectively. The Company's number of equity holders as of December 31, 2014 and 2013 is 11,363 and 11,460, respectively.

The SEC authorized the offering/sale to the public of the Company's 10.0 million and 140.0 million common shares with par value of ₱1.0 each on December 29, 1948 and January 17, 1973, respectively. On August 30, 1996, the SEC authorized the licensing of 910,476,302 common shares at the subscription price of ₱2.50 per share.

In 2014, 2013 and 2012, the Company declared the following cash dividends:

	2014	2013	2012
Cash dividends per share	**₱ 0.25**	₱ 0.25	₱ 1.00
Month of declaration	**November**	October	February/ October/ December
Total cash dividends	**₱625 million**	₱625 million	₱2,500 million
Share of a subsidiary	**₱314.5 million**	₱309.8 million	₱1,231.7 million

As of December 31, 2014 and 2013, the Company had dividends payable amounting to ₱519.7 million and ₱264.0 million, respectively. Dividends payable represents mainly dividend checks that were returned by the post office and which remained outstanding as of December 31, 2014 and 2013 due to problematic addresses of some of the Company's stockholders.

On December 6, 2011, the BOD approved the appropriation of the Company's unrestricted retained earnings amounting to ₱2.1 billion for expansion projects and investments in 2012 onwards in the areas of tourism, business process outsourcing (BPOs), manpower services, education and manufacturing. On February 21, 2013, the BOD approved the additional appropriation of the Company's unrestricted retained earnings amounting to ₱0.9 billion. The appropriated retained earnings will be used for the Company's investment program within three years on business activities gearing towards service sector, tourism and manufacturing whose operations are based within and outside the Philippines.

On September 15 and November 20, 2014, the BOD approved the appropriation of the Company's unrestricted retained earnings which amounted to ₱1,100 million and ₱500 million, respectively, for future investment programs within three years on business activities related to the service sector, tourism, manufacturing, or such other areas of activities as the Board may deem fit for the best interest of the Corporation.

The unrestricted retained earnings is restricted for the dividend declaration by the following:

- Cost of treasury shares amounting ₱2,163.6 million and ₱2,031.2 million as of December 31, 2014 and 2013, respectively.
- Balance of gross deferred income tax assets amounting ₱64.8 million and ₱13.6 million as of December 31, 2014 and 2013, respectively.
- Shares in the undistributed retained earnings of subsidiaries and associates amounting to ₱3.3 billion and ₱2.6 billion as of December 31,2014 and 2013, respectively, which are included in retained earnings, are not available for declaration as dividends until declared by the subsidiaries.

Shares held by a subsidiary

As of December 31, 2014 and 2013, a subsidiary held 1,257,900,646 shares and 1,238,997,391 shares, respectively, of the Company. Cost of shares of the Company purchased by the subsidiary in 2014 and 2013 amounted to ₱132.4 million and ₱21.4 million, respectively.

In March and July 2013, the subsidiary reissued 6,100,000 shares with cost of ₱9.9 million for a total consideration of ₱41.4 million. The excess of consideration over cost of these shares were recognized in additional paid in capital. The total shares of the Company purchased by the subsidiary amounted to 18,903,255 and 3,300,352 in 2014 and 2013, respectively. The costs of these shares are ₱132.4 million and ₱21.4 million, respectively.

20. Cost of Services Rendered and Operating Expenses

Cost of services rendered consists of:

	2014	2013	2012
Salaries, wages and employee benefits (Note 21)	₱ 821,596,656	₱ 777,847,614	₱ 738,597,992
Other operating costs - resort	73,385,305	49,928,640	46,561,911
Recruitment services (Note 29)	70,470,909	86,641,772	61,261,630
Insurance	66,864,333	60,731,220	61,456,431
Outside services	60,019,196	81,430,086	60,167,009
Fuel cost	55,147,646	53,372,798	59,139,070
Dues and subscriptions	40,091,648	36,372,003	27,128,143
Housing cost	30,794,148	32,904,260	48,352,649
Depreciation and amortization (Note 13)	27,154,445	27,959,509	32,979,188
Transportation and travel	25,025,021	40,504,432	50,200,922
Materials and supplies - resort operations	24,656,357	19,512,872	24,430,154
Repairs and maintenance	22,207,388	26,189,570	23,461,678
Commissions	13,154,514	14,522,250	15,296,158
Variable nurse costs (Note 29)	3,388,812	6,533,706	5,985,349
Others	27,558,690	15,810,607	33,045,970
	₱ 1,361,515,068	₱1,330,261,339	₱ 1,288,064,254

Operating expenses consist of:

	2014	2013	2012
Salaries, wages and employee benefits (Note 21)	₱ 276,776,685	₱ 259,827,943	₱ 268,383,255
Depreciation and amortization (Note 13)	105,752,691	99,602,353	84,924,091
Utilities	92,803,138	77,624,748	69,128,581
Professional and directors' fees	76,167,744	57,166,449	49,950,583
Advertising	58,940,372	48,717,931	45,138,276
Taxes and licenses	43,522,272	29,702,051	17,012,666
Repairs and maintenance	41,723,110	24,518,181	27,301,224
Transportation and travel	29,395,090	20,765,317	23,415,490
Commissions	22,151,535	22,698,413	22,727,304
Security services	14,258,848	16,441,181	16,963,432
Insurance	13,094,357	11,670,093	11,820,313
Rental (Note 29)	13,052,306	12,185,879	12,108,519
Entertainment, amusement and recreation	12,779,121	10,304,915	10,351,752
Communications	9,645,650	8,220,006	9,644,724
Association dues	5,867,816	7,600,981	6,472,807
Donation and contribution	5,480,051	12,338,670	3,496,779
Office supplies	4,295,975	4,932,614	5,223,791
Computer programming	3,303,519	1,258,880	1,487,647
Meetings and conferences	3,174,816	2,884,291	3,406,502
Operating and financial charges-net	1,327,754	1,101,064	797,861
Shipping and delivery expenses	977,353	809,087	924,687
Contract maintenance	239,196	2,477,233	–
Others	29,391,623	28,644,913	30,438,462
	₱ 864,121,022	₱ 761,493,193	₱ 721,118,746

In 2014, 2013 and 2012, the Company paid bonus to its non-executive directors amounting to ₱6.4 million, ₱6.6 million and ₱6.8 million, respectively.

21. Personnel Expenses

	2014	2013	2012
Salaries and wages	₱ 1,059,316,132	₱1,005,928,575	₱ 975,278,317
Pension costs (Note 23)	11,722,183	11,474,829	15,384,331
Social security premiums, meals and other employees' benefits	27,335,026	20,272,153	16,318,599
	₱ 1,098,373,341	₱1,037,675,557	₱ 1,006,981,247

In 2014, 2013 and 2012, the Company declared and paid bonuses to its executive officers amounting to ₱29.3 million, ₱23.8 million and ₱33.7 million, respectively.

22. Interest Income, Interest Expense and Other Income (Charges)

Interest income consists of:

	2014	2013	2012
Debt instruments (Notes 8 and 11)	₱ 75,149,914	₱ 78,681,235	₱ 79,951,188
Cash and cash equivalents (Note 7)	17,439,665	16,606,664	8,587,147
Others	3,849,420	304,352	4,974,447
	₱ 96,438,999	₱ 95,592,251	₱ 93,512,782

Interest income on debt instruments is net of bond discount amortization amounting to ₱2.8 million in 2014, ₱0.6 million in 2013 and ₱0.2 million in 2012.

Interest expense consists of:

	2014	2013	2012
Long-term debt (Note 18)	₱ 43,408,333	₱ 23,069,785	₱ 3,449,465
Notes payable (Note 16)	17,722,053	11,494,158	11,523,547
Others	230,657	313,595	3,273,037
	₱ 61,361,043	₱ 34,877,538	₱ 18,246,049

Other income (charges) consists of:

	2014	2013	2012
Gain on remeasurement of previously held interest (Note 6)	₱ 699,011,094	₱ –	₱ –
Valuation allowances on:			
Investment in associate (Note 12)	(440,407,829)	–	–
AFS investments (Note 11)	(259,940,637)	(71,245,484)	(156,131,473)
Receivables (Note 9)	(6,174,132)	(5,018,782)	(4,477,026)
Other current and noncurrent assets (Note 10)	(1,811,227)	(515,316)	(380,433)
Insurance claims (Note 12)	46,228,744	–	–
Recovery of allowances for impairment losses (Notes 9, 10 and 11)	24,553,505	3,101,226	90,467,232
Others	41,235,778	25,253,743	(15,181,075)
	₱ 102,695,296	(₱ 48,424,613)	(₱ 85,702,775)

Others included ASAI's reimbursement from lessees and cost of PRI charged to villa owners.

"Recovery (valuation allowance)" and "other income (charges)" accounts were previously presented as separate line items in the 2013 and 2012 consolidated statements of comprehensive income.

23. Pension and Other Post-employment Benefit Plans

The Group has funded defined benefit pension plans covering substantially all of its officers and employees. The benefits to be received by the officers and employees under the pension plans shall not be less than the minimum mandated retirement benefit plan under Republic Act (RA) No. 7641. The funds are administered by trustee banks under the control and supervision of the Board of Trustees (BOT) of the pension plans, who is composed of the executive officers of the Company.

The Company contributes to the funds as required under accepted actuarial principles to maintain the plan in sound condition and reserves the right to discontinue, suspend or change the rate and amount of its contribution to the funds at any time.

Funding Policy

The Company contributes to the plans amounts (estimated by an actuary on the basis of reasonable actuarial assumptions) which are necessary to provide the defined benefits. No member is required to make any contribution to the plans. Contributions to the plans are determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future in respect of services in the current period. The past service cost (PSC) is the present value of the units of benefits payable in the future in respect of services rendered prior to valuation date.

The Group's management performs an Asset-Liability Matching Study annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plans. The Group's current strategic investment strategy consists of 40% of equity instruments and 60% of debt instruments.

The Group's plan assets and investments as of December 31, 2014 and 2013 consist of the following:

a. Cash and cash equivalents, which include regular savings and time deposits;
b. Investments in government securities, which include retail treasury bonds and fixed rate treasury notes that bear interest ranging from 2.13% to 9.13% in 2014 and 4.4531% to 8.75% in 2013 and have maturities from September 24, 2016 to October 24, 2037 in 2013 and 2012;
c. Investments in corporate debt instruments, consisting of both short-term and long-term corporate notes and land bonds, which bear interest ranging from 4.38% to 8.46% in 2014, 4.375% to 8.461% in 2013 and have maturities from November 10, 2017 to January 30, 2024 in 2013 and from February 23, 2013 to November 23, 2019 in 2012; and
d. Investments in equity securities; which consist of unlisted and actively traded securities of holding firms, banks and companies engaged in energy, oil and gas, telecommunications, transportation, real estate, construction, food and beverage, mining and other services among others.

As of December 31, 2014 and 2013, the Company's defined benefit retirement fund has investments in shares of stock of the Company with a cost of ₱30.2 million. All of the fund's investing decisions are made by the BOT of the pension plans. The retirement benefit fund's total gains arising from the changes in market prices amounted to ₱13.3 million and ₱12.7 million in 2014 and 2013, respectively.

As of December 31, 2014 and 2013, the fund's carrying value and fair value amounted to ₱409.6 million and ₱330.8 million, respectively.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets.

		2014		2013		2012
Retirement benefit cost:						
Current service cost	₱	**13,730,445**	₱	12,918,528	₱	13,331,361
Net interest		**(2,008,262)**		(1,730,706)		1,427,364
Past service cost - plan amendment and others		**–**		287,007		625,606
Net benefit expense	₱	**11,722,183**	₱	11,474,829	₱	15,384,331
Actual return on plan assets	₱	**23,538,784**	₱	35,316,020	₱	44,206,068

Changes in net retirement plan asset are as follows:

	2014	2013	2012
Net retirement plan asset (retirement benefits payable), beginning	₱ 53,846,435	₱ 38,369,388	(₱ 18,128,318)
Current service cost	(10,316,336)	(9,738,438)	(9,328,437)
Net interest	2,383,337	2,442,611	(22,996)
	(7,932,999)	(7,295,827)	(9,351,433)
Actuarial changes arising from:			
Remeasurement of plan asset	9,836,624	20,320,127	31,443,541
Experience adjustments	1,357,122	(1,079,240)	1,431,234
Changes in financial assumptions	657,490	(1,709,165)	2,884,533
Changes in the effect of asset ceiling	(2,982,175)	(2,482,016)	(5,383,274)
	8,869,061	15,049,706	30,376,034
Contribution	7,723,131	7,723,168	35,473,105
Net plan assets of acquired subsidiary (Note 6)	3,028,096	–	–
Net retirement plan asset, end	₱ 65,533,724	₱ 53,846,435	₱ 38,369,388

Changes in net retirement benefits payable are as follows:

	2014	2013	2012
Retirement benefits payable, beginning	(₱ 10,965,263)	(₱ 14,846,513)	(₱ 21,729,567)
Current service cost	(3,414,109)	(3,180,090)	(4,002,924)
Past service cost	–	–	(512,202)
Net interest	(375,075)	(711,905)	(1,404,368)
	(3,789,184)	(3,891,995)	(5,919,494)
Actuarial changes arising from:			
Experience adjustments	(795,535)	(699,009)	1,434,718
Remeasurement of plan asset	190,861	667,478	(67,328)
Changes in financial assumptions	(922,028)	(167,689)	504,113
Changes in demographic assumptions	–	–	3,452,360
	(1,526,702)	(199,220)	5,323,863
Contribution	6,200,818	7,972,465	7,436,527
Benefits paid directly by the Group	1,025,420	–	42,158
Net retirement benefits payable, end	(₱ 9,054,911)	(₱ 10,965,263)	(₱ 14,846,513)

Computation of net retirement plan assets:

2014:

	Retirement plan asset	Retirement liability	Total
Present value of defined benefit obligation	(₱ 307,945,604)	(₱ 33,824,951)	(₱ 341,770,555)
Fair value of plan asset	384,808,111	24,770,040	409,578,151
Surplus (deficit)	76,862,507	(9,054,911)	67,807,596
Effect of the asset ceiling	(11,328,783)	–	(11,328,783)
Retirement plan asset (liability)	₱ 65,533,724	(₱ 9,054,911)	₱ 56,478,813

2013:

	Retirement plan asset	Retirement liability	Total
Present value of defined benefit obligation	(₱ 249,579,338)	(₱ 30,470,153)	(₱ 280,049,491)
Fair value of plan asset	311,291,063	19,504,890	330,795,953
Surplus (deficit)	61,711,725	(10,965,263)	50,746,462
Effect of the asset ceiling	(7,865,290)	–	(7,865,290)
Retirement plan asset (liability)	₱ 53,846,435	(₱ 10,965,263)	₱ 42,881,172

Changes in the present value of defined benefit obligation:

	2014	2013
Opening defined benefit obligation	₱ **280,049,491**	₱ 250,813,630
Interest cost	**12,176,349**	13,172,342
Current service cost	**13,730,445**	12,918,528
Benefits paid from plan assets	**(4,806,179)**	(510,112)
Benefits paid directly by the Group	**(1,025,420)**	–
Remeasurement in other comprehensive income:		
Actuarial loss - changes in financial assumptions	**500,618**	1,876,854
Actuarial loss - change in demographic assumptions	**–**	1,778,249
Actuarial gain - experience	**(1,809,482)**	–
Benefit obligation of acquired subsidiary (Note 6)	**42,954,733**	–
	₱ **341,770,555**	₱ 280,049,491

Changes in the fair value of plan assets:

	2014	2013
Opening fair value of plan assets	₱ **330,795,953**	₱ 279,719,779
Contributions	**13,923,949**	15,695,633
Interest income	**14,519,672**	14,903,048
Benefits paid from plan assets	**(4,806,179)**	(510,112)
Remeasurement gain	**9,015,670**	20,987,605
Plan assets of acquired subsidiary (Note 6)	**46,129,086**	–
	₱ **409,578,151**	₱ 330,795,953

Changes in the effect of asset ceiling:

	2014	2013
Beginning balance	₱ **7,865,290**	₱ 5,383,274
Interest on the effect of asset ceiling	**335,061**	276,162
Changes in the effect of asset ceiling	**2,982,175**	2,205,854
Effect of asset ceiling of the new subsidiary (Note 6)	**146,257**	–
	₱ **11,328,783**	₱ 7,865,290

The fair value of plan assets as of December 31 are as follows:

	2014	2013
Cash and cash equivalents	₱ 10,238,644	₱ 51,866,204
Equity instruments:		
Holding	59,989,694	57,704,686
Industrial	9,922,684	6,197,707
Real estate	8,652,479	6,755,418
Financial institutions	8,504,274	8,113,345
Food and beverage	6,480,020	1,834,236
Telecommunications	6,141,636	3,025,910
Construction	1,459,538	3,741,288
Retail	1,334,970	2,179,250
Energy, oil and gas	945,224	18,838,945
Others	5,419,532	9,545,593
	108,850,051	117,936,378
Debt instruments:		
Government securities	98,375,825	67,245,423
AAA rated debt securities	46,981,867	9,961,820
Not rated debt securities	42,293,351	24,982,412
	187,651,043	102,189,655
Unit investment trust funds	97,204,156	56,879,792
Others	5,634,257	1,923,924
	₱ 409,578,151	₱ 330,795,953

The financial instruments with quoted prices in active market amounted to ₱195.7 million and ₱127.9 million as of December 31, 2014 and 2013, respectively. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

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

2014	Increase (decrease)	Effect on present value of defined benefit obligation Increase (decrease)
Discount rates	+0.5% to 0.7%	(₱4,127,199)
	-0.5 to -0.7%	4,517,193
Future salary increases	+1.0% to 1.2%	8,151,977
	-1.0% to -1.2%	(7,043,507)

2013	Increase (decrease)	Effect on present value of defined benefit obligation Increase (decrease)
Discount rates	+1.0%	(₱1,953,165)
	-1.0%	2,141,311
Future salary increases	+2.0%	3,693,033
	-2.0%	(3,234,702)

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

2014	**Increase (decrease)**	**Effect on present value of defined benefit obligation Increase (decrease)**
Discount rates	**+1.0% to 2.0%**	**(₱2,559,838)**
	-1.0% to 2.0%	**3,194,930**
Future salary increase	**+1.0% to 2.0%**	**1,611,867**
	-1.0% to 2.0%	**(1,454,847)**

2013	Increase (decrease)	Effect on present value of defined benefit obligation Increase (decrease)
Discount rates	+1.0% to 2.0%	(₱4,145,125)
	-1.0% to 2.0%	4,830,471
Future salary increase	+1.0% to 2.0%	5,131,953
	-1.0% to 2.0%	(4,547,042)

The Group expects to make contributions amounting to ₱12.1 million to its defined benefit pension plans in 2015 (₱14.8 million in 2014).

The principal assumptions used in determining pension benefit obligations for the Group's plans are shown below:

	2014	2013
Discount rate	**4% to 6%**	4% to 6%
Future salary increases	**5% to 6%**	4% to 5%

The weighted average duration of the defined benefit obligation as of December 31, 2014 and 2013 ranges from 1.6 years to 17.8 years.

24. Income Taxes

The provision for income tax consists of:

	2014	2013	2012
Current	₱ 12,927,935	₱ 26,586,615	₱ 24,212,279
Deferred	16,432,009	(10,472,628)	10,773,887
	₱ 29,359,944	₱ 16,113,987	₱ 34,986,166

The components of the net deferred income tax assets (liabilities) are as follows:

	2014	2013
Fair value adjustment	(₱ 249,451,521)	(₱ 37,171,557)
Unrealized valuation gains on AFS investments	(40,309,639)	(44,099,238)
Allowance for doubtful accounts	19,801,875	–
Retirement plan assets	(19,660,118)	(16,153,931)
Allowance for inventory losses	18,214,493	248,702
Goodwill amortization	(15,596,816)	(15,483,467)
Unrealized foreign exchange gains	(12,213,730)	(402,370)
Unrealized foreign exchange loss	10,766,182	6,903,595
Market adjustment on FVPL	6,366,630	2,614,968
Uncollected management fee	(6,306,567)	(4,978,321)
Accrued expenses	3,811,258	–
Unamortized past service cost	3,117,180	2,316,950
Retirement benefits payable	2,716,473	1,525,668
Others	(4,197,698)	(4,197,697)
Net deferred tax liability	(₱ 282,941,998)	(₱108,876,698)

There are deductible temporary differences for which no deferred income tax assets were recognized as future realizability of these deferred income tax assets is not certain. These deductible temporary differences are as follows:

	2014	2013
Allowances for:		
Doubtful accounts	₱1,032,743,947	₱ 853,808,300
Impairment losses	220,820,097	301,972,133
Inventory losses	6,625,786	4,679,415
NOLCO	318,657,950	281,126,216
MCIT	5,697,745	5,988,085
Accrued pension benefits and others	45,996,319	47,779,261

The Company and other subsidiaries domiciled in the Philippines are subjected to the Philippine statutory tax rate of 30% % in 2014, 2013 and 2012 while a foreign subsidiary is subject to U.S. federal tax rate of 34% in 2014, 2013 and 2012.

The reconciliation of provision for income tax computed at the statutory tax rates to provision for income tax is as follows:

	2014	2013	2012
Provision for income tax at statutory tax rates	₱ 619,230,451	₱ 408,868,786	₱ 457,388,682
Additions to (reductions from) income taxes resulting from:			
Gain on sale of AFS investments, marketable equity securities and other investments subjected to final tax	(515,638,967)	(336,528,398)	(330,046,783)
Movement in unrecognized deferred income tax assets	239,693,660	59,566,099	11,956,422
Gain on remeasurement of previously held interest	(209,703,328)	–	–
Dividend income not subject to income tax	(78,258,624)	(61,258,810)	(67,000,858)
Equity in net earnings of associates not subject to income tax	(44,142,332)	(68,683,677)	(46,598,326)
Interest income already subjected to final tax	(2,427,063)	(4,787,788)	(1,582,545)
Nondeductible expenses	1,822,242	481,617	1,677,283
Others	18,783,905	18,456,158	9,192,291
	₱ 29,359,944	₱ 16,113,987	₱ 34,986,166

The Group has available NOLCO and MCIT which can be claimed as deduction from taxable income and as credit against income tax due, respectively, as follows:

NOLCO

The following table summarizes the NOLCO as of December 31, 2014 of the Company and its subsidiaries domiciled in the Philippines:

Period of Recognition	Availment period	Amount	Applied	Expired	Balance
2011	2012-2014	₱ 93,326,465	(₱ 908,856)	(₱ 92,417,609)	₱ –
2012	2013-2015	66,077,438	–	–	66,077,438
2013	2014-2016	121,722,313	–	–	121,722,313
2014	2015-2017	130,858,199	–	–	130,858,199
		₱ 411,984,415	(₱ 908,856)	(₱ 92,417,609)	₱ 318,657,950

As of December 31, 2014 and 2013, a foreign subsidiary has NOLCO for federal and income tax purposes of approximately $7.6 million (₱337.4 million) and US$6.5 million (₱288.6 million), respectively. Portion of NOLCO incurred in prior year will begin to expire in 2028. No deferred income tax assets were recognized on this NOLCO as its future realizability is not certain.

MCIT

Period of Recognition	Availment period	Amount	Applied	Expired	Balance
2011	2012-2014	₱ 1,513,619	(₱ 270,000)	(₱ 1,243,619)	₱ –
2012	2013-2015	2,147,145	–	–	2,147,145
2013	2014-2016	2,327,321	–	–	2,327,321
2014	2015-2017	1,223,279	–	–	1,223,279
		₱ 7,211,364	(₱ 270,000)	(₱ 1,243,619)	₱ 5,697,745

25. Earnings Per Share - Basic / Diluted

Earnings per share - basic / diluted were computed as follows:

	2014	2013	2012
Net income attributable to equity holdings of the parent	₱ **2,041,141,959**	₱ 1,358,036,019	₱ 1,467,919,427
Weighted average number of shares (Note 19)	**1,253,952,678**	1,261,027,565	1,374,250,079
Earnings per share	₱ **1.63**	₱ 1.08	₱ 1.07

The Company does not have potentially dilutive common stock equivalents in 2014, 2013 and 2012.

26. Related Party Transactions

Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

In the normal course of business and in addition to those disclosed in Notes 12 and 29, the Group grants/receives cash advances to/from its associates and affiliates.

The consolidated balance sheets include the following transactions and account balances as of December 31 with related parties:

2014	Amount Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
Associates				
Vicinetum:				
Advances (Note 12)	₱ **229,517**	₱ **1,084,898**	Non-interest bearing no impairment	Unsecured, with allowance for doubtful accounts of ₱564.8 million

2014	Amount Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
Stockholder				
Loan (Note 18)	₱ –	(₱48,976,357)	Non-interest bearing, payable in seven equal annual installment commencing in year 2018-2024	Unsecured

2013	Amount Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
Associates				
PDP Energy:				
Management fees (Notes 9 and 29)	₱ 58,926,242	₱ 18,585,729	Non-interest bearing	Unsecured, no impairment
Advances (Note 12)	–	240,651	Non-interest bearing	Unsecured, no impairment
Vicinetum:				
Advances (Note 12)	–	855,363	Non-interest bearing	Unsecured, with allowance for doubtful accounts of ₱564.8 million
AFC Agribusiness Corporation:				
Advances (Note 12)	–	1,500,000	Non-interest bearing	Unsecured, no impairment
Others:				
Advances (Note 12)	–	1,861,123	Non-interest bearing	Unsecured with allowance for doubtful accounts of ₱24.5 million
Stockholder				
Loan (Note 18)	11,000,000	(48,976,357)	Non-interest bearing payable in seven equal annual installment commencing in year 2018-2024	Unsecured

Compensation of the Group's key management personnel:

		2014		2013		2012
				(In Millions)		
Short-term employee benefits (Note 21)	₱	112.0	₱	100.1	₱	108.1
Post-employment benefits (Note 23)		7.1		6.3		6.8
Total	₱	119.1	₱	106.4	₱	114.9

There are no termination benefits, share-based payments or other long-term employee benefits granted to key management personnel.

27. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and cash equivalents, receivables, investments in debt instruments, quoted and unquoted equity securities, investments in mutual and hedge funds, and short-term and long-term bank loans. The Group's other financial instruments include accounts payable and dividends payable and amounts due to affiliates, which arose directly from operations.

The Company's investment objectives consist mainly of:

a) maintaining a bond portfolio that earns adequate cash yields and,
b) maintaining a stable equity portfolio that generates capital gains through a combination of long-term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are credit risk, liquidity risk, interest rate risk, equity price risk, foreign currency risk, and copper price risk. These risks are monitored by the Company's Investment Committee (the Committee).

The Committee evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund. The Committee is formed by the Company's Chairman, Vice Chairman, Chief Finance Officer, and an independent consultant. These meetings occur at least every quarter.

The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

Credit risk
The Group is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of either an individual, counterparty or issuer being unable to or unwilling to honor its contractual obligations. The Group is exposed to credit risk arising from default of the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Group does not have a counterparty that accounts for more than 10% of the consolidated revenue.

Credit risk management
In managing credit risk on these investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy counterparties. Investments in bonds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

Credit risk exposures

The table below shows the gross maximum exposure for each class of financial assets before the effects of collateral, credit enhancements and other credit risk mitigation techniques:

	2014	2013
Cash in banks	₱ 1,341,444,528	₱ 516,248,672
Short-term investments	59,589,131	277,459,584
FVPL investments - bonds	560,889,748	410,431,087
AFS investments - debt instruments	1,174,457,942	843,878,978
	3,136,381,349	2,048,018,321
Loans and receivables:		
Trade	1,508,743,430	260,146,580
Notes receivable	40,000,000	60,803,463
Interest receivable	19,585,300	23,878,602
Receivable from villa owners	10,872,107	5,744,725
Advances to employees	10,170,075	5,061,723
Others	34,993,357	16,811,036
	1,624,364,269	372,446,129
	₱ 4,760,745,618	₱ 2,420,464,450

The Group has no collateral held as security nor credit enhancements as of December 31, 2014 and 2013, except for the notes receivable amounting to ₱20.8 million in 2013 from Tayabas Power guaranteed in full by SKI Construction Group, Inc., its parent company.

Credit quality per class of financial assets

For the Group's financial assets, credit quality is monitored and managed using internal credit ratings. Internal risk ratings are derived in accordance with the Group's rating policy. The table below shows the credit quality by class of financial asset based on the Group's credit rating system:

	Financial Assets that are Neither Past Due nor Impaired				
2014	**High Grade**	**Standard Grade**	**Substandard Grade**	**Past Due or Impaired**	**Total**
Cash in banks	₱ 1,341,444,528	₱ –	₱ –	₱ –	₱ 1,341,444,528
Short-term investments	59,589,131	–	–	–	59,589,131
FVPL investments					
- Bonds	9,701,915	551,187,833	–	–	560,889,748
AFS investments -					
Debt instruments	54,467,526	1,119,990,416	–	–	1,174,457,942
Receivables:					
Trade	–	1,000,711,761	–	547,725,466	1,548,437,227
Notes receivables	–	40,000,000	–	–	40,000,000
Interest receivable	–	19,585,300	–	–	19,585,300
Receivables from					
villa owners	–	10,872,107	–	–	10,872,107
Advances to employees	–	10,170,075	–	–	10,170,075
Others	–	34,993,357	–	1,833,158	36,826,515
	₱ 1,465,203,100	₱2,787,510,849	₱ –	₱ 549,558,624	₱ 4,802,272,573

	Financial Assets that are Neither Past Due nor Impaired				
2013	**High Grade**	**Standard Grade**	**Substandard Grade**	**Past Due or Impaired**	**Total**
Cash in banks	₱ 516,248,672	₱ –	₱ –	₱ –	₱ 516,248,672
Short-term investments	227,459,584	–	–	–	227,459,584
FVPL investments -					
Bonds	13,868,554	387,741,246	–	8,821,287	410,431,087
AFS investments -					
Debt instruments	128,140,305	715,738,673	–	–	843,878,978
Receivables:					
Trade	18,585,729	219,198,845	–	56,490,566	294,275,140
Notes receivables	20,803,463	40,000,000	–	–	60,803,463
Interest receivable	–	11,953,640	–	11,924,962	23,878,602
Receivables from villa owners	–	5,744,725	–	–	5,744,725
Advances to employees	–	5,061,723	–	–	5,061,723
Others	–	1,833,158	–	16,811,036	18,644,194
	₱ 925,106,307	₱ 1,387,272,010	₱ –	₱ 94,047,851	₱ 2,406,426,168

The Group evaluates credit quality on the basis of the credit strength of the security and/or counterparty/ issuer. High grade financial assets reflect the investment grade quality of the investments and/or counterparty; realizability is thus assured. Standard grade assets are considered moderately realizable.

Financial assets that are past due but not impaired

The table below shows the aging analysis of past due but not impaired loans/receivables per class that the Group held. Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due.

	Financial Assets that are Past Due but Not Impaired				
December 31, 2014	**Less than 30 days**	**31 to 60 days**	**61 to 90 days**	**More than 91 days**	**Total**
Trade and others	₱ **248,174,745**	₱ **142,265,529**	₱ **91,435,013**	₱ **26,156,383**	₱ **508,031,670**

	Financial Assets that are Past Due but Not Impaired				
December 31, 2013	**Less than 30 days**	**31 to 60 days**	**61 to 90 days**	**More than 91 days**	**Total**
Trade and others	₱ 27,880,278	₱ 4,301,526	₱ 2,886,392	₱ 2,271,688	₱ 37,339,884
Interest receivable	5,560,943	6,364,019	–	–	11,924,962
	₱ 33,441,221	₱ 10,665,545	₱ 2,886,392	₱ 2,271,688	₱ 49,264,846

Liquidity risk

Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Group ensures investments have ample liquidity to finance operations and capital requirements. Short-term bank loans are secured to fill in temporary mismatch of funds for new investments.

Where applicable, long-term debt or equity are used for financing when the business requirement calls for it to ensure adequate liquidity in the subsidiaries and affiliates' operation.

The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due. This is done by primarily investing in highly liquid investments.

The tables below summarize the maturity profile of the Group's financial liabilities at December 31 based on undiscounted contractual payments as well as the financial assets used for liquidity management.

December 31, 2014	Within 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
Cash in banks	₱ 1,341,444,528	₱ –	₱ –	₱ –	₱ 1,341,444,528
Short-term investments	59,589,131	–	–	–	59,589,131
FVPL investments - Bonds	–	9,701,915	–	551,187,833	560,889,748
AFS investments - Bonds	24,691,343	–	772,790,720	376,975,879	1,174,457,942
Receivables	1,535,882,523	88,481,746	-	–	1,624,364,269
	₱ 2,961,607,525	₱ 98,183,661	₱ 772,790,720	₱ 928,163,712	₱ 4,760,745,618
Notes payable	₱ 1,529,461,840	₱ –	₱ –	₱ –	₱ 1,529,461,840
Accounts payable and accrued expenses*	990,335,808	–	–	–	990,335,808
Long-term debt	–	237,502,643	1,934,135,533	–	2,171,638,176
Interest payable	61,705,069	31,629,919	195,659,481	–	288,994,469
Dividends payable	519,664,033	–	–	–	519,664,033
	₱ 3,101,166,750	₱ 269,132,562	₱2,129,795,014	₱ –	₱ 5,500,094,326

Excluding other payables to government amounting to ₱24.2 million

December 31, 2013	Within 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
Cash in banks	₱ 516,248,672	₱ –	₱ –	₱ –	₱ 516,248,672
Short-term investments	227,459,584	–	–	–	227,459,584
FVPL investments - Bonds	22,689,841	387,741,246	–	–	410,431,087
AFS investments - Bonds	39,831,707	9,118,076	512,142,061	282,787,134	843,878,978
Receivables	181,389,440	227,018,407	–	–	408,407,847
	₱ 987,619,244	₱ 623,877,729	₱ 512,142,061	₱ 282,787,134	₱ 2,406,426,168
Notes payable	₱ 125,095,466	₱ –	₱ –	₱ –	₱ 125,095,466
Accounts payable and accrued expenses*	354,108,924	–	–	–	354,108,924
Long-term debt	–	31,337,632	111,651,619	1,997,775,000	2,140,764,251
Interest payable	23,573,284	25,838,400	277,656,202	5,068,916	332,136,802
Dividends payable	264,014,626	–	–	–	264,014,626
	₱ 766,792,300	₱ 57,176,032	₱ 389,307,821	₱2,002,843,916	₱ 3,216,120,069

Excluding other payables to government amounting to ₱46.8 million

The Group's total financial liabilities due to be settled within one year include notes payable that management considers as working capital. Accounts payable and accrued expenses and dividends payable are expected to be settled using cash to be generated from operations and drawing from existing lines of credits or liquidity reserves.

Market risks

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Group. The Group is exposed primarily to the financial risks of changes in interest rates, foreign currency risk and equity price risks.

Investments exposed to market risk are foreign and local currency denominated quoted debt instruments, foreign and local currency denominated equity instruments and mutual fund/hedge fund investments.

There has been no change to the Group's manner in managing and measuring the risk.

a. Interest rate risks

Cash flow interest rate risk
Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following tables demonstrate management's best estimate of the sensitivity to reasonably possible change in interest rates, with all other variables held constant:

2014	**Change in interest rates (in bps*)**	**Effect on income before tax - Increase (decrease)**
Floating debt instrument	**+150**	**(₱22,980,846)**
	-150	**22,980,846**

2013	**Change in interest rates (in bps*)**	**Effect on income before tax - Increase (decrease)**
Floating debt instrument	+150	(₱27,115,300)
	-150	27,115,300

**basis points*

The sensitivity analysis shows the effect on the consolidated statements of income of assumed changes in interest rates on the net interest income for one year, based on the floating rate of financial assets and liabilities held at December 31, 2014 and 2013. There is no other impact on equity other than those affecting profit and loss.

Fair value interest rate risk
Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group accounts for its quoted debt instruments at fair value. Changes in benchmark interest rate will cause changes in the fair value of quoted debt instruments.

The tables below show the impact on income before income tax and equity of the estimated future bond yields using a duration based sensitivity approach. Items affecting profit and loss are bonds classified as FVPL and items affecting equity account are bonds classified as AFS.

		Increase (Decrease)	
2014	**Change in interest rates (in bps*)**	**Effect on income before tax**	**Effect on equity**
AFS investments	**+100**	**₱ –**	**(₱ 28,378,092)**
	-100	**–**	**31,149,871**
FVPL investments	**+100**	**(34,582,614)**	**–**
	-100	**39,559,799**	**–**

2013	Change in interest rates (in bps*)	Increase (Decrease) Effect on income before tax	Effect on equity
AFS investments	+100	₱ –	(₱ 19,435,471)
	-100	–	20,888,538
FVPL investments	+100	(20,646,172)	–
	-100	23,777,633	–

** basis points*

b. Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Group's investment in stock listed in the Philippine Stock Exchange (PSE).

The sensitivity analysis assumes that the stock's standard deviation on its historical returns for the past one year provides the basis for the range of reasonably possible changes in prices of the stock investments. In establishing the relative range of the stock investment returns, the Group also assumes a 99% confidence level.

The tables below show the impact on income before income tax and equity of the estimated future return of the stock investments using a Beta-based sensitivity approach.

2014	**Change in PSE price index**	**Increase (Decrease) Effect on income before tax**	**Effect on equity**
AFS investments	**+28.02%**	₱ **–**	₱ **1,080,930,597**
	-28.02%	**–**	**(1,080,930,597)**

2013	Change in PSE price index	Increase (Decrease) Effect on income before tax	Effect on equity
AFS investments	+55.33%	₱ –	₱ 2,225,907,439
	-55.33%	–	(2,225,907,439)

The annual standard deviation of the PSE price index is approximately 12.04% and 23.88% and with 99% confidence level, the possible change in PSE price index could be +/-28.02% and +/-55.33% in 2014 and 2013, respectively. There are no outstanding stock investments listed in PSE that are classified as FVPL as of December 31, 2014 and 2013.

c. Price risk of mutual funds

The Group is exposed to the risk of changes in the fund's net asset value (NAV) due to its market risk exposures.

The sensitivity analysis demonstrates management's best estimate of the impact of reasonably possible change in NAV, with all other variables held constant.

The tables below show the impact on income before income tax and equity of assumed changes in NAV. A negative amount in the table reflects a potential reduction on income before income tax or equity while a positive amount reflects a potential increase on income before income tax or equity.

		Increase (Decrease)	
2014	**Change in NAV**	**Effect on income before tax**	**Effect on equity**
Mutual funds	**+10%**	**₱ 526,875**	**₱ 22,897,682**
	-10%	**(526,875)**	**(22,897,682)**

		Increase (Decrease)	
2013	**Change in NAV**	**Effect on income before tax**	**Effect on equity**
Mutual funds	+10%	₱ 2,256,159	₱ 23,079,108
	-10%	(2,256,159)	(23,079,108)

d. Foreign currency risks

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group's exposure arises primarily from investments in foreign currency denominated debt investments and equity securities.

The Company and a subsidiary's foreign exchange risk arises primarily from investments in foreign currency denominated debt and equity securities. To minimize income volatility due to exchange rate movements, liquid investments are held in a basket of currencies, including Philippine peso and other major currencies such as U.S. dollar, Euro and Japanese Yen. This also enables the Company and a subsidiary to access investment opportunities in those currencies. The Company occasionally engages in foreign currency forward contracts as a defensive measure against foreign currency volatility.

On borrowings, it is the Company's group-wide policy for its subsidiaries and associates where it has significant influence to minimize any foreign exchange risks. Thus, all borrowings whether short-term or long-term, in general, should be in Philippine peso. Any foreign currency borrowings may be engaged only if matched by the entities' corresponding currency revenue flows or by a foreign currency asset. As such, PRI, SSRLI and CGI can borrow in U.S. dollar as their revenues are dollar-based. It is also the policy of the Group to minimize any foreign exchange exposure in its management of payables. Any substantial exposure is covered by foreign exchange contracts, if necessary.

The analysis discloses management's best estimates of the effect of reasonably possible movement of the currency rate against the Philippine peso. It assumes that all other variables remain constant. A negative amount in the table reflects a potential reduction in income before income tax or equity, while a positive amount reflects a net potential increase in income before income tax or equity.

2014	**Change in currency rate**	**Effect on income before tax Increase (Decrease)**
Japanese Yen	**+8.39%**	**₱5,758,452**
	-8.39%	**(5,758,452)**
US Dollar	**+4.41%**	**(400,428)**
	-4.41%	**400,428**

2013	Change in currency rate	Effect on income before tax Increase (Decrease)
Japanese Yen	+13.28%	₱28,439,018
	-13.28%	(28,439,018)
US Dollar	+5.71%	2,729,891
	-5.71%	(2,729,891)

d. Copper price risk

The PDP Group uses copper rods in the manufacturing of its products. Copper rods component represents a significant portion of the cost of each unit produced. Average monthly purchase of copper rods amounted to ₱311.15 million with an average quantity of about 952 metric tons in 2014.

Copper rods are priced based on the London Metal Exchange prices and are affected by the volatility in the price of metal in the world market. The following table represents the effect on income before tax of the reasonably possible change in metal prices, as they affect prices of copper rods, with all other variables held constant:

	% Change in copper rod prices	Effect on income before tax Increase (Decrease)
2014	**+1.26% to 1.52%**	**(₱6,151,036)**
	-1.26% to 1.52%	**6,151,036**

The PDP Group's exposure to price risk on copper rod purchases is managed through back-to-back purchase of rods versus sales orders, average pricing on the firm orders like automobile wire products with long-term contracts, and obtaining orders from contractors with a fixed price or locked-in contracts with a specified period.

Capital Management

Due to the diversity of the operations of each company in the Group, capital risk management processes in place are specific to each company. Below are the capital risk management policies of the Company and its more significant subsidiaries and associate:

a. The primary objective of the Group's capital management is to ensure an adequate return to its shareholders and to maximize its value to its shareholders. In pursuance of this goal, the Group establishes an optimum risk return investment objectives through a sound diversified investment portfolio and in ensuring a fair credit rating, the Group establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the balance sheet.

No changes were made in the objectives, policies or process for the years ended December 31, 2014 and 2013.

b. Cirrus' and CGI's capital management objectives are:
- To ensure its 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.

CGI monitors capital on the basis of the carrying amount of equity as presented on the face of its balance sheet.

CGI sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying business.

28. Financial Instruments

Categorization of Financial Instruments

December 31, 2014	Loans and Receivables	Financial Assets at FVPL	AFS Investments	Total
Cash and cash equivalents	₱ 1,401,033,659	₱ –	₱ –	₱ 1,401,033,659
FVPL investments	–	595,681,712	–	595,681,712
AFS investments	–	–	10,091,991,319	10,091,991,319
Receivables	1,624,364,269	–	–	1,624,364,269
	₱ 3,025,397,928	₱ 595,681,712	₱10,091,991,319	₱ 13,713,070,959

December 31, 2013	Loans and Receivables	Financial Assets at FVPL	AFS Investments	Total
Cash and cash equivalents	₱ 743,892,509	₱ –	₱ –	₱ 743,892,509
FVPL investments	–	479,879,789	–	479,879,789
AFS investments	–	–	10,348,529,052	10,348,529,052
Receivables	372,446,129	–	–	372,446,129
	₱ 1,116,338,638	₱ 479,879,789	₱10,348,529,052	₱ 11,944,747,479

Other Financial Liabilities	2014	2013
Notes payable	₱ 1,529,461,840	₱ 125,095,466
Accounts payable and accrued expenses*	990,335,808	354,108,924
Long-term debt, including current portion	2,171,638,176	2,140,764,251
Dividends payable	519,664,033	264,014,626
	₱ 5,211,099,857	₱ 2,883,983,267

** Excluding other payables to government agencies amounting to ₱24.2 million and ₱46.8 million in 2014 and 2013, respectively.*

Fair Values of Financial Assets and Liabilities

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments:

	December 31, 2014		December 31, 2013	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
FVPL investments:				
Bonds	₱ **560,889,748**	₱ **560,889,748**	₱ 410,431,087	₱ 410,431,087
Funds and equities	**8,621,964**	**8,621,964**	53,378,702	53,378,702
Others	**26,170,000**	**26,170,000**	16,070,000	16,070,000
	595,681,712	**595,681,712**	479,879,789	479,879,789
AFS investments:				
Bonds and convertible note	**1,174,457,942**	**1,174,457,942**	843,878,978	843,878,978
Quoted equity shares	**7,542,719,341**	**7,542,719,341**	7,915,173,765	7,915,173,765
Funds and equities	**311,119,241**	**311,119,241**	442,936,860	442,936,860
Proprietary shares	**171,051,352**	**171,051,352**	177,238,250	177,238,250
Unquoted shares	**703,437,468**	**703,437,468**	675,137,535	675,137,535
	9,902,785,334	**9,902,785,334**	10,054,365,388	10,054,365,388
	₱ **10,498,467,046**	₱ **10,498,467,046**	₱10,534,245,177	₱ 10,534,245,177

The carrying amounts of cash and cash equivalents, receivables, notes payable, dividends payable and accounts payable and accrued expenses approximate their fair values due to the short-term maturity of these financial instruments. As of December 31, 2014 and 2013, AFS investments amounting to ₱189.2 million and ₱256.7 million were carried at cost since these are investments in unquoted equity shares and the fair values cannot be measured reliably.

The carrying values of long-term debt, which have floating rates with quarterly repricing, approximate their fair values.

The following methods and assumptions were used to estimate the fair values:

- FVPL investments in bonds, funds and equities and others are derived from quoted market prices in active markets.

- AFS investments in bonds, quoted equity shares and funds and equities and proprietary shares are derived from quoted market prices in active markets.

- AFS investments in unquoted equity shares are based on the discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, and growth rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

The following table provides the Group's fair value measurement hierarchy of its assets:.

As of December 31, 2014:

		Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
FVPL investments:				
Bonds	₱ 560,889,748	₱ 560,889,748	₱ –	₱ –
Funds and equities	8,621,964	8,621,964	–	–
Others	26,170,000	26,170,000	–	–
	595,681,712	595,681,712	–	–
AFS investments:				
Bonds	1,174,457,942	1,174,457,942	–	–
Quoted equity shares	7,542,719,341	7,542,719,341	–	–
Funds and equities	311,119,241	311,119,241	–	–
Proprietary shares	171,051,352	171,051,352	–	–
Unquoted shares	703,437,468	–	–	703,437,468
	9,902,785,344	9,199,347,876	–	703,437,468
	₱ 10,498,467,056	₱ 9,795,029,588	₱ –	₱ 703,437,468

As of December 31, 2013:

		Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
FVPL investments:				
Bonds	₱ 410,431,087	₱ 410,431,087	₱ –	₱ –
Funds and equities	53,378,702	53,378,702	–	–
Others	16,070,000	16,070,000	–	–
	479,879,789	479,879,789	–	–
AFS investments:				
Bonds	843,878,978	843,878,978	–	–
Quoted equity shares	7,915,173,765	7,915,173,765	–	–
Funds and equities	442,936,860	442,936,860	–	–
Proprietary shares	177,238,250	177,238,250	–	–
Unquoted shares	675,137,535	–	–	675,137,535
	10,054,365,388	9,379,227,853	–	675,137,535
	₱ 10,534,245,177	₱ 9,859,107,642	₱ –	₱ 675,137,535

Description of significant unobservable inputs to valuation of financial instruments classified under Level 3 (in millions):

2014	Valuation technique	Significant unobservable inputs	Range	Sensitivity of input to fair value
Enderun	DCF Model	Student growth rate of 5%	**5% to 15%**	**5%: fair value of ₱248** **15%: fair value of ₱279**
		Tuition fee increase by 5%	**0% to 5%**	**0%: fair value of ₱286** **5% fair value of ₱257**
		Cost of capital of 11%	**8% to 12%**	**8%: fair value of ₱290** **12%: fair value of ₱282**
KSA	DCF Model	Dividend payout is ₱40 million	**-5% to 10%**	**-5%: fair value of ₱402** **10% fair value of ₱446**
		Liquidity discount of 20%	**10% to 30%**	**10%: fair value of ₱425** **30% fair value of ₱409**
		Cost of capital of 11%	**10% to 12%**	**10%: fair value of ₱447** **12% fair value of ₱389**

2013	Valuation technique	Significant unobservable inputs	Range	Sensitivity of input to fair value
Enderun	DCF Model	Student growth rate of 10%	5% to 15%	5%: fair value of ₱267 15%: fair value of ₱327
		Tuition fee increase by 2%	0% to 5%	0%: fair value of ₱256 5%: fair value of ₱337
		Cost of capital of 11%	8% to 12%	8%: fair value of ₱357 12%: fair value of ₱239
KSA	DCF Model	Dividend payout is ₱40 million	-5% to 1%	-5%: fair value of ₱375 1%: fair value of ₱392
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱396 30% fair value of ₱382
		Cost of capital of 11%	10% to 12%	10%: fair value of ₱419 12% fair value of ₱362

An increase in the percentage of EBITDA over revenue would increase the fair value of the investment in Enderun.

An increase in the expected lease income of KSA would increase the dividend payout, which would lead to an increase in the fair value of the investment in KSA.

Reconciliation of fair value measurement of AFS assets in unquoted equity shares (in millions):

	Enderun	KSA	Total
As at 1 January 2013	₱ 286	₱ 7	₱ 293
Re-measurement recognized in OCI	–	382	382
Realized gains (losses) in profit or loss	–	–	–
Unrealized gains (losses) in profit or loss	–	–	–
Purchases	–	–	–
Reclassified in discontinued operations	–	–	–
Transfer into/out of Level 3	–	–	–
Sales	–	–	–
As at 31 December 2013	286	389	675
Re-measurement recognized in OCI	–	28	28
Realized gains (losses) in profit or loss	–	–	–
Unrealized gains (losses) in profit or loss	–	–	–
Purchases	–	–	–
Reclassified in discontinued operations	–	–	–
Transfer into/out of Level 3	–	–	–
Sales	–	–	–
As at 31 December 2014	**₱ 286**	**₱ 417**	**₱ 703**

For the years ended December 31, 2014 and 2013, there were no transfers from Level 1, Level 2 and Level 3 fair value measurements.

29. Contracts and Agreements

Sutton

a. On February 26, 2009, CGI's BOD ratified the new Service Agreement with IQHPC with a revised fee equivalent to 3% of all billed expenses effective January 1, 2009.

b. In the ordinary course of business, IQHPC enters into Service Agreements with U.S. hospitals and/or staffing agencies to provide services in relation to the placement of qualified Filipino nurses for full time employment in the U.S. The Service Agreement sets forth the rights, responsibilities, terms and conditions governing IQHPC's services, which include among others, training and procedural assistance in obtaining all required licensure examinations, obtaining U.S. permanent residence status and eventual placement of the nurses to the U.S. hospitals and/or agency.

As of December 31, 2014 and 2013, IQHPC has outstanding Service Agreements with different U.S. hospitals and one with a staffing agency. Service income recognized in 2014, 2013 and 2012 amounted to ₱3.4 million, ₱14.8 million and ₱14.4 million, respectively.

c. CGI entered into a non-cancellable operating lease covering certain offices. The lease has terms ranging up to three years, with renewal options and includes annual escalation rates of 5% to 10%. Upon its maturity on July 31, 2010, the lease was renewed for a two-year term ending July 31, 2012. In 2012, the same was again renewed for a one-year term ending July 31, 2013. In 2013, the same was again renewed for a one year term ending July 31, 2014.

The future minimum rentals payable under the non-cancellable operating lease within one year from the balance sheet date amounted to ₱1.7 million and ₱1.6 million as of December 31, 2014 and 2013, respectively.

Rent expense in 2014, 2013 and 2012 amounted to ₱2.8 million, ₱2.6 million and ₱2.5 million, respectively.

d. In May 2010, CGI entered into a sublease agreement with a third party covering its office space. The sublease has a term of one year ending April 30, 2011 renewable upon mutual agreement of both parties. Upon its maturity, the sublease agreement was renewed for several periods. The extended sublease agreement ended last July 31, 2014.

In October 2014, CGI entered into sublease agreement with another third party covering its office space renewable upon mutual agreement of both parties. The sublease agreement is for a period of eight months ending July 15, 2015.

Rent income from the sublease agreement in 2014, 2013 and 2012 amounted to ₱0.6 million, ₱0.8 million and ₱0.8 million, respectively.

e. In December 2014 and 2013, advances to CGI amounting to ₱6.0 million and ₱7.6 million were assigned to Sutton in exchange for its 948 common shares and 2,528 common shares, respectively.

Cirrus

a. Cirrus Holdings USA, LLC and Cirrus Allied, LLC have various staffing contracts with their U.S. clients concerning certain rates and conditions, among others. Service income amounted to ₱1,250.0 million, ₱1,252.7 million and ₱1,145.7 million in 2014, 2013 and 2012, respectively.

b. Cirrus has entered into a third party non-cancellable operating lease agreements for the rental of office space and equipment. The leases include options to renew, as well as rent escalation clauses and in certain cases, incentives from the landlord for rent-free months and allowances for tenant improvements.

As of December 31, 2014 and 2013, future minimum lease payments associated with these agreements with terms of one year or more are as follows:

		2014		2013
Within one year	₱	**9,770,918**	₱	9,907,321
After one year but not more than five years		**31,350,732**		22,299,209
	₱	**41,121,650**	₱	32,206,530

Rent expense in 2014, 2013 and 2012 amounted to ₱10.9 million, ₱11.4 million and ₱7.5 million, respectively.

c. On December 10, 2010, Cirrus acquired NT, a company maintaining web domains for nurses and physical therapist, and agreed to pay a maximum total consideration amounting to $1.06 million for the net assets of NT as of purchase date. Of the amount, $0.51 million will be paid by Cirrus provided certain revenue and earnings target are met. To facilitate the transaction, the Company made advances to AI in the amount of $840,000 (₱37.09 million).

ASAC

ASAC enters into a lease agreement for ground handling equipment in the conduct of its operations. The lease agreement is in force for a period of not more than one year unless all parties formally extend the said term. Rent expense charged to operations amounted to ₱0.1 million in 2012 (nil in 2014 and 2013).

IAI

a. On August 23, 2006, IAI entered into a Maintenance Service Plan (MSP) with Honeywell effective for five years for the latter to service IAI's additional aircraft engine acquired in 2007. Under the terms of the programs, IAI agrees to pay a fee computed at a rate of engine's actual operating hours or the minimum operating hours, subject to annual escalation. The engine shall be shipped to the United States to undergo repairs and maintenance as necessary, by a Honeywell authorized service center. The contract was renewed under the same terms in 2011. Deposits for the MSP as of December 31, 2014 and 2013 amounted to ₱45.81 million and ₱52.7 million, respectively, and included as part of "Other current assets" account in the consolidated balance sheets.

b. IAI conducts its operations from leased facilities which include the aircraft hangar, parking lots and the administrative office. The lease agreement is for a period of two years commencing on September 1, 2009 and is subsequently renewed for another two years upon its termination in 2011 and 2013. The renewed lease agreement will terminate in August 2015.

The same shall be renewable upon mutual agreement if either party receives no notice of termination. Rent expense recognized in operations amounted to ₱2.8 million in 2014, ₱2.7 million in 2013 and ₱2.4 million in 2012.

Future minimum annual rentals payable under this lease are as follows:

		2014		2013
Not later than one year	₱	**1,857,143**	₱	2,785,714
Later than one year but not later than 5 years		**–**		1,857,143
	₱	**1,857,143**	₱	4,642,857

SSRLI and PRI

a. Since 1995, the Company charges SSRLI a monthly fee amounting to US$4,000 or its Peso equivalent for the Company's general, administrative, treasury, tax and legal services rendered to SSRLI. In addition, the Company also made advances to SSRLI for the latter's operating expenses. Due from SSRLI, which has been eliminated in the consolidated financial statements, amounted to ₱0.02 million as of December 31, 2014 and 2013 (see Note 12).

b. PRI executed in the past an Operating and Management Agreement (OMA) with Amanresorts Management, B.V. (AMBV, the Operator of Amanresorts), a company based in Amsterdam, the Netherlands, for a fee of 5% of PRI's gross operating profits, as defined in the OMA. The OMA provides for, among others, the reimbursements by PRI to Amanresorts of all costs and expenses incurred by the latter in connection with the management and operation of resort and a reserve cash funding equivalent to 4% of gross revenues which will be used to cover the cost of replacements, renewals, and additions to furniture, fixtures and equipment. On June 24, 2013, both parties have mutually entered into a new OMA, effective on the same date, in which PRI will pay a basic fee amounting to 4% of gross revenue and an incentive fee of 10% based on the gross operating profit collectively known as management fee. In addition to the management fees discussed, PRI shall also reimburse AMBV for all costs and expenses incurred by AMBV directly in connection with rendering services under the new OMA.

Likewise, marketing services and license contracts with AMBV were entered into by PRI in the past, providing marketing fee of 3% of the resort's annual gross hotel revenues and US$1,000 monthly fee, respectively. On June 24, 2013, both parties mutually entered into a new marketing services agreement of the same terms and conditions except for a lower marketing fee rate of 1% of gross revenue from 3%.

PRI also obtained from Amanresorts I.P.R.B.V. (AIPRBV), a company incorporated in Amsterdam, the Netherlands, the nonexclusive license to use the Amanresorts Marks in connection with the operation of the Resort.

The OMA, marketing and license contracts will expire on the 31st day of December of the 5th full calendar year following their commencement. Further, AMBV has the option to extend the operating term for a period of 5 years from the date of its expiration. Total fees related to these agreements amounted to ₱34.8 million, ₱17.9 million and ₱25.4 million in 2014, 2013, and 2012, respectively.

c. SSRLI has an agreement with IAI for the latter to provide regular air service. IAI shall charge SSRLI a fixed round trip rate per passenger, subject to an annual review by both parties, with a guarantee that all of IAI's operating costs will be covered.

As a result of the transfer of resort operations from SSRLI to PRI (see Note 12), the latest renewal of the air service agreement was made between PRI and IAI covering a three-year period from July 1, 2011 to June 30, 2014. The duration of the contract may be extended upon such terms and conditions as may be mutually agreed by both parties

d. PRI entered into a lease agreement with IAI for the Guest Lounge and Purchasing Office. The lease agreement has duration of two years and was executed in September 2013. The agreement provides that the Company is not allowed to sublease any part of the leased premises.

Rent relating to the lease amounted to ₱1.9 million in 2014, 2013 and 2012.

e. In January 2007, APHI and SSRLI entered into a consultancy agreement whereby APHI will provide project management, general and specific administration and supervision over pre-construction and post-construction stages of SSRLI's Amanpulo Phase 2 and other capital expenditure projects for a certain fee agreed by the two parties. As of December 31, 2011, the consultancy contract is still in effect but at a reduced fee.

On May 31, 2013, APHI and SSRLI entered into a management contract in which APHI will provide technical advice, supervision and management services and general administration for various Phase 3-A villa projects, such as but not limited to other Amanpulo special capital expenditure projects. SSRLI shall pay a fixed monthly fee amounting to ₱615,000 exclusive of VAT, effective June 1, 2013 until the projects have been completed, delivered and accepted by SSRLI.

f. On July 1, 2011, PRI entered into management agreements with the villa owning companies wherein PRI shall provide general maintenance and accounting and administrative services for the villas. PRI shall also be responsible for the marketing and promotion of the villas. In return for these services, PRI shall be entitled to 50% of the net villa rental proceeds. PRI shall also receive reimbursements of costs, with 15% handling fees (except for utilities), incurred in providing services to the villa guests. PRI's share in the net villa rental proceeds amounted to ₱63.2 million, ₱57.2 million and ₱55.7 million in 2014, 2013, and 2012, respectively, and is presented as part of "Services revenue" in the consolidated statements of income.

As part of the agreement, PRI will also maintain a fund which shall be used for future maintenance requirements of the villas. As of December 31, 2014 and 2013, the restricted fund amounted to ₱39.8 million and ₱40.6 million, respectively, which is included under "Other noncurrent assets" and "Other noncurrent liabilities" in the consolidated balance sheets (see Note 15).

g. In November 2005, the DENR awarded to SSRLI the exclusive use of the foreshore land surrounding the Pamalican Island, where Amanpulo Resort is situated. The award has a duration of 25 years which may be renewed for another full period at the option of SSRLI. Annual rent shall be paid in advance on or before the 16th day of November every year.

On October 3, 2012, PRI entered into a lease agreement with SSRLI covering the land where PRI operates and certain resort-related assets for a period of 20 years. Annual lease rental amounted to ₱53.5 million payable within the first five days at the beginning of each quarter.

Future minimum lease payments under these lease agreements as of December 31 are as follows:

		2014		2013
Within one year	₱	**54,904,336**	₱	55,628,692
After one year but not more than five years		**267,500,000**		268,904,837
More than five years		**561,658,453**		615,250,000
	₱	**884,062,789**	₱	939,783,529

h. In 2014, SSRLI entered into a Construction Service Contract (Service Contract) with the PEZA-registered villa owners in which SSRLI shall provide project management general and specific administration and supervision over the preconstruction and post-construction stages of the Project. The villa owners shall pay SSRLI a handling fee which represents 15% of the actual project cost during the villa construction or renovation. In 2014, SSRLI recognized handling fee, included under "Other income (charges)" account which amounted to ₱17.71 million.

PDIPI and Subsidiaries

a. The Company has a management contract with PDP Energy which provides, among others, for payment of annual management fees amounting to ₱7.2 million (VAT inclusive) plus certain percentages of audited income before tax and management and technical assistance fees (VAT exclusive). Due from PDP Energy amounted to ₱16.9 million (eliminated in the consolidated financial statements) and ₱12.6 million as of December 31, 2014 and 2013, respectively (see Notes 9 and 26). Management fees amounted to ₱62.2 million, ₱58.9 million and ₱55.8 million in 2014, 2013 and 2012, respectively.

b. Beginning January 2004, PDP Energy entered into a new technical assistance contract with Phelps Dodge International Corporation which provides an annual payment of technical fees amounting to a certain percentage of audited income before tax (VAT inclusive). Technical fees amounted to ₱57.7 million, ₱52.5 million and ₱45.3 million in 2014, 2013 and 2012, respectively. These are included in "Management fee" in the Group's consolidated statements of income. On December 19, 2014, PDP Energy entered into a technical assistance and support agreement with General Cable Corporation (GC). The agreement provides that GC shall make available to PDP Energy technical assistance and support services which include, among others the availability of technical and qualified resource persons with expertise in materials, technologies and manufacturing processes to be made available to PDP Energy through periodic consultation meetings with PDP Energy personnel and technical visits to PDP Energy.

c. On December 19, 2014, PDIPI entered into a trademark licensing agreement with General Cable Technologies Corporation (GC) wherein GC will grant a perpetual and exclusive license to PDIPI to use the Phelps Dodge trademark in the manufacture and sale of wires and cables in the Philippines. On the same date, PDP Energy entered into a distributor and representative agreement with General Cable Industries Inc. (GC) which provides, among others, the exclusive distributor, reseller and representative for the sale of GC products to customers within the Philippines.

d. In 2008, PDP Energy entered into a contract of lease with a third party covering the lease of its office building. The contract is for a two year lease period and renewable at the option of both parties. The contract ended in 2012 and was no longer renewed. In line with this, PDP Energy entered into a contract of lease with another third party for the lease of its office building. The term is for a period of five years and renewable at the option of both parties.

The future aggregate minimum lease payments under the new operating lease are as follows:

Not later than 1 year	₱ 5,593,233
More than 1 year but not later than 5 years	10,440,703
	₱ 16,033,936

30. Other Matters

a. ASAC is a founding member of the Federation of Aviation Organizations of the Philippines (FEDAVOR) since 1986. In 2005, FEDAVOR won a Supreme Court case against MIAA involving its imposition of higher rates for rental and other services without a public hearing. ASAC accrued its share in FEDAVOR's legal expenses in 2006. In 2009, MIAA filed and subsequently won their motion for reconsideration with the Court of Appeals ruling that all refunds have to be coursed through the Commission on Audit. As of December 31, 2014, the refund process has remained pending.

With no quick resolution in sight and in view of the change in the MIAA administration, the Company is planning to enter into a new lease contract with the MIAA, with the Company as the lessor and IAI as sublessor. The Company has accumulated provisions for losses amounting to ₱1.93 million as of December 31, 2014 and 2013.

b. ASAC is a defendant in labor lawsuits and claims. As of December 31, 2014 and 2013, management has recognized provisions for losses amounting to ₱3.79 million (see Note 17) that may be incurred from these lawsuits.

c. SSRLI has commitments, litigations and contingent liabilities that arise in the normal course of the SSRLI's operations which are not reflected in the consolidated financial statements. Management is of the opinion that as of December 31, 2014 and 2013, losses, if any, from these commitments and contingencies will not have a material effect on the consolidated financial statements.

31. Subsequent Events

On February 18, 2015 the BOD of the Company approved the appropriation from unrestricted retained earnings the amount of ₱500.0 million The appropriated retained earnings will be used for the Company's investment program within next three years on investment programs related to the services sector, tourism and manufacturing which operations are based within and outside the Philippines.

On February 17, 2015, PDP Energy's BOD approved the declaration of cash dividends amounting to ₱1.5 billion to PDIPI which will be paid on or before March 31, 2015. Proceeds from cash dividends to be received by PDIPI amounting to ₱1.5 billion was approved on the same date by the PDIPI BOD to be paid to the Company on or before March 31, 2015.

BOARD OF **DIRECTORS**

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Chief Executive Officer/President

EDUARDO J. SORIANO
Vice Chairman/
Treasurer

ERNEST K. CUYEGKENG

JOHN L. GOKONGWEI, JR.

OSCAR J. HILADO

JOSE C. IBAZETA

ROBERTO R. ROMULO

OFFICERS & CORPORATE DIRECTORY

OFFICERS

ERNEST K. CUYEGKENG
Executive Vice President & Chief Financial Officer

WILLIAM H. OTTIGER
Senior Vice President & Corporate Development Officer

NARCISA M. VILLAFLOR
Vice President & Comptroller

LORENZO D. LASCO
Vice President

JOSHUA L. CASTRO
Assistant Vice President & Assistant Corporate Secretary

LORNA P. KAPUNAN
Corporate Secretary

SUBSIDIARIES

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AFC Agribusiness Corporation
Anscor Consolidated Corporation
Anscor International, Inc.
Anscor Property Holdings, Inc.
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Cirrus Global, Inc.
Cirrus Holdings USA, LLC
Cirrus Medical Staffing, Inc.
IQ Healthcare Investments Limited
IQ Healthcare Professional Connection, LLC
Island Aviation, Inc.
Minuet Realty Corporation
NurseTogether, LLC
Pamalican Island Holdings, Inc.
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Phelps Dodge International Philippines, Inc.
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Seven Seas Resorts and Leisure, Inc.
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KSA Realty Corporation.
Predictive Edge Technologies, LLC
Prople Limited
Vicinetum Holdings, Inc.

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